



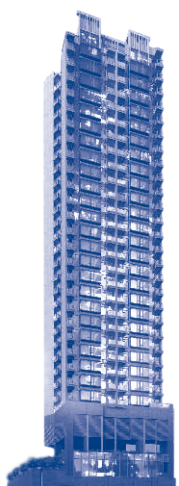
LAI SUN DEVELOPMENT  
(Stock code: 488)

## LAI SUN DEVELOPMENT COMPANY LIMITED

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ANNUAL REPORT  
Year ended 31 July 2012





**Cover Photo:**  
Ocean One, the Group's residential / commercial property located at Yau Tong, Kowloon, Hong Kong



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**PLACE OF INCORPORATION**

Hong Kong

**BOARD OF DIRECTORS****Executive Directors<sup>Δ</sup>**

Lam Kin Ngok, Peter (*Chairman*)  
 Chew Fook Aun (*Deputy Chairman*)  
 Lau Shu Yan, Julius (*Chief Executive Officer*)  
 Lui Siu Tsuen, Richard

**Non-executive Directors**

Lam Kin Ming  
 U Po Chu  
 Wan Yee Hwa, Edward

**Independent Non-executive Directors**

Lam Bing Kwan  
 Leung Shu Yin, William  
 Ip Shu Kwan, Stephen, GBS, JP

**AUDIT COMMITTEE**

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

**REMUNERATION COMMITTEE**

Leung Shu Yin, William (*Chairman*)  
 Lam Bing Kwan  
 Chew Fook Aun

**COMPANY SECRETARY**

Kwok Siu Man

**REGISTERED OFFICE/PRINCIPAL OFFICE**

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

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

With effect from 1 November 2012,

<sup>Δ</sup> Mr. Lam Hau Yin, Lester will be appointed, and Mr. Lui Siu Tsuen, Richard will resign as, an Executive Director; and

\* Dr. Lam Kin Ngok, Peter and Mr. Lau Shu Yan, Julius will cease to act as, and Mr. Chew Fook Aun and Mr. Kwok Siu Man will be appointed, the Authorised Representatives.

**AUTHORISED REPRESENTATIVES**

Lam Kin Ngok, Peter\*  
 Lau Shu Yan, Julius\*

**SHARE REGISTRARS AND TRANSFER OFFICE**

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

**INDEPENDENT AUDITORS**

Ernst & Young  
 Certified Public Accountants

**PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
 China Construction Bank Corporation  
 Chong Hing Bank Limited  
 Citibank, N.A.  
 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**

488

**BOARD LOT**

1,000 Shares

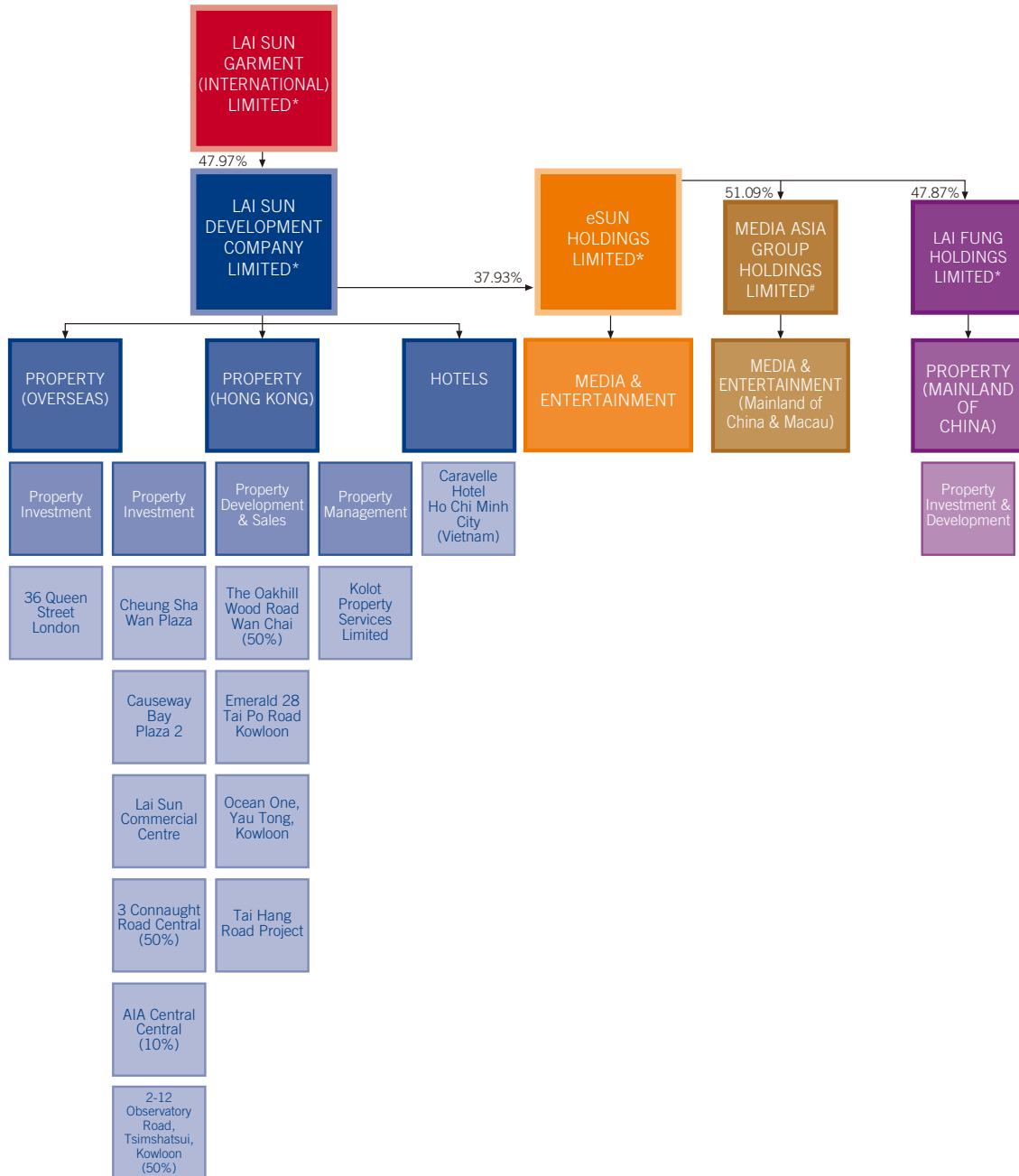
**WEBSITE**

[www.laisun.com](http://www.laisun.com)

**INVESTOR RELATIONS**

Email: [ir@laisun.com](mailto:ir@laisun.com)

Lai Sun Development Company Limited is a member of the Lai Sun Group which obtained its first listing on the Hong Kong stock exchange in late 1972. The Company is well diversified and its principal activities include property development and investment in Hong Kong, hotel operation and management as well as media and entertainment business. The Company was listed on The Stock Exchange of Hong Kong Limited in March 1988 following a reorganisation of the Group.



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

# Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

Corporate structure as at 30 October 2012



◆ Dr. Lam Kin Ngok, Peter  
Chairman



I am pleased to present the audited consolidated results of Lai Sun Development Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the year ended 31 July 2012. We have early adopted a number of new and revised Hong Kong Financial Reporting Standards this year. One of which, HKAS 12 (Amendments) “Income Taxes”, led to an increase in the consolidated profits attributable to the shareholders of the Company of HK\$105.4 million and an increase in the consolidated net assets of HK\$1,504.8 million for and as at the year ended 31 July 2011. We have restated the financial information of 2011 in this report for comparison purpose.

### OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2012, the Group recorded a turnover of HK\$875.2 million (2011: HK\$1,192.9 million) and a gross profit of HK\$544.4 million (2011: HK\$611.6 million), representing a decrease of approximately 27% and 11%, respectively over last year. Net profit attributable to shareholders was approximately HK\$2,282.6 million (2011 (restated): HK\$2,449.1 million), representing a decrease of approximately 7%. Accordingly, basic earnings per share declined to HK\$0.125 (2011 (restated): HK\$0.160). The decrease in turnover was due to the conclusion of the sale of the Emerald 28 project. The decrease in profit was due to conclusion of the sale of the Emerald 28 and The Oakhill projects, as well as a smaller increase in property valuation, which were partially off-set by a good rental performance from our investment property portfolio, gain on acquisition of additional interests in eSun Holdings Limited and a reversal of provision for tax indemnity. Excluding the effect of property revaluations, net profit attributable to shareholders was approximately HK\$845.5 million (2011 (restated): HK\$819.5 million), representing an increase of approximately 3%. Basic earnings per share excluding the property revaluation effect correspondingly decreased to HK\$0.046 (2011 (restated): HK\$0.053).



Shareholders' equity as at 31 July 2012 amounted to HK\$16,357.6 million (2011 (restated): HK\$13,463.8 million). Net asset value per share attributable to shareholders of the Company decreased to HK\$0.815 (2011 (restated): HK\$0.951) after completion of the rights issue in December 2011.

## FINAL DIVIDEND

As at 31 July 2012, 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. Accordingly, the board of directors (the "**Board**") of the Company has resolved not to recommend the payment of an ordinary dividend for the year ended 31 July 2012 (2011: Nil).

## MARKET OUTLOOK AND BUSINESS REVIEW

As a global financial centre and one of the leading cities in China, Hong Kong's economic performance is clearly not immune from the challenges faced by the major economies around the world. The protracted softening of major global economies exacerbated by macro issues such as the lingering concerns over possible long term solutions to the euro-zone sovereign debt crisis, the presidential election in the United States and the leadership change in China and Hong Kong have inhibited the pace of economic growth in Hong Kong also.

Notwithstanding these challenging conditions, the property market has demonstrated resilience and shown signs of sustained recovery as a whole across different markets generally, particularly after the election of Chief Executive in Hong Kong, which is underpinned by the chronic lack of short term supply, robust underlying demand and a low interest rate environment.

### Office and Retail Markets

Whilst we have been seeing some softening of the office market due to slower economic activities and therefore a more cautious stance adopted by corporates, the price adjustments have been moderated by underlying demand. Visitor numbers and retail sales remained strong. Coupling with the continued and cascading effect of traditional street level retail shops being displaced by international super brands, rental performance of the retail market has been robust.



◆ Swimming pool of The Oakhill



◆ Club house of Emerald 28

As a result, our investment properties have performed well during the year under review. We will adopt a two-pronged strategy in delivering value in our investment portfolio as follows:

- i) continue to grow our investment portfolio through retaining sizeable commercial/retail elements from our development projects; and
- ii) actively managing our tenant mix and rental with a view to optimising occupancy and cashflow. Major investment properties currently under construction include our 50:50 joint venture with China Construction Bank Corporation (“**CCB**”) at 3 Connaught Road Central, which is expected to be completed by the end of 2012 and will add an attributable gross floor area (“**GFA**”) of approximately 114,583 square feet to the rental portfolio. Preleasing has commenced and progress is within expectations. CCB will be the anchor tenant for the building, taking more than 50% of the lettable area. Our 50:50 joint venture with Henderson Land Group at Observatory Road is expected to be completed in 2015 and will add another attributable GFA of approximately 81,224 square feet.

### Development Properties

Strong underlying demand, a low interest rate environment, ample liquid funds and a tight market supply of new residential units have sustained momentum in the residential market as a whole despite a number of fiscal and monetary policies introduced to rein it back. During the year under review, we achieved good results from Emerald 28. Subsequent to the year end, we sold one of the two remaining duplex units of The Oakhill project and achieved a unit price of over HK\$24,000 per square feet. Against such a backdrop, we are confident that the sales of our Ocean One in Yau Tong which has recently commenced will achieve good results.



◆ 3 Connaught Road Central



◆ 2-12 Observatory Road



◆ Ocean One



## Outlook

Whilst the newly elected Chief Executive has outlined some of his plans in addressing the supply issue, these are predominantly medium to longer term solutions. Given the underlying demand and low interest rates in the foreseeable future, countered by cooling measures being implemented, we see the market to be well supported in the near to medium term.

The investment and development projects mentioned above will strengthen our platform for further growth in the coming years. With the Hong Kong government committed to increasing land supply in the long run as a measure to stabilise local property prices, we will continue to monitor the prices achieved at government land auctions and tenders in Hong Kong and will participate in these exercises if and when suitable investment opportunities arise.

## STABLE FINANCIAL POSITION

During the year, we completed a rights issue and raised approximately HK\$513.6 million, net of expenses. In line with the Group's prudent financing strategy aimed at optimising its financial structure and strengthening working capital, we have HK\$1,671.1 million of cash on hand with a net debt to equity ratio of 7% as at 31 July 2012. Since the year end, we have self arranged a secured loan facility of HK\$2,200 million from a syndicate of twelve banks with a total of HK\$6.04 billion being committed. This strong oversubscription shows the confidence of the banks in the Company and will provide us with additional resources to capitalise on any future opportunities.

## SHAREHOLDERS AND STAFF

Looking back on this financial year, I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us during the year for their loyalty, support and outstanding teamwork.

I am delighted to welcome Chew Fook Aun who joined the Board as Deputy Chairman and Executive Director who brings a wealth of experience from the property sector from his prior appointments. I would also like to thank Ambrose Cheung, Kraven Tam and Sam Cheung who left the Board during the year for their valuable contributions to the Company during their tenure.

I firmly believe that the concerted efforts of our staff and stakeholders will continue to propel the growth momentum of our Group going forward.

**Lam Kin Ngok, Peter**  
*Chairman*

Hong Kong  
30 October 2012

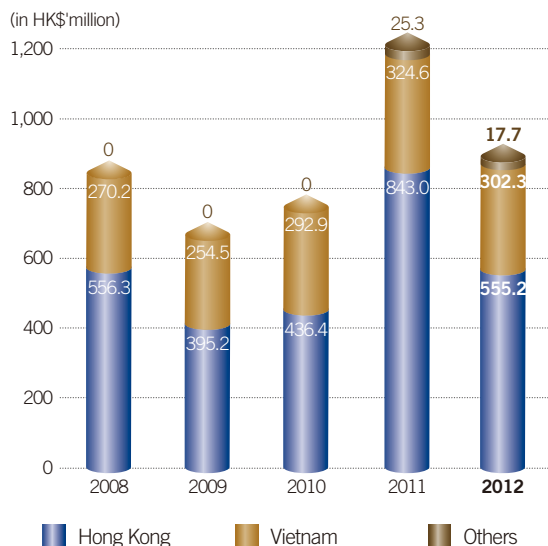
## Financial Highlights

Two-year Overview		FY2012	FY2011	%
Turnover	(HK\$M)	<b>875.2</b>	1,192.9	-27%
Gross profit	(HK\$M)	<b>544.4</b>	611.6	-11%
Gross profit margin	%	<b>62%</b>	51%	
Operating profit	(HK\$M)	<b>1,165.9</b>	1,325.6	-12%
Operating profit margin	%	<b>133%</b>	111%	
Profit attributable to shareholders	(HK\$M)			
— excluding the effect of property revaluation		<b>845.5</b>	819.5	3%
— including the effect of property revaluation		<b>2,282.6</b>	2,449.1	-7%
Net profit margin	%			
— excluding the effect of property revaluation		<b>97%</b>	69%	
— including the effect of property revaluation		<b>261%</b>	205%	
Earnings per share	(HK\$)			
— excluding the effect of property revaluation		<b>0.046</b>	0.053	-13%
— including the effect of property revaluation		<b>0.125</b>	0.160	-22%
Shareholders' equity	(HK\$M)	<b>16,357.6</b>	13,463.8	21%
Net borrowings	(HK\$M)	<b>1,141.1</b>	1,314.1	-13%
Net asset value per share	(HK\$)	<b>0.815</b>	0.951	-14%
Share price as at 31 July	(HK\$)	<b>0.140</b>	0.205	-32%
Price earnings ratio (Basic)	(times)			
— excluding the effect of property revaluation		<b>3.043</b>	3.868	
— including the effect of property revaluation		<b>1.120</b>	1.281	
Market capitalisation as at 31 July	(HK\$M)	<b>2,808.8</b>	2,903.2	-3%
Gearing - net debt to equity	(%)	<b>7%</b>	10%	
Interest cover	(times)			
— excluding the effect of property revaluation		<b>14.1</b>	16.1	
— including the effect of property revaluation		<b>38.0</b>	48.1	
Discount to net asset value	(%)	<b>83%</b>	78%	

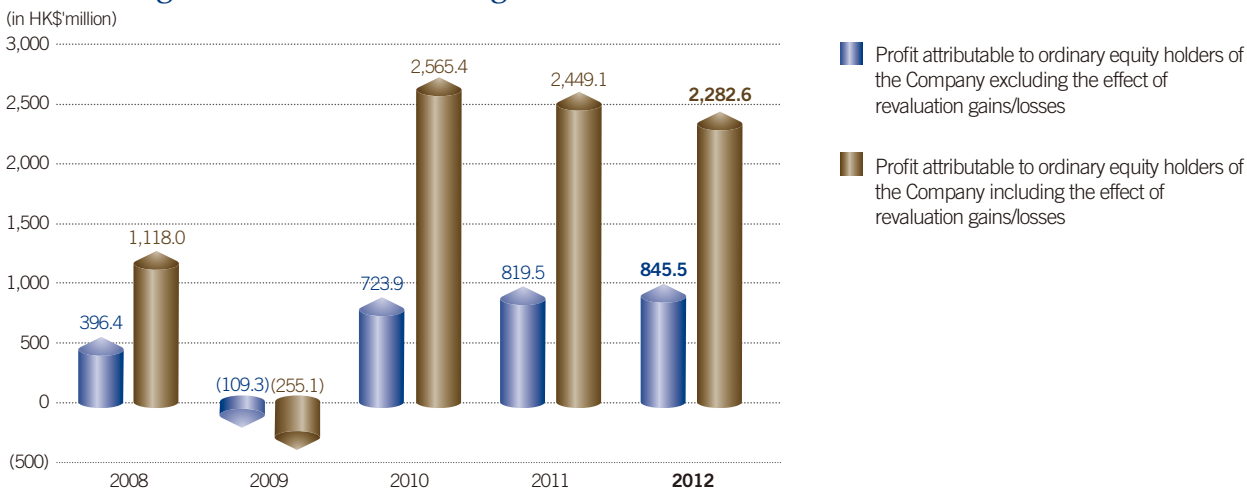
## Turnover by Segment



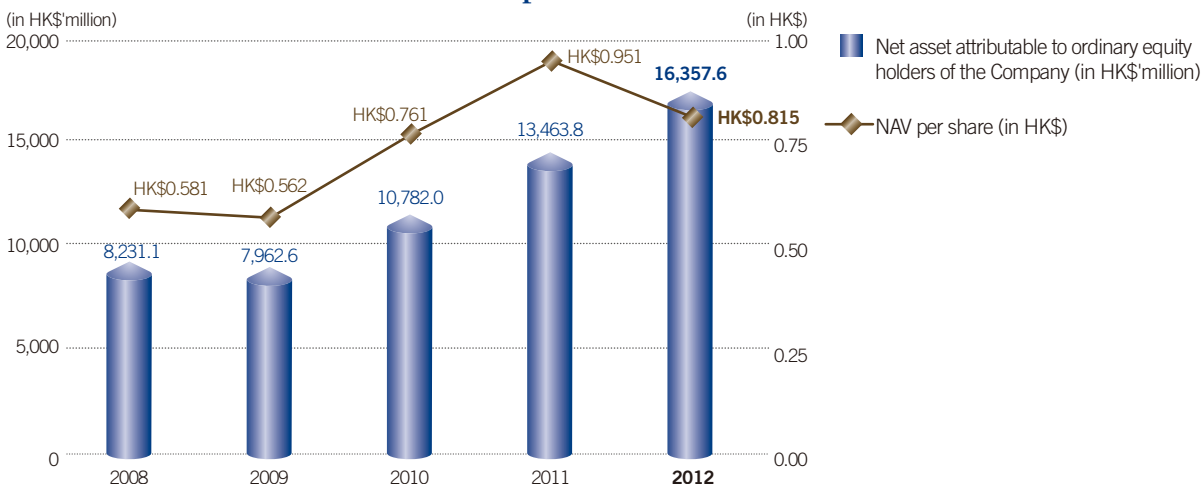
## Turnover by Geographical Location



## Profit attributable to ordinary equity holders of the Company including & excluding the effect of revaluation gains/losses



## Net Asset & Net Asset Value (“NAV”) per share



## OVERVIEW

The Hong Kong property market weathered the global economic challenges well as a whole primarily due to the chronic lack of short term supply, robust underlying demand and low interest rate environment. Against such backdrop, Lai Sun Development Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) achieved a solid set of results from its investment properties and the remaining units from Emerald 28 and The Oakhill.

As at 31 July 2012, the Group maintained a property portfolio comprising, in attributable gross floor area (“**GFA**”) (excluding carparks), completed investment properties with attributable GFA of approximately 1,183,211 square feet, properties under development with attributable GFA of approximately 361,073 square feet, and properties held for sale with attributable GFA of approximately 15,531 square feet. The Group will build on this sound asset base with a view to delivering long-term value to its shareholders.

## Property Portfolio Composition

Approximate attributable GFA in '000 square feet as at 31 July 2012

	Commercial/ Retail	Office	Industrial	Residential	Total	No. of carparks
Investment properties	434	738	11	—	1,183	943
Properties Under Development	111	115	—	135	361	61
Properties Held for Sale	13	—	—	3	16	13
<b>Total GFA</b>	<b>558</b>	<b>853</b>	<b>11</b>	<b>138</b>	<b>1,560</b>	<b>1,017</b>

The above table does not include GFA of properties held by Lai Fung Holdings Limited (“**Lai Fung**”).

## PROPERTY INVESTMENT

### Rental Income

During the year under review, the Group’s rental operations recorded a turnover of HK\$395.8 million (2011: HK\$367.5 million), representing a 8% increase over 2011. The increase is primarily due to the management of tenant mix and rental reversion at its major investment properties.

The Group wholly owns three major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. During the year under review, these properties had in aggregate a total GFA of approximately 1,086,975 square feet (excluding carparks).

## PROPERTY INVESTMENT (CONTINUED)

### Rental Income (continued)

Breakdown of rental turnover by major investment properties is as follows:

	2012 HK\$ million	Year ended 31 July		Period end occupancy(%)
		2011 HK\$ million	% Change	
Cheung Sha Wan Plaza (including carparks)	<b>212.7</b>	198.2	7%	99.4
Causeway Bay Plaza 2 (office, retail and carparks)	<b>120.8</b>	113.9	6%	95.4
Lai Sun Commercial Centre (including carparks)	<b>48.0</b>	42.4	13%	98.2
Other	<b>14.3</b>	13.0	10%	N/A
<b>Total</b>	<b>395.8</b>	367.5	8%	

### Review of major investment properties

#### Cheung Sha Wan Plaza

The asset comprises of two 8-storey and 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of approximately 690,006 square feet (excluding carparks). The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.

#### Causeway Bay Plaza 2

The asset comprises of a 28-storey commercial/office building with car parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of approximately 208,432 square feet (excluding carparks). Key tenants include the HSBC's branch and commercial offices and major restaurants.

#### Lai Sun Commercial Centre

The asset comprises a 13-storey commercial/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of approximately 188,537 square feet (excluding carparks).



◆ Cheung Sha Wan Plaza



◆ Causeway Bay Plaza 2



◆ Lai Sun Commercial Centre



## PROPERTY INVESTMENT (CONTINUED)

### Review of major investment properties (continued)

The Group has interest in the following joint venture projects in Hong Kong:

#### 3 Connaught Road Central

The Group has a 50:50 interest with China Construction Bank Corporation (“CCB”) in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. The redeveloped project will be an office tower that is expected to become a landmark property in Central featuring underground access to the MTR station in Central. Part of the redeveloped property, upon its completion, will be mostly used by CCB as offices for its Hong Kong operations. The total construction cost of the project is estimated to be approximately HK\$950 million with a total GFA of approximately 229,165 square feet (excluding carparks).

The building is expected to be completed before the end of 2012 and pre-leasing of the remaining space is in progress.

#### 2-12 Observatory Road

The Group completed the acquisition of a 50% interest in a project at Observatory Road, Kowloon with the buildings previously erected there known as Nos. 2-12, Observatory Road, Kowloon in November 2011.

The Group is now in discussions with the joint venture partner regarding the overall re-development plan including the designs, features and quality of the new building. The site is being planned to be redeveloped into a multi-storey commercial building with a total GFA of approximately 162,448 square feet (excluding carparks). Subject to the finalisation of the re-development plan with the joint venture partner, the total development cost is estimated to be approximately HK\$2.3 billion including an estimated land value of approximately HK\$1.7 billion. The new building is expected to be completed in 2015.

## PROPERTY DEVELOPMENT

During the year under review, recognised turnover from sales of properties was HK\$92.1 million (2011: HK\$414.5 million), representing a decrease of 78% over last year. The decrease was due to the conclusion of the sale of the Emerald 28 project where all the remaining units have been sold virtually.

### Review of major projects under development

#### Ocean One, Yau Tong, Kowloon

The Group wholly owns this development project located at No. 6 Shung Shun Street, Yau Tong, Kowloon. The Group is developing the site into a residential-cum-commercial property with a total saleable GFA of about 132,092 square feet (excluding carparks). The estimated total development cost (including land cost and lease modification premium) is about HK\$700 million and expected to be completed by end of 2012. The Group is in the process of pre-sale of the residential units currently.

#### 335-339 Tai Hang Road, Hong Kong

The Group wholly owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group is developing the site into a luxury residential property with a total GFA of about 30,479 square feet (excluding carparks). The Group completed the lease modification of the site. The total development cost (including land cost and lease modification premium) is estimated to be about HK\$650 million. Completion is expected to be in the second quarter of 2013.

## HOTEL AND RESTAURANT OPERATIONS

The hotel and restaurant operations include the Group's interests in the historic Caravelle Hotel in Ho Chi Minh City, Vietnam and a number of acclaimed restaurants in Hong Kong including the only Michelin 3 star Italian restaurant 8 <sup>1/2</sup> Otto e Mezzo BOMBANA; Michelin 1 star Japanese restaurant Wagyu Kaiseki Den; Michelin 1 star Cantonese restaurant Island Tang; as well as other high profile restaurants such as Kowloon Tang and Chiu Tang.

During the year under review, hotel and restaurant operations contributed HK\$362.8 million to the Group's turnover (2011: HK\$389.4 million), representing a decrease of approximately 7% from last year. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of the Caravelle Hotel. For the year under review, Caravelle Hotel achieved an average occupancy rate of 67% (2011: 68%) and an average daily room rate of US\$149 (2011: US\$146). Caravelle Hotel will undergo a comprehensive renovation and upgrade programme which will commence in the first quarter of 2013. The renovation is expected to finish in the third quarter of 2014.

The hotel and restaurant operations are managed by Furama Hotels and Resorts International Limited ("FHRI"), the Group's hotels and resorts management operation. FHRI has extensive experience in providing consultancy and management services to hotels in China, Hong Kong and other Asian countries. FHRI's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou and Zhongshan. FHRI will provide technical advisory services to the serviced apartments in Shanghai May Flower Plaza, Guangzhou Paramount Centre and Zhongshan Palm Spring when the relevant developments are completed. All three properties are expected to complete in 2013.

## INTERESTS IN ASSOCIATES (eSun Holdings Limited)

During the year under review, contribution from eSun Holdings Limited ("eSun") increased to HK\$440.6 million (2011: HK\$270.2 million), representing an increase of 63%. This is primarily due to eSun's gain on the bargain purchase of the additional interest in Lai Fung as part of Lai Fung's open offer.

eSun expects its momentum to continue given an underlying schedule of new releases in movies, events and music albums in the coming financial year. Despite the challenging operating environment characterised by stringent austerity measures in the property market in China, Lai Fung was able to deliver a good performance for the year under review. Net asset value and net profit attributable to shareholders increased steadily.



◆ Wagyu Kaiseki Den in Hong Kong



◆ Island Tang in Hong Kong

## INTERESTS IN JOINT VENTURES

During the year under review, contribution from joint ventures decreased to HK\$711.0 million (2011 (restated): HK\$990.8 million), representing a decrease of 28%. This is primarily due to the conclusion of the sale of The Oakhill.

## OUTLOOK

The monetary easing as a result of central banks around the world attempting to revive major economies around the world is expected to remain for some time which sustains a generally low interest rate environment for the foreseeable future. In Hong Kong, the low interest rate environment, together with the robust underlying demand and lack of near term supply, are expected to be countered by the fiscal policies implemented to cool the property market. The Group believes the Hong Kong property market as a whole will remain stable. Rental of retail properties and sale of residential properties are expected to provide the main impetus.

In light of this, the Group has adopted a prudent yet flexible approach with the objective of preserving margin and optimising long-term value for shareholders. The Group believes that it is well-positioned to take advantage of the pent-up demand with its project pipelines. The Group intends to expand the investment property portfolio through retaining any sizeable commercial and retail elements that it develops to improve recurring income which will form the bedrock for securing funding to develop other projects.

The addition of 3 Connaught Road Central and the Observatory Road projects will add to the critical mass of the investment property portfolio. The Group expects the sale of Ocean One and the Tai Hang Road projects to deliver a strong set of results.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2012, the Group had consolidated net assets attributable to shareholders of the Company of approximately HK\$16,357.6 million (2011 (restated) : HK\$13,463.8 million).

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



◆ 36 Queen Street, London



◆ Tai Hang Road Project

## LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 31 July 2012, the Group had secured bank facilities (excluding amounts repaid and cancelled pursuant to the respective terms of the facilities) of approximately HK\$3,127.0 million. The amount of outstanding borrowings under these secured banking facilities was approximately HK\$2,812.2 million (as at 31 July 2011: HK\$2,416.5 million). The net debt to equity ratio expressed as a percentage of the total outstanding net borrowings (being the total outstanding borrowings less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to shareholders of the Company was approximately 7%. As at 31 July 2012, the maturity profile of the bank borrowings of HK\$2,812.2 million was spread over a period of less than 5 years with HK\$1,104.8 million repayable within 1 year, HK\$357.5 million repayable in the second year and HK\$1,349.9 million repayable in the third to fifth years. As at 31 July 2012, all the Group's borrowings carried interest on a floating rate basis.

As at 31 July 2012, certain investment properties with carrying amounts of approximately HK\$8,554.4 million, certain property, plant and equipment with carrying amounts of approximately HK\$234.4 million, prepaid land lease payments of approximately HK\$25.0 million, certain properties under development for sale of approximately HK\$1,200.5 million, and certain bank balances and time deposits with banks of approximately HK\$106.0 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares in a joint venture held by the Group were pledged to a bank to secure a loan facility granted to a joint venture of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars or United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has an investment in United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK\$124.0 million which only accounted for a small portion of the consolidated net assets of the Group as at 31 July 2012. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure.

## CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 33 to the financial statements.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2012, the Group employed a total of approximately 1,200 employees (2011: 1,200). The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.



A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

## RESULTS

	2012 HK\$'000	Year ended 31 July			
		2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)	2008 HK\$'000 (Restated)
TURNOVER	<b>875,156</b>	1,192,914	729,254	649,742	826,506
PROFIT/(LOSS) BEFORE TAX	<b>2,356,838</b>	2,536,763	2,650,308	(189,699)	1,198,342
Tax	<b>(31,110)</b>	(38,042)	(41,412)	(27,900)	(13,362)
PROFIT/(LOSS) FOR THE YEAR	<b>2,325,728</b>	2,498,721	2,608,896	(217,599)	1,184,980
Attributable to:					
Ordinary equity holders of the Company	<b>2,282,568</b>	2,449,128	2,565,397	(255,087)	1,118,045
Non-controlling interests	<b>43,160</b>	49,593	43,499	37,488	66,935
	<b>2,325,728</b>	2,498,721	2,608,896	(217,599)	1,184,980



## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2012 HK\$'000	As at 31 July			
		2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)	2008 HK\$'000 (Restated)
Property, plant and equipment	350,817	356,226	368,231	379,091	335,775
Prepaid land lease payments	25,010	26,038	27,066	28,094	29,121
Investment properties	8,570,911	7,756,931	6,444,930	5,192,800	5,336,000
Properties under development for sale	1,309,418	1,098,195	900,378	723,552	451,558
Interests in associates	3,083,687	2,503,210	2,267,671	2,037,736	2,170,217
Interests in joint ventures	3,889,258	2,847,147	1,851,040	752,788	735,622
Available-for-sale financial assets	1,185,810	1,035,937	770,516	512,054	530,235
Held-to-maturity debt investments	—	—	35,840	12,205	—
Pledged bank balances and time deposits (classified as non-current assets)	—	99,591	99,154	—	94,121
Deposits paid	61,500	90,000	—	—	18,800
Current assets	1,854,169	1,324,828	1,873,322	1,530,397	1,408,178
<b>TOTAL ASSETS</b>	<b>20,330,580</b>	17,138,103	14,638,148	11,168,717	11,109,627
Current liabilities	(1,410,048)	(502,092)	(658,773)	(858,887)	(353,086)
Bank borrowings (classified as non-current liabilities)	(1,707,404)	(2,199,440)	(2,313,493)	(1,533,829)	(1,722,703)
Amounts due to associates	(20,799)	(15,854)	(15,808)	(15,746)	(15,681)
Deferred tax	(100,880)	(94,461)	(89,227)	(82,799)	(78,187)
Provision for tax indemnity	(347,135)	(518,570)	(470,191)	(452,696)	(464,632)
Long term rental deposits received	(60,032)	(55,930)	(47,523)	(40,576)	(44,431)
<b>TOTAL LIABILITIES</b>	<b>(3,646,298)</b>	(3,386,347)	(3,595,015)	(2,984,533)	(2,678,720)
<b>NON-CONTROLLING INTERESTS</b>	<b>(326,697)</b>	(287,934)	(261,131)	(221,630)	(199,813)
<b>NET ASSETS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b>16,357,585</b>	13,463,822	10,782,002	7,962,554	8,231,094

Upon adoption of HKAS 12 (Amendments) "Income Taxes — Deferred Tax: Recovery of Underlying Assets" and HKFRS 11 "Joint Arrangements", the Group restated the financial information of prior years.

## MAJOR INVESTMENT PROPERTIES

Location	Group interest	Tenure	Approximate Attributable Gross Floor Area (square feet) of Use			
			Commercial/ retail	Office	Total (excluding carpark)	No. of carparks
1. Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	217,202	472,804	690,006	355
2. Causeway Bay Plaza 2, 463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portion of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	111,077	97,355	208,432	57
3. Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	105,167	83,370	188,537	521
4. 36 Queen's Street, London, United Kingdom (EC4 1HJ)	100%	The property is held freehold	—	41,680	41,680	—
5. AIA Central 1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot No. 278)	—	42,896	42,896	6
<b>Subtotal of major investment properties:</b>			<b>433,446</b>	<b>738,105</b>	<b>1,171,551</b>	<b>939</b>

## MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Group interest	Stage of construction	Expected completion date	*Site area (approximate square feet)	Approximate Attributable Gross Floor Area (square feet) of Expected Use				
					Commercial	Office	Residential	Total (excluding carpark)	No. of carparks
1. Ocean One, 6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	Superstructure work in progress	End of 2012	17,760	27,306 <sup>#</sup>	—	104,786 <sup>#</sup>	132,092 <sup>#</sup>	29
2. 335-339 Tai Hang Road, Hong Kong	100%	Superstructure work in progress	Second quarter of 2013	13,800	—	—	30,479	30,479	13
3. CCB Tower, 3 Connaught Road Central, Hong Kong	50%	Superstructure work in progress	End of 2012	14,900	—	114,583	—	114,583	19
4. 2-12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong	50%	Foundation work in progress	2015	13,765	81,224	—	—	81,224	—
<b>Subtotal of major properties under development:</b>					<b>108,530</b>	<b>114,583</b>	<b>135,265</b>	<b>358,378</b>	<b>61</b>

\* On 100% project basis

# Approximate attributable saleable gross floor area (square feet)

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively) under Appendix 14 (the Code on Corporate Governance Practices ("**former CG Code**") which was amended as the Corporate Governance Code ("**CG Code**") with most of the amended provisions becoming effective on 1 April 2012).

## (I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions respectively set out in (a) the former CG Code for the period from 1 August 2011 to 31 March 2012 and (b) the CG Code for the period from 1 April 2012 to 31 July 2012 save for the deviation from code provisions A.4.1 and E.1.2. of the former CG Code and the CG Code as well as A.5.1 of the CG Code.

*Under code provision A.4.1 of the former CG Code and the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.*

None of the existing non-executive directors ("**NEDs**") (including the independent non-executive Directors ("**INEDs**") of the Company is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**"), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors ("**Board**") as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company ("**AGM**") and will then be eligible for re-election. Further, in line with the relevant code provision of the former CG Code and the CG Code, each of the Directors appointed to fill a causal vacancy would/will be subject to election by the Shareholders at the first general meeting after his/her appointment. 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.

*Under code provision E.1.2 of the former CG Code and the CG Code, the chairman of the board should attend the annual general meeting.*

Due to other pre-arranged business commitments which must be attended to by him, Dr. Lam Kin Ngok, Peter, the Chairman, was not present at the AGM held on 21 December 2011. However, Mr. Lau Shu Yan, Julius, an executive Director ("**ED**") and the Chief Executive Officer present at that AGM was elected chairman thereof pursuant to the Articles of Association to ensure an effective communication with the Shareholders thereat.

*Under code provision A.5.1 of the CG Code, a nomination committee comprising a majority of the INEDs should be established and chaired by the chairman of the board or an INED.*

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the EDs. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

## (2) RECOMMENDED BEST PRACTICES

The Company and its subsidiaries (“**Group**”) have implemented some of the recommended best practices contained in the former CG Code during the period from 1 August 2011 to 31 March 2012 for further enhancement of the Group’s corporate governance standard as follows:

- (a) the Company had arranged for 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 were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company had 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, independent auditors and/or chambers in Hong Kong so that they could continuously update and further improve their relevant knowledge and skills.

The Company will use its reasonable efforts to identify and implement the best governance practices suitable to the Company’s needs.

## (3) BOARD OF DIRECTORS

### (3.1) Responsibilities and delegation

The Board oversees the overall management of the Company’s business and affairs. The Board’s primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of its 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.

The Board has delegated the day-to-day management of the Company’s business to the management and the Executive Committee, and focuses its attention on matters affecting the Company’s long term objectives and plans for achieving these objectives, the Group’s overall business and commercial strategy as well as overall policies and guidelines.

Decisions relating to the aforesaid matters and any acquisitions or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceed the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board; whereas decisions regarding matters set out in the terms of reference of the Executive Committee and those not specifically reserved for the Board are delegated to the Executive Committee and management.

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group’s management information updates, giving a balanced and understandable assessment of the Group’s performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group’s affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.



### (3) BOARD OF DIRECTORS (CONTINUED)

#### (3.2) Composition of the Board

The Board currently comprises ten members, of whom four are EDs, three are NEDs and the remaining three are INEDs, in compliance with the minimum number of INEDs required under Rule 3.10(1) (i.e. at least 3 INEDs) of the Listing Rules. The Company will comply with Rule 3.10A (i.e. INEDs representing at least one-third of the Board by not later than 31 December 2012) of the Listing Rules. The Directors who served the Board during the year ended 31 July 2012 (“Year”) and up to the date of this Report are named as follows:

##### **Executive Directors**

Lam Kin Ngok, Peter ( <i>Chairman</i> )	
Chew Fook Aun ( <i>Deputy Chairman</i> )	( <i>appointed with effect from 5 June 2012</i> )
Lau Shu Yan, Julius ( <i>Chief Executive Officer</i> )	
Lui Siu Tsuen, Richard	
Cheung Wing Sum, Ambrose, MH, JP	( <i>retired with effect from 21 December 2011</i> )
Tam Kin Man, Kraven	( <i>retired with effect from 1 May 2012</i> )
Cheung Sum, Sam	( <i>resigned with effect from 1 September 2012</i> )

##### **Non-executive Directors**

Lam Kin Ming  
U Po Chu  
Wan Yee Hwa, Edward

##### **Independent Non-executive Directors**

Lam Bing Kwan  
Leung Shu Yin, William  
Ip Shu Kwan, Stephen, GBS, JP

The brief biographical particulars of the existing Directors are set out in the section headed “Biographical Details of Directors” of this Annual Report on pages 35 to 39.

Dr. Lam Kin Ngok, Peter, Chairman of the Board and an ED, is the son of Madam U Po Chu, a NED and a younger brother of Dr. Lam Kin Ming, another NED.

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

### (3) BOARD OF DIRECTORS (CONTINUED)

#### (3.3) INEDs

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 also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

Mr. Leung Shu Yin, William (“**Mr. W. Leung**”), an INED, has declared in his annual confirmation of independence for the Year that he has been acting as the liquidator of True Kin Development Limited (“**True Kin**”) at the fee around HK\$30,000. True Kin is a private limited company incorporated in Hong Kong and has proceeded to the final stage of a members’ voluntary winding up that the final meeting of members has been held on 21 September 2012 and will be dissolved 3 months after the date of final meeting. 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. W. Leung is a director and other material facts relating to this case, the Board considers that it should not affect the independence of Mr. W. Leung in the exercise of his duties as an INED.

### (4) DIRECTORS’ INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

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, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written training materials to develop and refresh their professional skills; the company secretary of the Company (“**Company Secretary**”) also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company organised for the Directors and executives an in-house workshop on the Listing Rules conducted by a leading international solicitors’ firm, and arranged for the Directors to attend seminars organised by other organisations and professional bodies, chamber(s) and/or the independent auditors of the Company.

#### (4) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (CONTINUED)

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the period from 1 April to 31 July 2012:

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/ Financial/Management or Other Professional Skills	
	Read Materials	Attend Seminars/ Briefings	Read Materials	Attend Seminars/ Briefings
<b>Executive Directors</b>				
Lam Kin Ngok, Peter	√	√	—	—
Chew Fook Aun (Note 1)	√	√	√	√
Lau Shu Yan, Julius	√	√	—	—
Lui Siu Tsuen, Richard	√	√	√	—
Tam Kin Man, Kraven (Note 2)	√	√	—	—
Cheung Sum, Sam (Note 3)	√	√	√	√
<b>Non-executive Directors</b>				
Lam Kin Ming	√	—	—	—
U Po Chu	√	—	—	—
Wan Yee Hwa, Edward	√	√	√	√
<b>Independent Non-executive Directors</b>				
Lam Bing Kwan	√	√	—	—
Leung Shu Yin, William	√	√	√	√
Ip Shu Kwan, Stephen, GBS, JP	√	√	—	—

Notes: (1) Mr. Chew Fook Aun was appointed an ED with effect from 5 June 2012.

(2) Mr. Tam Kin Man, Kraven retired as an ED with effect from 1 May 2012.

(3) Mr. Cheung Sum, Sam resigned as an ED with effect from 1 September 2012.

## (5) BOARD COMMITTEES

The Executive Committee comprising members appointed by the Board amongst the EDs was established on 18 November 2005 with written terms of reference to assist the Board in monitoring the ongoing management of the Company's business and in implementing the Company's objectives in accordance with the strategy and policies approved by the Board. The Board has also delegated its authority to the following Committees to assist it in the implementation of its functions:

### (5.1) Remuneration Committee

On 18 November 2005, the Board established a Remuneration Committee which currently comprises two INEDs, namely Mr. W. Leung (Chairman) and Mr. Lam Bing Kwan and an ED, Mr. Chew Fook Aun (appointed a member with effect from 1 September 2012). Mr. Wan Yee Hwa, Edward, a NED and Mr. Cheung Sum, Sam, a former ED were both former members and ceased to act as members of the Remuneration Committee with effect from 30 June 2012 and 1 September 2012, respectively.

On 29 March 2012, the Board adopted a set of the revised terms of reference of the Remuneration Committee, which has included changes in line with the CG Code's new requirements effective from 1 April 2012. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual EDs and senior management only. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

#### (a) Duties of the Remuneration Committee

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or the Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all Directors and senior management, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, so as 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.

#### (b) Work performed by the Remuneration Committee

The Remuneration Committee held two meetings during the Year to discuss remuneration-related matters and consider the terms of appointment of an ED (including the grant of a share option). All members of the Remuneration Committee had also deliberated on matters relating to the payment of discretionary bonus and the salary adjustment of three EDs on an occasion by way of circular resolutions.

## (5) BOARD COMMITTEES (CONTINUED)

### (5.2) Audit Committee

On 31 March 2000, the Board established an Audit Committee which comprised two INEDs, namely Mr. W. Leung (Chairman) and Mr. Lam Bing Kwan, and a NED, Mr. Wan Yee Hwa, Edward during the Year and up to the date of this Report.

The Company has complied with Rule 3.21 of the Listing Rules, which requires 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 expertise.

(a) **Duties of the Audit Committee (including corporate governance functions)**

While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of the Audit Committee who are considered to be better positioned to provide an objective and independent guidance on governance-related matters.

On 29 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy ("**CG Policy**"). On the same date, the terms of reference of the Audit Committee were revised in line with the CG Policy and had incorporated the new corporate governance-related functions required under the CG Code effective from 1 April 2012. Such functions include the responsibilities to develop, review, monitor and make recommendations to the Board (as appropriate) in respect of, the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), the practices in compliance with legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

Subsequent to the Year-end date, an independent external risk advisory firm ("**Independent Advisor**") had been retained to conduct a review of the compliance by the Company with the code provisions of the CG Code. The relevant report from the Independent Advisor was presented to and reviewed by the Audit Committee and the Board.

Apart from performing the corporate governance functions, the Audit Committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgments contained in them before submission to the Board for approval, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process.



## (5) BOARD COMMITTEES (CONTINUED)

### (5.2) Audit Committee (continued)

#### (b) Work performed by the Audit Committee

The Audit Committee held two meetings during the Year. It has reviewed the audited final results of the Company for the year ended 31 July 2011, the unaudited interim results of the Company for the six months ended 31 January 2012 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year. Further, it has reviewed the arrangements for employees to raise concerns about improprieties in financial reporting, internal control or other matters, and the arrangements for the fair and independent investigation of these matters as well as the Group's audit plan covering the Year.

On 29 October 2012, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the independent auditors of the Company ("**Independent Auditors**"). It also reviewed this Corporate Governance Report and certain internal control review reports on the Company prepared by the Independent Advisor.

## (6) CHAIRMAN AND CHIEF EXECUTIVE

The CG Code provides that the roles of the chairman and the chief executive should be separate and performed by different individuals.

During the Year and up to the date of this Report, Dr. Lam Kin Ngok, Peter was the Chairman of the Company while Mr. Lau Shu Yan, Julius was the Chief Executive Officer of the Company.

## (7) NON-EXECUTIVE DIRECTORS

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

## (8) NOMINATION OF DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. The EDs and the full Board followed such procedures in the appointment of Mr. Chew Fook Aun, an ED and the Deputy Chairman with effect from 5 June 2012.

## (9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**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 enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the Year.

## (10) INDEPENDENT AUDITORS' REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors, Ernst & Young, Certified Public Accountants, Hong Kong for the Year amounted to HK\$2,743,000 and HK\$892,500, respectively. The non-audit services mainly consisted of advisory, review, tax compliance service and other reporting services.

## (11) DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs and results of the Group. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

The Group has early adopted a batch of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") in advance of their respective effective dates for the first time for the Year's financial statements. They include, amongst others,

- (i) HKFRS 10 "Consolidated Financial Statements", and
- (ii) HKAS 12 (Amendments) "Income Taxes-Deferred Tax: Recovery of Underlying Assets"

HKFRS 10 introduces a new definition of control which is used to determine which entities shall be consolidated and includes detailed guidance to explain when an investor that owns less than 50% of the voting shares in an investee has control over the investee.

eSun Holdings Limited ("**eSun**"), a 37.93%-owned associate of the Group has also early adopted HKFRS 10 in the current year. eSun increased its shareholdings in Lai Fung Holdings Limited ("**Lai Fung**") from 40.58% to 47.39% upon completion of the open offer of Lai Fung on 11 June 2012. With the early adoption of HKFRS 10, the directors of eSun concluded that eSun has had control over Lai Fung and Lai Fung has become a subsidiary of eSun since 11 June 2012.

The adoption has resulted in an increase in eSun's net assets and equity as at 31 July 2012 which in turn has increased the Group's net assets and equity as at 31 July 2012 by HK\$127.4 million.

HKAS 12 (Amendments) introduces a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred tax on investment property at fair value is measured to reflect the tax consequence of recovering the carrying amounts of the investment properties through use.

**(11) DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS (CONTINUED)**

The Group measures its investment properties using the fair value model. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale, unless the presumption is rebutted as set out in HKAS 12 (Amendments). As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. The adoption of HKAS 12 (Amendments) has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties. Previously, the Group recognised deferred taxes on changes in fair value of the investment properties on the basis that the entire carrying amounts of the properties are recovered through use. HKAS 12 (Amendments) has been adopted retrospectively. This adoption has resulted in an overall increase in the Group's net assets and equity as at 31 July 2012 by HK\$1,753.1 million.

More detailed descriptions of the changes in accounting policies and the related financial impacts are included in the financial statements of the Group.

**(12) INDEPENDENT AUDITORS' REPORTING RESPONSIBILITY**

The statement by the Independent Auditors about their reporting and auditing responsibilities for the financial statements is set out in the Independent Auditors' report contained in this Annual Report.

**(13) ATTENDANCE RECORD AT MEETINGS**

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

**Meetings held during the Year**

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	General Meetings*
Number of Meetings held	9	2	2	3
<b>Number of meetings attended/ Number of meetings held</b>				
Executive Directors				
Lam Kin Ngok, Peter ( <i>Chairman</i> )	9/9	—	—	0/3
Chew Fook Aun ( <i>Deputy Chairman</i> ) ( <i>Note 1</i> )	1/1	—	—	—
Lau Shu Yan, Julius ( <i>Chief Executive Officer</i> )	7/9	—	—	3/3
Lui Siu Tsuen, Richard	8/9	—	—	3/3
Cheung Wing Sum, Ambrose, MH, JP ( <i>Note 2</i> )	5/5	—	—	3/3
Tam Kin Man, Kraven ( <i>Note 3</i> )	7/7	—	—	3/3
Cheung Sum, Sam ( <i>Note 4</i> )	9/9	—	2/2	3/3
Non-executive Directors				
Lam Kin Ming	0/9	—	—	0/3
U Po Chu	1/9	—	—	0/3
Wan Yee Hwa, Edward ( <i>Note 5</i> )	8/9	2/2	1/1	3/3
Independent Non-executive Directors				
Lam Bing Kwan	9/9	2/2	2/2	1/3
Leung Shu Yin, William	9/9	2/2	2/2	3/3
Ip Shu Kwan, Stephen, GBS, JP	9/9	—	—	0/3

**Notes:**

- (1) Mr. Chew Fook Aun was appointed an ED and the Deputy Chairman with effect from 5 June 2012 and was appointed a member of the Remuneration Committee with effect from 1 September 2012.
- (2) Mr. Cheung Wing Sum, Ambrose retired as an ED with effect from 21 December 2011.
- (3) Mr. Tam Kin Man, Kraven retired as an ED with effect from 1 May 2012.
- (4) Mr. Cheung Sum, Sam resigned as an ED and ceased to act as a member of the Remuneration Committee with effect from 1 September 2012.
- (5) Mr. Wan Yee Hwa, Edward ceased to act as a member of the Remuneration Committee with effect from 30 June 2012.

\* These meetings were held before 1 April 2012 and as from such date, NEDs and INEDs are required to attend general meetings of the Company pursuant to the relevant code provision of the CG Code.

## (14) INTERNAL CONTROLS

The Board acknowledges that it is responsible for the internal control system of the Group, and an effective internal control system enhances the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contributes to the effectiveness and efficiency of its operations. As such, the Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

Since July 2006, the Board has been engaging the Independent Advisor to conduct various agreed upon reviews over the Company's internal control system (normally twice a year) in order to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic reviews have covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. Relevant reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board. Appropriate recommendations for further enhancing the internal control system have been taken.

## (15) COMMUNICATION WITH SHAREHOLDERS

### (15.1) Shareholders' Communication Policy

On 29 March 2012, the Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its 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](http://www.hkex.com.hk) and the Company's website at [www.laisun.com](http://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 and the Memorandum and Articles of Association of the Company are made available on the Company's website;
- (iv) AGMs and extraordinary general meetings ("**EGMs**") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Company's share registrars ("**Share Registrars**") serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

## (15) COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

### (15.2) Details of the last general meeting

The last general meeting of the Company, being the AGM for 2011 (the “**2011 AGM**”), was held at 11:00 a.m. on 21 December 2011 at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel, Pacific Palace, 88 Queensway, Hong Kong. At the 2011 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2011 and the reports of the directors and the independent auditors thereon; (ii) the re-election of Messrs. Lau Shu Yan, Julius, Tam Kin Man, Kraven and Cheung Sum, Sam as EDs, Dr. Lam Kin Ming and Mr. Wan Yee Hwa, Edward as NEDs and Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William as INEDs; (iii) the authorisation for the Board to fix the remuneration of the Directors; (iv) the re-appointment of Ernst & Young as the Independent Auditors for the Year and the authorisation for the Board to fix their remuneration; and (v) the granting to the Directors a general mandate to issue, allot and deal with additional shares of the Company of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company. The notice of the 2011 AGM and the poll results announcement in respect of the 2011 AGM were published on the websites of both the Stock Exchange and the Company on 21 November 2011 and 21 December 2011, respectively.

## (16) SHAREHOLDERS’ RIGHTS

### (16.1) Procedures for Shareholders to convene an EGM

Pursuant to the Articles of Association and the Companies Ordinance, Chapter 32 of the laws of Hong Kong (“**Companies Ordinance**”), registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (“**EGM Requisitionists**”) can deposit a written request to convene an EGM at the registered office of the Company (“**Registered Office**”), which is presently situated at the 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention of the Company Secretary.

The EGM Requisitionists must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Share Registrar will verify the EGM Requisitionists’ particulars in the EGM Requisitionists’ request. Promptly after confirmation from the Share Registrar that the EGM Requisitionists’ request is in order, the Company Secretary will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists’ request is verified not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.



## (16) SHAREHOLDERS' RIGHTS (CONTINUED)

### (16.1) Procedures for Shareholders to convene an EGM (continued)

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM for a day not more than twenty-eight (28) days after the date on which the notice convening the EGM is given, provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. Any reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be repaid to the EGM Requisitionists by the Company.

### (16.2) Procedures for putting forward proposals at a general meeting

Pursuant to the Companies Ordinance, either any number of the registered Shareholders holding not less than one-fortieth (2.5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 50 registered Shareholders holding shares on which there has been paid up an average sum, per Shareholder, of not less than HK\$2,000, can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office stated in paragraph (16.1) above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

### (16.3) Procedures for proposing a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section (Shareholders' Right sub-section) of the Company's website at [www.laisun.com](http://www.laisun.com).

## (16) SHAREHOLDERS' RIGHTS (CONTINUED)

### (16.4) Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

11/F, Lai Sun Commercial Centre  
680 Cheung Sha Wan Road  
Kowloon, Hong Kong

Fax: (852) 2743 8459  
Email: lscomsec@laisun.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

## (17) INVESTOR RELATIONS

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our Deputy Chairman and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

Subsequent to the Year-end date, we have met with a number of research analysts and investors, as well as attended conferences and non-deal roadshows as follows:

Month	Event	Organiser	Location
August 2012	UBS Hong Kong/ China Property Conference 2012	UBS	Hong Kong
September 2012	Hong Kong Property Corporate Access Day	JP Morgan	Hong Kong

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Investor Relations Department by phone on (852) 2853 6683 during normal business hours, by fax at (852) 2853 6682 or by e-mail at ir@laisun.com.

## EXECUTIVE DIRECTORS

Each of the current executive directors of the Company ("**Executive Directors**") named below 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 Garment (International) Limited ("**LSG**"), eSun Holdings Limited ("**eSun**"), Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGH**"). The issued shares of LSG, eSun and Lai Fung are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and MAGH's issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. LSG is the ultimate holding company of the Company which in turn is the controlling shareholder of eSun, while eSun is the ultimate holding company of Lai Fung and MAGH.

**Dr. Lam Kin Ngok, Peter**, Chairman, aged 55, has been an Executive Director since June 1977 and is a member of the Executive Committee of the Company. He is also the deputy chairman and an executive director of LSG and the chairman and an executive director of Lai Fung and MAGH as well as an executive director of eSun and Crocodile Garments Limited ("**CGL**"); the issued shares of CGL are listed and traded on the Main Board of the Stock Exchange. Further, Dr. Lam will step down as chairman and an executive director of Lai Fung with effect from 1 November 2012. Dr. Lam has extensive experience in the property development and investment business, hospitality as well as media and entertainment business. He was conferred an Honorary Doctorate by The Hong Kong Academy for Performing Arts in June 2011.

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. In addition, Dr. Lam is 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. Dr. Lam is the son of Madam U Po Chu (Non-Executive Director of the Company) and the younger brother of Dr. Lam Kin Ming (another non-executive Director 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 of Association**"), 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. Dr. Lam is entitled to receive an annual remuneration of HK\$10,000,000 and a discretionary bonus as determined by the Board with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

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, Chapter 571 of the laws of Hong Kong ("**SFO**") in 615,536,069 shares in LSG, 9,637,539,098 shares in the Company, 474,398,629 shares in eSun, 7,705,451,422 shares in Lai Fung, 32,228,248,603 shares in MAGH, and a principal amount of USD1,025,000 of the 9.125% Senior Notes issued by Lai Fung. Save as disclosed herein, Dr. Lam does not hold any interest or short position 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.

For the purpose of his re-election as a director of the Company at the forthcoming AGM in accordance with Article 102 of the Articles of Association, 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 of Rule 13.51(2) of the Listing Rules.

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

## EXECUTIVE DIRECTORS (CONTINUED)

**Mr. Chew Fook Aun**, aged 50, was appointed the deputy chairman and an Executive Director of the Company on 5 June 2012. He was also appointed a deputy chairman and an executive director of LSG, an executive director of eSun and an executive director of Lai Fung on the same day. Mr. Chew was appointed a member of the remuneration committee of the Company on 1 September 2012. Further, he will be the chairman of Lai Fung with effect from 1 November 2012.

Mr. Chew has over 25 years of experience in accounting, auditing and finance in the United Kingdom (“UK”) and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and The Institute of Chartered Accountants in England and Wales. He was a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the Independent Commission Against Corruption and the standing committee on company law reform of the Companies Registry, and a council member of the Financial Reporting Council, all being organisations established in Hong Kong.

Prior to joining the Lai Sun Group, Mr. Chew was an executive director and the group chief financial officer of Esprit Holdings Limited (“Esprit”) from 1 February 2009 to 1 May 2012, an executive director and the chief financial officer of The Link Management Limited acting as manager of The Link Real Estate Investment Trust (“Link REIT”) from February 2007 to January 2009. He was also the chief financial officer of Kerry Properties Limited (“Kerry Properties”) from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and an executive director of Kyard Limited in charge of the property portfolio of a private family office from 2004 to 2007. The issued shares of Esprit and Kerry Properties and the issued units of the Link REIT are listed and traded on the Stock Exchange.

The Company has entered into an employment contract with Mr. Chew with no fixed term, but such contract is determinable by the Company or Mr. Chew by serving the other party not less than 3 months’ written notice or payment in lieu thereof. In accordance with the provisions of the Articles of Association, Mr. Chew will be subject to retirement as director by rotation once every three years if elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Chew presently receives a remuneration of HK\$6,000,000 per annum (including housing reimbursement) and a yearly discretionary bonus with reference to the results of the Company and its subsidiaries, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Chew 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, except for his personal interest in the share options comprising 16,174,234 shares in LSG, 200,628,932 shares in the Company, 6,216,060 shares in eSun and 80,479,564 shares in Lai Fung, Mr. Chew does not hold any interest or short position 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.

For the purpose of his election as a director of the Company at the forthcoming AGM in accordance with Article 93 of the Articles of Association, 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 of Rule 13.51(2) of the Listing Rules.

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

## EXECUTIVE DIRECTORS (CONTINUED)

**Mr. Lau Shu Yan, Julius**, Chief Executive Officer, aged 56, joined the Company as an Executive Director in July 1991 and is a member of the Executive Committee of the Company. He is also an executive director of Lai Fung. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of The Real Estate Developers Association of Hong Kong.

**Mr. Lui Siu Tsuen, Richard**, aged 56, was appointed an Executive Director of the Company in January 2011. He is also an executive director and the chief executive officer of eSun and an executive director of LSG, Lai Fung and MAGH. Mr. Lui will resign as an executive Director of the Company, LSG and Lai Fung with effect from 1 November 2012.

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 the Singapore Exchange Limited, and a director of MRI Holdings Limited, a company previously listed on the Australian Securities Exchange.

He has over 25 years of experience in property investment, corporate finance and media and entertainment business. Mr. Lui 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.

## NON-EXECUTIVE DIRECTORS

**Dr. Lam Kin Ming**, aged 75, has been a Director of the Company since June 1959. He is also the chairman and an executive director of LSG, the deputy chairman and an executive director of Lai Fung and the chairman, the chief executive officer and an executive director of CGL. LSG is the ultimate holding company of the Company while the Company is the controlling shareholder of eSun which in turn is the ultimate holding company of Lai Fung. The issued shares of LSG, eSun, Lai Fung and CGL are listed and traded on the Main Board of the Stock Exchange. Dr. Lam has been involved in the management of garment business since 1958. He received an honorary doctoral degree from the International American University in the United States of America in 2009. He is the elder brother of Dr. Lam Kin Ngok, Peter (Chairman and an Executive Director of the Company).

**Madam U Po Chu**, aged 87, has been a Director of the Company since December 1993. She is also a non-executive director of LSG and eSun and an executive director of Lai Fung. LSG is the ultimate holding company of the Company while the Company is the controlling shareholder of eSun which in turn is the ultimate holding company of Lai Fung. The issued shares of LSG, eSun and Lai Fung are listed and traded on the Main Board of the Stock Exchange.

Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business since the mid-1960's. 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 (Chairman and Executive Director of the Company).

### NON-EXECUTIVE DIRECTORS (CONTINUED)

**Mr. Wan Yee Hwa, Edward**, aged 76, was appointed an Independent Non-Executive Director of the Company in June 2008 and re-designated as a Non-Executive Director of the Company in February 2011. Mr. Wan is a member of the Audit Committee of the Company and was a member of the Remuneration Committee until his resignation thereof on 30 June 2012.

Mr. Wan is currently also a non-executive director of LSG and an executive director of CGL. The issued shares of LSG and CGL are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lam Bing Kwan**, aged 63, was appointed an Independent Non-Executive Director in July 2002 and is a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in the property development and investment in China, having been actively involved in this industry since the mid-1980's. Mr. Lam has served on the boards of directors of a number of listed companies in Hong Kong for over 10 years and is currently a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited and an independent non-executive director of LSG, Lai Fung and eForce Holdings Limited. LSG is the ultimate holding company of the Company while the Company is the controlling shareholder of eSun which in turn is the ultimate holding company of Lai Fung. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

**Mr. Leung Shu Yin, William**, aged 63, was appointed an Independent Non-Executive Director in September 2004 and is the chairman of both the Remuneration Committee and the Audit Committee of the Company. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities and Investment 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. He is a practising director of two Certified Public Accountants' firms in Hong Kong and is also an independent non-executive director of LSG, CGL and Mainland Headwear Holdings Limited. LSG is the ultimate holding company of the Company. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

**Mr. Ip Shu Kwan, Stephen**, aged 61 was appointed an Independent Non-Executive Director of the Company in December 2009. Mr. Ip graduated from the University of Hong Kong with a Bachelor degree in Social Sciences in 1973. He joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Special Administrative Region ("HKSAR") Government as a Principal Official from July 1997 to June 2007. Senior positions held by Mr. Ip in the past included Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour on 1 July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees' rights. Mr. Ip retired from the Government of the HKSAR in July 2007.



## INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Ip is currently an independent non-executive director of the other seven publicly-listed companies, namely Yangtze China Investment Limited, Synergis Holdings Limited, China Resources Cement Holdings Limited, Viva China Holdings Limited, Milan Station Holdings Limited, Kingboard Laminates Holdings Limited and Luk Fook Holdings (International) Limited. He was an independent non-executive director of PICC Property and Casualty Company Limited and resigned from such office on 1 November 2011. While the first-mentioned company is listed in the United Kingdom, all the other seven companies are listed in Hong Kong. Mr. Ip received the Gold Bauhinia Star award from the Government of the HKSAR in 2001 and is an unofficial Justice of the Peace.

*Note:*

*Dr. Lam Kin Ngok, Peter and Mr. Chew Fook Aun (together the “Retiring Directors”) will retire as directors at the forthcoming annual general meeting of the Company. Being eligible, they offer themselves for re-election and election, respectively. For the purpose of each of the Retiring Directors’ re-election and election, 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 of 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 its subsidiaries (together, the “**Group**”) for the year ended 31 July 2012 (the “**Year**”).

## PRINCIPAL ACTIVITIES

During the Year, the Group’s principal activities have not changed and the Group focused on property development, property investment, investment in and operation of a hotel in Vietnam and restaurants in Hong Kong and the Mainland of China, and investment holding.

## RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the state of affairs of the Company and of the Group as at 31 July 2012 are set out in the financial statements and their accompanying notes on pages 57 to 156.

The board of Directors (the “**Board**”) does not recommend the payment of a final dividend in respect of the Year (2011: Nil). No interim dividend was paid or declared in respect of the Year (2011: Nil).

## RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 31 to the financial statements, respectively.

## DISTRIBUTABLE RESERVES

As at 31 July 2012, the Company did not have any reserves for distribution in accordance with the provisions of section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong.

## SHARE CAPITAL

During the Year, the Company issued 5,900,850,966 ordinary shares of HK\$0.01 each at HK\$0.09 each pursuant to a 5-for-12 rights issue.

Details of the movements in the Company’s share capital during the Year are set out in note 29 to the financial statements.

## DIRECTORS

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

### Executive Directors (“EDs”)

Lam Kin Ngok, Peter (“ <b>Dr. Peter Lam</b> ”) ( <i>Chairman</i> )	
Chew Fook Aun (“ <b>Mr. F. A. Chew</b> ”) ( <i>Deputy Chairman</i> )	(appointed with effect from 5 June 2012)
Lau Shu Yan, Julius ( <i>Chief Executive Officer</i> )	
Lui Siu Tsuen, Richard	
Cheung Wing Sum, Ambrose, MH, JP	(retired with effect from 21 December 2011)
Tam Kin Man, Kraven	(retired with effect from 1 May 2012)
Cheung Sum, Sam	(resigned with effect from 1 September 2012)

### Non-executive Directors (“NEDs”)

Lam Kin Ming (“**Dr. K. M. Lam**”)  
U Po Chu  
Wan Yee Hwa, Edward

### Independent Non-executive Directors (“INEDs”)

Lam Bing Kwan  
Leung Shu Yin, William  
Ip Shu Kwan, Stephen, GBS, JP

## DIRECTORS (CONTINUED)

Mr. F.A. Chew, an ED and the Deputy Chairman of the Company appointed with effect from 5 June 2012, will retire at the forthcoming annual general meeting of the Company (“AGM”) in accordance with Article 93 of the Articles of Association of the Company (the “Articles of Association”). In accordance with Article 102 of the Articles of Association, Dr. Peter Lam (together with Mr. F.A. Chew, the “Retiring Directors”) will retire by rotation at the forthcoming AGM. Being eligible, they offer themselves for re-election and election, respectively.

Details of the Retiring Directors proposed for re-election/election required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange” and the “Listing Rules”, respectively) are set out in the “Biographical Details of Directors” section of this Annual Report and the section headed “Directors’ Interests” of this Report below.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 35 to 39 of this Annual Report. Directors’ other particulars are contained elsewhere in this Report and this Annual Report.

## DIRECTORS’ SERVICE CONTRACTS

None of the Directors proposed for re-election/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 SIGNIFICANT CONTRACTS

Save as disclosed in note 5 to the financial statements headed “Related Party Transactions” and the section headed “Continuing Connected Transactions” of this Report below, 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.

## CONTROLLING SHAREHOLDER’S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 5 to the financial statements headed “Related Party Transactions” and the section headed “Continuing Connected Transactions” of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

## CONTINUING CONNECTED TRANSACTIONS

The Company had certain continuing connected transactions (“**CCTs**”) (as defined in the Listing Rules) during the Year, brief particulars of which are as follows:—

### (1) Crocodile Garments Limited Lease

As reported in the annual report of the Company for the year ended 31 July 2011 (the “**Annual Report 2011**”), on 16 October 2009, the Company as landlord entered into an offer letter (the “**2009 Offer Letter**”) with Crocodile Garments Limited (“**CGL**”) as tenant for the lease of Unit 1001, 10th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong (the “**Premises**”) for a term of 24 months from 1 October 2009 to 30 September 2011 at a monthly rental of HK\$172,295.00 (exclusive of rates, government rent, management fee and air-conditioning charges).

The Company announced on 14 October 2011 that the Company entered into an offer letter (the “**2011 Offer Letter**”) with CGL for the lease of the Premises for another term of 24 months from 1 October 2011 to 30 September 2013 at a monthly rental of HK\$222,970.00 (exclusive of rates, government rent, management fee and air-conditioning charges).

Dr. K.M. Lam, a NED of the Company, owned approximately 50.94% of the issued shares in CGL at the relevant time and currently owns approximately 50.83% of the existing issued shares in CGL. Therefore, CGL is an associate of Dr. K.M. Lam and a connected person of the Company. Dr. K.M. Lam is also an executive director, the chairman and the chief executive officer of CGL. Accordingly, the lease of the Premises under the 2009 Offer Letter and the 2011 Offer Letter constituted CCTs for the Company under the Listing Rules.

### (2) Mass Energy Limited Tenancy Agreement

As reported in the annual report of the Company for the year ended 31 July 2010 and the Annual Report 2011, the Company announced on 13 August 2010 (the “**August 2010 Announcement**”), Winfield Properties Limited (“**Winfield Properties**”), a wholly-owned subsidiary of the Company, as tenant entered into a tenancy agreement (the “**2009/2011 Tenancy Agreement**”) with Mass Energy Limited (“**Mass Energy**”) as landlord for the lease of the Carpark of Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong, consisting of all the car-parking spaces (the “**Carpark**”) for a term of 24 months from 1 December 2009 to 30 November 2011 at a basic rent of HK\$120,000.00 per month or a turnover rent equivalent to 52% of the gross monthly revenue of Winfield Properties’ business carried on at the Carpark, whichever is higher.

The Company announced on 13 January 2012 (the “**January 2012 Announcement**”) that:

- (a) the actual amount of the rent for the period from 1 August 2011 to 30 November 2011 under the 2009/2011 Tenancy Agreement exceeded HK\$19,414.00 from the cap amount of HK\$520,000.00 as determined by reference to the projected occupancy rate of the Carpark stated in the August 2010 Announcement and the cap amount for the relevant period had been revised from HK\$520,000.00 to HK\$539,414.00; and
- (b) a tenancy agreement was entered into between Winfield Properties as tenant and Mass Energy as landlord for the lease of the Carpark from 1 December 2011 to 30 November 2013 at a basic rent of HK\$120,000.00 per month or at a turnover rent being the amount of 52% of the monthly turnover of Winfield Properties’ business carried on at the Carpark, whichever is higher (the “**2011/2013 Tenancy Agreement**”).

## CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

### (2) Mass Energy Limited Tenancy Agreement (continued)

The Company also announced on 17 September 2012 that:

- (i) as the actual amount of the rent for the period from 1 December 2011 to 31 July 2012 exceeded HK\$28,087.00 from the cap amount of HK\$1,100,000.00 as determined by reference to the projected occupancy rate of the Carpark stated in the January 2012 Announcement, the cap amount for the relevant period had been revised from HK\$1,100,000.00 to HK\$1,128,087.00; and
- (ii) the cap amount for the year ending 31 July 2013 and for the period from 1 August 2013 to 30 November 2013 had been revised from HK\$1,800,000.00 and HK\$652,000.00 to HK\$2,316,000.00 and HK\$812,000.00, respectively.

Mass Energy is owned as to 50% each by Lai Sun Garment (International) Limited (“**LSG**”) and CGL. LSG is the ultimate holding company of the Company and CGL is a connected person of the Company as mentioned in paragraph (1) above. Mass Energy is, therefore, an associate of the connected persons of the Company and both the 2009/2011 Tenancy Agreement and the 2011/2013 Tenancy Agreement constituted CCTs for the Company.

The CCTs listed under paragraphs (1) and (2) above have been reviewed by the INED(s) who have/has confirmed that the transactions had been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, Certified Public Accountants (“**Ernst & Young**”), the Company’s independent auditors, were engaged to report on the Group’s CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the CCTs disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Dr. Peter Lam, Mr. F.A. Chew, Mr. Lau Shu Yan, Julius, Mr. Lui Siu Tsuen, Richard, Dr. K.M. Lam, Madam U Po Chu (“**Madam U**”) and Mr. Wan Yee Hwa, Edward (together, the “**Interested Directors**”) held shareholding interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong including LSG and CGL.

Dr. Peter Lam held shareholding or other interests and/or directorships in companies or entities engaged in the business of investment in and operation of restaurants in Hong Kong.

Dr. K.M. Lam held shareholding or other interests and/or directorships in companies or entities engaged in the production of pop concerts, music production and distribution and management of artistes.

The Directors do not consider the interests held by the Interested Directors to be competing in practice with the relevant business of the Group in view of:

- (1) different locations and different uses of the properties owned by the above companies and those of the Group; and
- (2) different target customers of the restaurant operations as well as the concerts and albums of the above companies and those of the Group.

However, 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.

## 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.

Mr. F.A. Chew was granted a share option to subscribe for a total of 200,628,932 Shares on 5 June 2012. The closing price of the Company's Shares immediately before the above date of grant of the share option was HK\$0.109 per Share.

Details of the Share Option Scheme which commenced with effect from 29 December 2006 are set out in note 30 to the financial statements.



## DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2012 and their respective associates (as defined in the Listing Rules) were interested, or were deemed to be interested in, the following interests 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 of Directors and Chief Executive"); 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 "Securities Code") or (d) as known by the Directors:

### (1) The Company

#### Long positions in the ordinary shares of HK\$0.01 each (the "Shares")

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	14,307,745	Nil	9,623,231,353 (Note 1)	Nil	9,637,539,098	48.04%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 3)	200,628,932	1.00%
Lau Shu Yan, Julius	Beneficial owner	8,783,333	Nil	Nil	Nil	8,783,333	0.044%
U Po Chu (Note 2)	Beneficial owner	897,316	Nil	Nil	Nil	897,316	0.004%

**Notes:**

- (1) LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned a total of 9,623,231,353 Shares, representing approximately 47.97% of the issued share capital of the Company. Dr. Peter Lam was deemed to be interested in the same 9,623,231,353 Shares by virtue of, in aggregate, his approximate 38.06% personal and deemed interests in the issued share capital of LSG. LSG is approximately 8.07% owned by Dr. Peter Lam and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Peter Lam.
- (2) Madam U is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 Shares, representing approximately 0.99% of the issued share capital of the Company.
- (3) A share option was granted to Mr. F. A. Chew in June 2012, the particulars of which are set out below:

Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
05/06/2012	200,628,932	05/06/2012-04/06/2022	HK\$0.112 per Share

## DIRECTORS' INTERESTS (CONTINUED)

## (2) Associated Corporations

- (i) Lai Sun Garment (International) Limited (“LSG”) — the ultimate holding company of the Company

## Long positions in the ordinary shares of HK\$0.01 each

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	130,544,319	Nil	484,991,750 (Note 1)	Nil	615,536,069	38.06%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	16,174,234 (Note 2)	16,174,234	1.00%
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%

## Notes:

- (1) Both Dr. Peter Lam and Madam U were deemed to be interested in 484,991,750 shares by virtue of their respective 50% interests in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in LSG.
- (2) A share option scheme was adopted by LSG on 22 December 2006 and commenced with effect from 29 December 2006. A share option was granted to Mr. F.A. Chew in June 2012, the particulars of which are set out below:

Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
05/06/2012	16,174,234	05/06/2012-04/06/2022	HK\$0.582 per share

## DIRECTORS' INTERESTS (CONTINUED)

### (2) Associated Corporations

(ii) eSun Holdings Limited (“eSun”) — an associate of the Company

#### Long positions in the ordinary shares of HK\$0.50 each

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	471,604,186 (Note 1)	Nil	474,398,629	38.16%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 (Note 2)	6,216,060	0.50%

Notes:

- (1) LSG was interested in 9,623,231,353 Shares in the Company, representing approximately 47.97% of the issued share capital of the Company. Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, was interested in 471,604,186 shares in eSun, representing approximately 37.93% of the issued share capital of eSun. As such, Dr. Peter Lam was deemed to be interested in the same 471,604,186 issued shares in eSun (representing approximately 37.93% of eSun's issued share capital) by virtue of, in aggregate, his approximate 38.06% and 48.04% personal and deemed interests in the issued share capital of LSG and the Company respectively.
- (2) A share option scheme was adopted by eSun on 23 December 2005 and commenced with effect from 5 January 2006. A share option was granted to Mr. F. A. Chew in June 2012, the particulars of which are set out below:

Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
05/06/2012	6,216,060	05/06/2012-04/06/2022	HK\$0.92 per share

## DIRECTORS' INTERESTS (CONTINUED)

## (2) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited (“Lai Fung”) — a subsidiary of eSun

## (a) Long positions in the ordinary shares of HK\$0.10 each

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	7,705,451,422 (Note 1)	Nil	7,705,451,422	47.87%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 (Note 2)	80,479,564	0.50%
Lau Shu Yan, Julius	Beneficial owner	12,917,658	Nil	Nil	Nil	12,917,658	0.08%

## (b) Interests in the 9.125% senior notes due 2014 (the “Senior Notes”)

Name of Director	Capacity	Nature of interests	Principal amount
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	US\$1,025,000 (Note 1)
Lau Shu Yan, Julius	Beneficial owner	Personal	US\$300,000

Notes:

- (1) eSun was interested in 7,705,451,422 shares in Lai Fung, representing approximately 47.87% of the issued share capital of Lai Fung and in the principal amount of US\$1,025,000 of the Senior Notes issued by Lai Fung. As such, Dr. Peter Lam was deemed to be interested in the same 7,705,451,422 issued shares in Lai Fung and the same principal amount of US\$1,025,000 of the Senior Notes issued by Lai Fung by virtue of, in aggregate, his approximate 38.16% personal and deemed shareholding interests in eSun.
- (2) A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003. A share option was granted to Mr. F. A. Chew in June 2012, the particulars of which are set out below:

Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
12/06/2012	80,479,564	12/06/2012-11/06/2020	HK\$0.133 per share

## DIRECTORS' INTERESTS (CONTINUED)

### (2) Associated Corporations (continued)

#### (iii) Media Asia Group Holdings Limited ("MAGH") — a subsidiary of eSun

##### Long positions in the shares and underlying shares

Name of Director	Capacity	Number of shares of HK\$0.01 each held	Number of underlying shares (convertible notes)	Deemed interest pursuant to section 317 of the SFO (Note 2)	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	6,712,925,500	14,132,500,000	11,382,823,103	32,228,248,603	245.26%

##### Notes:

- (1) *Perfect Sky Holdings Limited ("Perfect Sky"), a wholly-owned subsidiary of eSun, was interested in 6,712,925,500 shares and 14,132,500,000 underlying shares in MAGH. Dr. Peter Lam was deemed to be interested in the same 20,845,425,500 shares and underlying shares in MAGH by virtue of, in aggregate, his approximate 38.16% personal and deemed shareholding interests in eSun.*
- (2) *Dr. Peter Lam was deemed to be interested in the 11,382,823,103 shares and underlying shares in MAGH pursuant to section 317 of the SFO since eSun was deemed to be interested in the shares and the underlying shares in MAGH held by the parties (other than MAGH) to a subscription agreement dated 23 March 2011 and entered into amongst Perfect Sky and such parties for the subscription of certain shares in and convertible notes of MAGH, and their respective ultimate beneficial owners.*

Save as disclosed above, as at 31 July 2012, none of the Directors and the chief executive of the Company were interested or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

## ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' Interests" in this Report above and in note 30 headed "Share Option Scheme" 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at 31 July 2012, so far as it is known by or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals, one being a Director 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 (the "Register of Shareholders") 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
<b>Substantial Shareholders</b>				
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	9,623,231,353	47.97%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Personal and corporate	9,637,539,098	48.04% (Note)

Note:

*LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 9,623,231,353 Shares, representing approximately 47.97% of the issued share capital of the Company. Dr. Peter Lam was deemed to be interested in the same 9,623,231,353 Shares by virtue of, in aggregate, his approximate 38.06% personal and deemed interests in the issued share capital of LSG.*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 July 2012, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, 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 of such Shares.

## PUBLIC FLOAT

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



## PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT FOR SALE

Details of the movements in the property, plant and equipment, investment properties and properties under development for sale of the Company and the Group during the Year are set out in notes 14, 16 and 17, respectively, to the financial statements. Further details of the Group's investment properties and properties under development for sale are set out in the "Property Portfolio" of this Annual Report.

## PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2012 are set out in note 18 to the financial statements.

## CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling approximately HK\$3,770,000.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for less than 30% of the total sales for the Year. During the Year, purchases from the Group's five largest suppliers accounted for approximately 31% of the total purchases, while the largest supplier accounted for approximately 20% of the 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.

## DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

Subsequent to 31 July 2012, the Company entered into a facility agreement (the "**Facility Agreement**") relating to a term loan and revolving credit facility of up to HK\$2,200 million to be made available to the Company, as borrower, for a period of up to three years commencing on the date of execution of the Facility Agreement (the "**Facility Period**").

Pursuant to the Facility Agreement, the Company has undertaken to procure that Dr. Peter Lam and his family, will, at all times during the Facility Period, remain as the single largest shareholder of the Company (directly or indirectly) and will maintain control over the management of the Group.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the "Financial Summary" of this Annual Report on pages 16 and 17.

## DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES (“CHAPTER 13”)

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

As at 31 July 2012, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded the assets ratio of 8% under the Listing Rules.

In compliance with paragraph 13.22 of Chapter 13, the pro forma combined statement of financial position of the affiliated companies at 31 July 2012 is disclosed as follows:

	HK\$'000
Property, plant and equipment	2,254,757
Properties under development	1,517,035
Investment property under construction	3,377,516
Investment properties	10,786,016
Film rights	47,317
Film products	74,235
Music catalogs	31,999
Goodwill	10,182
Other intangible assets	71,467
Interests in joint ventures	1,115,588
Interests in associates	30,020
Available-for-sale financial assets	166,209
Deposits, prepayments and other receivables	78,211
Deferred tax assets	3,824
Amount due from shareholders	41,926
Net current assets	4,321,879
Total assets less current liabilities	23,928,181
NON-CURRENT LIABILITIES	
Long term deposits received	(68,045)
Long term borrowings	(585,924)
Convertible notes	(227,232)
Fixed rate senior notes	(1,419,334)
Deferred tax liabilities	(2,339,646)
Deferred income	(48,945)
Amount due to shareholders	(2,210,661)
	(6,899,787)
	17,028,394
CAPITAL AND RESERVES	
Issued capital	644,040
Share premium account	4,230,797
Contributed surplus	891,289
Share option reserve	2,741
Exchange reserve	24,913
Other reserve	208,886
Retained profits	3,154,237
	9,156,903
Non-controlling interests	7,871,491
	17,028,394

## CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 20 to 34.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs in writing an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the INEDs to be independent.

## REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company comprises three members, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan, both INEDs of the Company and Wan Yee Hwa, Edward, a NED of the Company. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the Year.

## INDEPENDENT AUDITORS

The consolidated financial statements of the Company for the Year have been audited by Ernst & Young which will retire and being eligible, offer themselves for re-appointment at the forthcoming AGM. Approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Ernst & Young as independent auditors of the Company for the ensuing year will be put to the forthcoming AGM for shareholders' approval.

On behalf of the Board

### **Chew Fook Aun**

*Executive Director and Deputy Chairman*

Hong Kong  
30 October 2012

## KEY DATES

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

For Financial Year 2011/2012	
Annual results announcement	30 October 2012
Latest time and date for lodging transfer documents with the share registrars to ascertain entitlement to attending and voting at the 2012 annual general meeting ("AGM")	4:30 p.m. on 13 December 2012
AGM	18 December 2012

For Financial Year 2012/2013	
Interim results announcement	on or before 31 March 2013
Annual results announcement	on or before 31 October 2013

## 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 2011-2012 Annual Report is printed in both English and Chinese and is available on the Company's website at [www.laisun.com](http://www.laisun.com).

## AGM

The AGM will be held on 18 December 2012. 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.



**To the shareholders of Lai Sun Development Company Limited**

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Lai Sun Development Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 57 to 156, which comprise the consolidated and company statements of financial position as at 31 July 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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.

## 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 2012, 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**

22nd Floor  
CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

30 October 2012



# Consolidated Income Statement

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Year ended 31 July 2012

	Notes	2012 HK\$'000	2011 HK\$'000 (Restated)
TURNOVER	6	<b>875,156</b>	1,192,914
Cost of sales		<b>(330,732)</b>	(581,278)
Gross profit		<b>544,424</b>	611,636
Other revenue and gain	6	<b>19,346</b>	54,330
Selling and marketing expenses		<b>(13,784)</b>	(37,784)
Administrative expenses		<b>(310,865)</b>	(295,898)
Other operating expenses, net		<b>(38,388)</b>	(33,261)
Fair value gains on investment properties	16	<b>793,709</b>	1,074,933
Reversal of provision/(provision) for tax indemnity	33(c)	<b>171,435</b>	(48,379)
PROFIT FROM OPERATING ACTIVITIES	7	<b>1,165,877</b>	1,325,577
Finance costs	8	<b>(49,823)</b>	(47,076)
Share of profits and losses of associates		<b>441,121</b>	271,061
Share of profits of joint ventures		<b>710,968</b>	990,753
Discount on acquisition of additional interest in an associate		<b>88,695</b>	—
Loss on deemed disposal of interest in an associate		—	(3,552)
PROFIT BEFORE TAX		<b>2,356,838</b>	2,536,763
Tax	11	<b>(31,110)</b>	(38,042)
PROFIT FOR THE YEAR		<b>2,325,728</b>	2,498,721
Attributable to:			
Ordinary equity holders of the Company	12	<b>2,282,568</b>	2,449,128
Non-controlling interests		<b>43,160</b>	49,593
		<b>2,325,728</b>	2,498,721
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		<b>HK\$0.125</b>	HK\$0.160
Diluted		<b>HK\$0.125</b>	N/A

# Consolidated Statement of Comprehensive Income

Year ended 31 July 2012

	2012 HK\$'000	2011 HK\$'000 (Restated)
PROFIT FOR THE YEAR	<b>2,325,728</b>	2,498,721
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	<b>92,842</b>	264,673
Exchange realignments:		
Subsidiaries	<b>(3,845)</b>	370
Associates	<b>(72,744)</b>	70,856
Share of investment revaluation reserve of an associate	—	9,872
Share of an associate's release of reserves to the income statement upon disposal of its interest in an associate	—	(117,997)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<b>16,253</b>	227,774
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<b>2,341,981</b>	2,726,495
Attributable to:		
Ordinary equity holders of the Company	<b>2,298,818</b>	2,676,760
Non-controlling interests	<b>43,163</b>	49,735
	<b>2,341,981</b>	2,726,495

# Consolidated Statement of Financial Position

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31 July 2012

	Notes	31 July 2012 HK\$'000	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	14	<b>350,817</b>	356,226	368,231
Prepaid land lease payments	15	<b>25,010</b>	26,038	27,066
Investment properties	16	<b>8,570,911</b>	7,756,931	6,444,930
Properties under development for sale	17	<b>1,309,418</b>	1,098,195	900,378
Interests in associates	19(a)	<b>3,083,687</b>	2,503,210	2,267,671
Interests in joint ventures	19(b)	<b>3,889,258</b>	2,847,147	1,851,040
Available-for-sale financial assets	20	<b>1,185,810</b>	1,035,937	770,516
Held-to-maturity debt investments	21	—	—	35,840
Pledged bank balances and time deposits	22	—	99,591	99,154
Deposits paid	23	<b>61,500</b>	90,000	—
<b>Total non-current assets</b>		<b>18,476,411</b>	15,813,275	12,764,826
<b>CURRENT ASSETS</b>				
Completed properties for sale	24	<b>76,480</b>	147,197	465,085
Equity investments at fair value through profit or loss	25	<b>1,648</b>	10,158	12,552
Inventories		<b>5,305</b>	5,878	4,780
Debtors, deposits paid and other receivables	26(a)	<b>99,594</b>	124,827	121,315
Held-to-maturity debt investments	21	—	33,963	144,812
Pledged bank balances and time deposits	22	<b>106,037</b>	—	—
Cash and cash equivalents	22	<b>1,565,105</b>	1,002,805	1,124,778
<b>Total current assets</b>		<b>1,854,169</b>	1,324,828	1,873,322
<b>CURRENT LIABILITIES</b>				
Creditors, deposits received and accruals	26(b)	<b>243,603</b>	222,099	216,621
Tax payable		<b>61,627</b>	62,896	51,829
Bank borrowings	27	<b>1,104,818</b>	217,097	390,323
<b>Total current liabilities</b>		<b>1,410,048</b>	502,092	658,773
<b>NET CURRENT ASSETS</b>		<b>444,121</b>	822,736	1,214,549
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>18,920,532</b>	16,636,011	13,979,375

# Consolidated Statement of Financial Position

31 July 2012

	Notes	<b>31 July 2012 HK\$'000</b>	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
<b>NON-CURRENT LIABILITIES</b>				
Bank borrowings	27	<b>(1,707,404)</b>	(2,199,440)	(2,313,493)
Amounts due to associates	19(a)	<b>(20,799)</b>	(15,854)	(15,808)
Deferred tax	28	<b>(100,880)</b>	(94,461)	(89,227)
Provision for tax indemnity	33(c)	<b>(347,135)</b>	(518,570)	(470,191)
Long term rental deposits received		<b>(60,032)</b>	(55,930)	(47,523)
<b>Total non-current liabilities</b>		<b>(2,236,250)</b>	(2,884,255)	(2,936,242)
		<b>16,684,282</b>	13,751,756	11,043,133
<b>EQUITY</b>				
Equity attributable to ordinary equity holders of the Company				
Issued capital	29	<b>200,629</b>	141,620	141,620
Share premium account		<b>7,429,332</b>	6,974,701	6,974,701
Investment revaluation reserve		<b>1,079,452</b>	986,610	829,475
Share option reserve		<b>11,139</b>	1,092	12,417
Capital redemption reserve		<b>1,200,000</b>	1,200,000	1,200,000
General reserve	29	<b>630,400</b>	504,136	504,136
Other reserve		<b>78,823</b>	7,565	3,734
Special capital reserve	29	<b>—</b>	126,264	126,264
Exchange fluctuation reserve		<b>35,787</b>	112,379	35,058
Retained profits		<b>5,692,023</b>	3,409,455	954,597
		<b>16,357,585</b>	13,463,822	10,782,002
<b>Non-controlling interests</b>		<b>326,697</b>	287,934	261,131
		<b>16,684,282</b>	13,751,756	11,043,133

**Chew Fook Aun**  
Director

**Lau Shu Yan, Julius**  
Director

# Consolidated Statement of Changes in Equity

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Year ended 31 July 2012

Attributable to ordinary equity holders of the Company

	Issued capital	Share premium account	Investment revaluation reserve	Share option reserve	Capital redemption reserve	General reserve	Other reserve	Special capital reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 August 2010, as originally stated	141,620	6,974,701	699,769	12,417	1,200,000	504,136	3,734	126,264	35,058	(292,009)	9,405,690	261,131	9,666,821
Effect of changes in accounting policies (note 2.2)	—	—	129,706	—	—	—	—	—	—	1,246,606	1,376,312	—	1,376,312
At 1 August 2010, as restated	141,620	6,974,701	829,475	12,417	1,200,000	504,136	3,734	126,264	35,058	954,597	10,782,002	261,131	11,043,133
Profit for the year	—	—	—	—	—	—	—	—	—	2,449,128	2,449,128	49,593	2,498,721
Other comprehensive income/(expenses) for the year:													
Changes in fair value of available-for-sale financial assets	—	—	264,673	—	—	—	—	—	—	—	264,673	—	264,673
Exchange realignments	—	—	—	—	—	—	—	—	71,084	—	71,084	142	71,226
Share of investment revaluation reserve of an associate	—	—	9,872	—	—	—	—	—	—	—	9,872	—	9,872
Share of an associate's release of reserves to the income statement upon disposal of its interest in an associate	—	—	(117,410)	—	—	—	—	—	(587)	—	(117,997)	—	(117,997)
Total comprehensive income for the year	—	—	157,135	—	—	—	—	—	70,497	2,449,128	2,676,760	49,735	2,726,495
Share of reserve movements of associates	—	—	—	(4,753)	—	—	3,831	—	6,824	(842)	5,060	—	5,060
Release of reserve upon lapse of share options	—	—	—	(6,572)	—	—	—	—	—	6,572	—	—	—
Dividend paid to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(15,288)	(15,288)
Repayment to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(7,644)	(7,644)
At 31 July 2011 and 1 August 2011, as restated	141,620	6,974,701	986,610	1,092	1,200,000	504,136	7,565	126,264	112,379	3,409,455	13,463,822	287,934	13,751,756
Profit for the year	—	—	—	—	—	—	—	—	—	2,282,568	2,282,568	43,160	2,325,728
Other comprehensive income/(expenses) for the year:													
Changes in fair value of available-for-sale financial assets	—	—	92,842	—	—	—	—	—	—	—	92,842	—	92,842
Exchange realignments	—	—	—	—	—	—	—	—	(76,592)	—	(76,592)	3	(76,589)
Total comprehensive income for the year	—	—	92,842	—	—	—	—	—	(76,592)	2,282,568	2,298,818	43,163	2,341,981
Rights issue (note 29)	59,009	472,068	—	—	—	—	—	—	—	—	531,077	—	531,077
Share issue expenses (note 29)	—	(17,437)	—	—	—	—	—	—	—	—	(17,437)	—	(17,437)
Transfer of reserves (note 29)	—	—	—	—	—	126,264	—	(126,264)	—	—	—	—	—
Share of reserve movements of associates	—	—	—	1,039	—	—	71,258	—	—	—	72,297	—	72,297
Recognition of share-based payments	—	—	—	9,008	—	—	—	—	—	—	9,008	—	9,008
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(4,400)	(4,400)
At 31 July 2012	200,629	7,429,332	1,079,452	11,139	1,200,000	630,400	78,823	—	35,787	5,692,023	16,357,585	326,697	16,684,282

# Consolidated Statement of Cash Flows

Year ended 31 July 2012

	Notes	2012 HK\$'000	2011 HK\$'000 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>2,356,838</b>	2,536,763
Adjustments for:			
Finance costs	8	<b>49,823</b>	47,076
Share of profits and losses of associates		<b>(441,121)</b>	(271,061)
Share of profits of joint ventures		<b>(710,968)</b>	(990,753)
Discount on acquisition of additional interest in an associate		<b>(88,695)</b>	—
Loss on deemed disposal of interest in an associate		—	3,552
Fair value gains on investment properties		<b>(793,709)</b>	(1,074,933)
Depreciation	7	<b>24,518</b>	23,469
Amortisation of prepaid land lease payments	7	<b>1,028</b>	1,028
Loss on disposal of items of property, plant and equipment	7	<b>4,331</b>	30
Gain on disposal of an available-for-sale financial asset	6	—	(27,795)
Fair value loss on equity investments at fair value through profit or loss	7	<b>803</b>	7,215
Loss on disposal of equity investments at fair value through profit or loss	7	<b>10,334</b>	782
(Reversal of provision)/provision for tax indemnity		<b>(171,435)</b>	48,379
Interest income	6	<b>(5,640)</b>	(5,914)
Dividend income from listed equity investments at fair value through profit or loss	6	<b>(244)</b>	(113)
Dividend income from unlisted available-for-sale financial assets	6	<b>(160)</b>	(3,926)
Share-based payments		<b>9,008</b>	—
		<b>244,711</b>	293,799
Decrease in completed properties for sale		<b>70,717</b>	317,888
Decrease/(increase) in inventories		<b>573</b>	(1,098)
Decrease/(increase) in debtors, deposits paid and other receivables		<b>25,239</b>	(5,839)
Increase in creditors, deposits received and accruals		<b>23,883</b>	15,174
Cash generated from operations		<b>365,123</b>	619,924
Interest received		<b>4,178</b>	3,485
Interest paid on bank and other borrowings		<b>(49,298)</b>	(43,339)
Hong Kong profits tax paid		<b>(11,054)</b>	(6,258)
Overseas taxes paid		<b>(14,906)</b>	(15,483)
<b>Net cash flows from operating activities</b>		<b>294,043</b>	558,329



# Consolidated Statement of Cash Flows

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Year ended 31 July 2012

	Notes	2012 HK\$'000	2011 HK\$'000 (Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(23,440)	(11,983)
Additions to investment properties		(29,114)	(237,068)
Deposit paid for acquisition of an investment property	23	(61,500)	—
Additions to properties under development for sale		(200,944)	(194,025)
Acquisition of equity investments at fair value through profit or loss		(23,142)	(12,838)
Acquisition of an unlisted available-for-sale financial asset		(56,772)	(1,560)
Redemption of held-to-maturity debt investments		33,963	146,689
Proceeds from disposal of items of property, plant and equipment		—	489
Proceeds from disposal of equity investments at fair value through profit or loss		20,515	7,235
Proceeds from disposal of an available-for-sale financial asset		—	30,000
Acquisition of additional interest in an associate		(43,301)	—
Advances to associates		(7,813)	(5,553)
Repayment from associates		4,945	46
Acquisition of a joint venture		(756,168)	—
Repayment from a joint venture		276,723	—
Dividend received from a joint venture		238,302	—
Deposit paid for acquisition of interest in a joint venture	23	—	(90,000)
Interest received from held-to-maturity debt investments		1,203	2,175
Dividends received from listed equity investments at fair value through profit or loss		244	113
Dividends received from unlisted available-for-sale financial assets		160	3,926
Increase in pledged bank balances and time deposits		(6,446)	(437)
<b>Net cash flows used in investing activities</b>		<b>(632,585)</b>	<b>(362,791)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank borrowings		1,875,900	523,026
Repayment of bank borrowings		(1,474,493)	(810,305)
Bank financing charges		(9,081)	(7,670)
Dividend paid to non-controlling interest of a subsidiary		—	(15,288)
Repayment to non-controlling interests of subsidiaries		(4,400)	(7,644)
Proceeds from rights issue		531,077	—
Share issue expenses		(17,437)	—
<b>Net cash flows from/(used in) financing activities</b>		<b>901,566</b>	<b>(317,881)</b>

## Consolidated Statement of Cash Flows

Year ended 31 July 2012

	2012 HK\$'000	2011 HK\$'000 (Restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>563,024</b>	(122,343)
Cash and cash equivalents at beginning of year	<b>1,002,805</b>	1,124,778
Effect of foreign exchange rate changes, net	<b>(724)</b>	370
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>1,565,105</b>	1,002,805
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>660,152</b>	400,233
Non-pledged time deposits	<b>904,953</b>	602,572
	<b>1,565,105</b>	1,002,805

# Statement of Financial Position

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31 July 2012

	Notes	31 July 2012 HK\$'000	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	14	<b>3,790</b>	4,068	5,897
Investment properties	16	<b>5,334,000</b>	4,839,100	4,243,200
Interests in subsidiaries	18	<b>3,886,816</b>	3,584,955	3,407,799
Interests in associates	19(a)	<b>9,015</b>	8,987	8,983
Interest in a joint venture	19(b)	<b>393,522</b>	393,547	393,522
Available-for-sale financial assets	20	<b>40,348</b>	101	101
Held-to-maturity debt investments	21	—	—	35,840
Pledged bank balances and time deposits	22	—	99,591	99,154
<b>Total non-current assets</b>		<b>9,667,491</b>	8,930,349	8,194,496
<b>CURRENT ASSETS</b>				
Equity investments at fair value through profit or loss	25	<b>1,648</b>	10,158	12,552
Debtors, deposits paid and other receivables	26(a)	<b>47,219</b>	45,696	36,808
Held-to-maturity debt investments	21	—	33,963	144,812
Pledged bank balances and time deposits	22	<b>106,037</b>	—	—
Cash and cash equivalents	22	<b>1,218,109</b>	689,993	869,444
<b>Total current assets</b>		<b>1,373,013</b>	779,810	1,063,616
<b>CURRENT LIABILITIES</b>				
Creditors, deposits received and accruals		<b>77,710</b>	72,268	80,773
Tax payable		<b>47,430</b>	48,481	41,466
Bank borrowings	27	<b>798,000</b>	177,200	201,500
<b>Total current liabilities</b>		<b>923,140</b>	297,949	323,739
<b>NET CURRENT ASSETS</b>		<b>449,873</b>	481,861	739,877
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,117,364</b>	9,412,210	8,934,373

# Statement of Financial Position

31 July 2012

	Notes	<b>31 July 2012 HK\$'000</b>	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
<b>NON-CURRENT LIABILITIES</b>				
Bank borrowings	27	<b>(1,336,100)</b>	(1,815,100)	(2,060,300)
Amounts due to associates	19(a)	<b>(16,303)</b>	(11,503)	(11,503)
Deferred tax	28	<b>(52,177)</b>	(47,978)	(45,462)
Provision for tax indemnity	33(c)	<b>(347,135)</b>	(518,570)	(470,191)
Long term rental deposits received		<b>(43,381)</b>	(39,337)	(30,396)
<b>Total non-current liabilities</b>		<b>(1,795,096)</b>	(2,432,488)	(2,617,852)
		<b>8,322,268</b>	6,979,722	6,316,521
<b>EQUITY</b>				
Issued capital	29	<b>200,629</b>	141,620	141,620
Reserves	31(b)	<b>8,121,639</b>	6,838,102	6,174,901
		<b>8,322,268</b>	6,979,722	6,316,521

**Chew Fook Aun**  
Director

**Lau Shu Yan, Julius**  
Director

31 July 2012

## 1. CORPORATE INFORMATION

Lai Sun Development Company Limited (the “**Company**”) is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong. In the opinion of the directors of the Company, the Company’s ultimate holding company is Lai Sun Garment (International) Limited (“**LSG**”), a limited company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were involved in the following principal activities:

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

Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 18 and 19 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 (the “**HKICPA**”) and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through profit or loss and certain available-for-sale financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as 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.

Total comprehensive income within a subsidiary is 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 profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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:

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets
HK(IFRIC)-Int 14 (Amendments)	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement

The related party disclosures set out in note 5 have been changed retrospectively to reflect the adoption of HKAS 24 (Revised) "Related Party Disclosures".

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

In addition, the Group has early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time for the current year's financial statements:

HKAS 12 (Amendments)	Income Taxes — Deferred Tax: Recovery of Underlying Assets
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

### 2.2.1 HKAS 12 (Amendments) "Income Taxes — Deferred Tax: Recovery of Underlying Assets"

HKAS 12 (Amendments) introduces a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendments, deferred tax on investment property at fair value is measured to reflect the tax consequence of recovering the carrying amounts of investment properties through use. Upon the adoption, the Group's deferred tax liability with respect to investment properties is reduced.



31 July 2012

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### 2.2.1 HKAS 12 (Amendments) “Income Taxes — Deferred Tax: Recovery of Underlying Assets” (continued)

The Group measures its investment properties using the fair value model. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property” are presumed to be recovered through sale, unless the presumption is rebutted as set out in HKAS 12 (Amendments). As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. The adoption of HKAS 12 (Amendments) has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties. Previously, the Group recognised deferred taxes on changes in fair value of the investment properties on the basis that the entire carrying amounts of the properties are recovered through use. HKAS 12 (Amendments) has been adopted retrospectively.

In the current year, no deferred tax has been provided for changes in fair value of the Group’s investment properties. The impact on the financial statements is detailed in the tables below.

### 2.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities

HKICPA has issued a package of five standards on consolidation, joint arrangements, associates and disclosure of interests in other entities, including HKFRS 10 “Consolidated Financial Statements”, HKFRS 11 “Joint Arrangements”, HKFRS 12 “Disclosure of Interests in Other Entities”, HKAS 27 (2011) “Separate Financial Statements” and HKAS 28 (2011) “Investments in Associates and Joint Ventures” which are effective for annual periods beginning on or after 1 January 2013.

The impact of the adoption of these standards is set out below.

#### HKFRS 10 “Consolidated Financial Statements”

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 “Consolidation — Special Purpose Entities”. HKFRS 10 replaces the portion of HKAS 27 “Consolidated and Separate Financial Statements” that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### 2.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities (continued)

#### HKFRS 10 “Consolidated Financial Statements” (continued)

HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of shareholdings of the other vote holders.

eSun Holdings Limited (“eSun”), a 37.93%-owned associate of the Group, has also early adopted HKFRS 10 in the current year. As detailed in note 19(a), the directors of eSun concluded that eSun has had control over Lai Fung Holdings Limited (“Lai Fung”) and Lai Fung has become a subsidiary of eSun upon the completion of the Open Offer (as defined in note 19(a)) on 11 June 2012. The impact on the financial statements is detailed in the tables below.

#### HKFRS 11 “Joint Arrangements”

HKFRS 11 replaces HKAS 31 “Interests in Joint Ventures” and HKSIC-13 “Jointly Controlled Entities — Non-Monetary Contributions by Venturers”. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures and removes the option to account for joint ventures using proportionate consolidation.

The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g., a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

Upon the adoption of HKFRS 11, the directors reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investments in joint arrangements.

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### 2.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities (continued)

#### HKFRS 12 “Disclosure of Interests in Other Entities”

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 “Consolidated and Separate Financial Statements”, HKAS 31 “Interests in Joint Ventures” and HKAS 28 “Investments in Associates”. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group has early adopted HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 in the current year’s financial statements.

### 2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs

Impact on the consolidated income statement for the year ended 31 July 2012

	For the year ended 31 July 2012			
	HKAS 12	HKFRS 10	HKFRS 11	Total
	(Amendments) HK\$’000	HK\$’000	HK\$’000	HK\$’000
Increase/(decrease) in share of profits and losses of associates	—	203,444	(606,729)	(403,285)
Increase in share of profits of joint ventures	104,239	—	606,729	710,968
Decrease in tax	131,912	—	—	131,912
Increase in profit for the year	236,151	203,444	—	439,595
Increase in profit for the year attributable to ordinary equity holders of the Company	236,151	203,444	—	439,595

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### 2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the consolidated income statement for the year ended 31 July 2011

	For the year ended 31 July 2011		
	HKAS 12	HKFRS 11	Total
	(Amendments)	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000
Decrease in share of profits and losses of associates	(165,158)	(899,362)	(1,064,520)
Increase in share of profits of joint ventures	91,391	899,362	990,753
Decrease in tax	179,188	—	179,188
Increase in profit for the year	105,421	—	105,421
Increase in profit for the year attributable to ordinary equity holders of the Company	105,421	—	105,421

Impact on the Group's net assets and equity as at 31 July 2012

	Group			
	HKAS 12	HKFRS 10	HKFRS 11	Total
	(Amendments)	HK'000	HK\$'000	HK\$'000
	HK\$'000	HK'000	HK\$'000	HK\$'000
Increase/(decrease) in interests in associates	—	127,377	(3,498,828)	(3,371,451)
Increase in interests in joint ventures	390,430	—	3,498,828	3,889,258
Increase in available-for-sale financial assets	164,900	—	—	164,900
Decrease in deferred tax	1,197,748	—	—	1,197,748
Increase in net assets	1,753,078	127,377	—	1,880,455
Increase in investment revaluation reserve	164,900	—	—	164,900
Decrease in other reserve	—	(76,067)	—	(76,067)
Increase in retained profits	1,588,178	203,444	—	1,791,622
Increase in equity	1,753,078	127,377	—	1,880,455

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### 2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the Group's net assets and equity as at 31 July 2011

	Originally stated HK\$'000	Group HKAS 12 (Amendments) HK\$'000	HKFRS 11 HK\$'000	Restated HK\$'000
Interests in associates (including amounts due to associates)	5,048,312	—	(2,560,956)	2,487,356
Interests in joint ventures	—	286,191	2,560,956	2,847,147
Available-for-sale financial assets	883,183	152,754	—	1,035,937
Deferred tax	(1,160,297)	1,065,836	—	(94,461)
Other assets and liabilities	7,475,777	—	—	7,475,777
<b>Net assets</b>	<b>12,246,975</b>	<b>1,504,781</b>	<b>—</b>	<b>13,751,756</b>
Investment revaluation reserve	833,856	152,754	—	986,610
Retained profits	2,057,428	1,352,027	—	3,409,455
Other reserves	9,067,757	—	—	9,067,757
Non-controlling interests	287,934	—	—	287,934
<b>Total equity</b>	<b>12,246,975</b>	<b>1,504,781</b>	<b>—</b>	<b>13,751,756</b>

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### 2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the Group's net assets and equity as at 1 August 2010

	Originally stated HK\$'000	Group		Restated HK\$'000
		HKAS 12 (Amendments) HK\$'000	HKFRS 11 HK\$'000	
Interests in associates (including amounts due to associates)	3,725,761	182,342	(1,656,240)	2,251,863
Interests in joint ventures	—	194,800	1,656,240	1,851,040
Available-for-sale financial assets	657,994	112,522	—	770,516
Deferred tax	(975,875)	886,648	—	(89,227)
Other assets and liabilities	6,258,941	—	—	6,258,941
<b>Net assets</b>	<b>9,666,821</b>	<b>1,376,312</b>	<b>—</b>	<b>11,043,133</b>
Investment revaluation reserve	699,769	129,706	—	829,475
Retained profits/ (accumulated losses)	(292,009)	1,246,606	—	954,597
Other reserves	8,997,930	—	—	8,997,930
Non-controlling interests	261,131	—	—	261,131
<b>Total equity</b>	<b>9,666,821</b>	<b>1,376,312</b>	<b>—</b>	<b>11,043,133</b>

Impact on the Company's net assets and equity as at 31 July 2012

	Company		
	HKAS 12 (Amendments) HK\$'000	HKFRS 11 HK\$'000	Total HK\$'000
Decrease in interests in associates	—	(393,522)	(393,522)
Increase in interests in joint ventures	—	393,522	393,522
Decrease in deferred tax	794,686	—	794,686
<b>Total increase in net assets</b>	<b>794,686</b>	<b>—</b>	<b>794,686</b>
Decrease in accumulated losses and increase in equity	794,686	—	794,686

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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### 2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

#### Impact on the Company's net assets and equity as at 31 July 2011

	Originally stated HK\$'000	Company		Restated HK\$'000
		HKAS 12 (Amendments) HK\$'000	HKFRS 11 HK\$'000	
Interests in associates	391,031	—	(382,044)	8,987
Interests in joint ventures	—	—	393,547	393,547
Amounts due to associates	—	—	(11,503)	(11,503)
Deferred tax	(762,688)	714,710	—	(47,978)
Other assets and liabilities	6,636,669	—	—	6,636,669
<b>Net assets</b>	<b>6,265,012</b>	<b>714,710</b>	<b>—</b>	<b>6,979,722</b>
Accumulated losses	(2,681,709)	714,710	—	(1,966,999)
Other reserves	8,946,721	—	—	8,946,721
<b>Total equity</b>	<b>6,265,012</b>	<b>714,710</b>	<b>—</b>	<b>6,979,722</b>

#### Impact on the Company's net assets and equity as at 1 August 2010

	Originally stated HK\$'000	Company		Restated HK\$'000
		HKAS 12 (Amendments) HK\$'000	HKFRS 11 HK\$'000	
Interests in associates	391,002	—	(382,019)	8,983
Interests in joint ventures	—	—	393,522	393,522
Amounts due to associates	—	—	(11,503)	(11,503)
Deferred tax	(663,483)	618,021	—	(45,462)
Other assets and liabilities	5,970,981	—	—	5,970,981
<b>Net assets</b>	<b>5,698,500</b>	<b>618,021</b>	<b>—</b>	<b>6,316,521</b>
Accumulated losses	(3,254,793)	618,021	—	(2,636,772)
Other reserves	8,953,293	—	—	8,953,293
<b>Total equity</b>	<b>5,698,500</b>	<b>618,021</b>	<b>—</b>	<b>6,316,521</b>



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## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

### 2.2.3 Effects on financial statements of the early adoption of new and revised HKFRSs (continued)

Impact on the Group's earnings per share

	Profit for the year attributable to ordinary equity holders of the Company		Basic earnings per share		Diluted earnings per share	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$ per share	2011 HK\$ per share	2012 HK\$ per share	2011 HK\$ per share
Amounts before restatement	<b>1,842,973</b>	2,343,707	<b>0.101</b>	0.153	<b>0.101</b>	N/A
Restatement in relation to:						
HKAS 12 (Amendments)	<b>236,151</b>	105,421	<b>0.013</b>	0.007	<b>0.013</b>	
HKFRS 10	<b>203,444</b>	—	<b>0.011</b>	—	<b>0.011</b>	
Amounts after restatement	<b>2,282,568</b>	2,449,128	<b>0.125</b>	0.160	<b>0.125</b>	

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSS

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

Amendments to HKFRSs Amendments to HKFRS 1 Amendments to HKFRS 7	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup> Government Loans <sup>1</sup> Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7 HKFRS 9 HKFRS 13	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup> Financial Instruments <sup>2</sup> Fair Value Measurement <sup>1</sup>
Amendments to HKAS 1 HKAS 19 (Revised 2011)	Presentation of Items of Other Comprehensive Income <sup>3</sup> Employee Benefits <sup>1</sup>
Amendments to HKAS 32 HK(IFRIC)-Int 20	Offsetting Financial Assets and Financial Liabilities <sup>4</sup> Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2014

The Group is in the process of making an assessment of the impact upon initial adoption of the above new and revised HKFRSs. 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.

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

A subsidiary is an entity over which the Group has power such that the Group is able to direct the subsidiary's relevant activities, has exposure or rights to variable returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect the amount of the returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

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

### Associates

The existence of significant influence is assessed by the Group based on the Group's ownership percentage (considering its direct ownership as well as potentially exercisable or convertible shares) and other contractual rights. An associate is an entity, not being a subsidiary or a joint arrangement subject to joint control, in which the Group has an equity voting interest of generally not less than 20% and over which the Group 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income 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. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Associates (continued)

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

### Joint arrangements

Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual arrangements between the parties to the arrangement.

### Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's investments in joint ventures 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post acquisition results and reserves of joint ventures is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures and is not individually tested for impairment.

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

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

### Business combinations and goodwill

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.

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Business combinations and goodwill (continued)

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 the income statement 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 profit or loss as a gain on bargain purchase.

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.

## 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 properties under development for sale, inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment and depreciation (continued)

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

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include properties that are being constructed or developed for future use as investment properties. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time.

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

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



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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

### Properties under development for sale

Properties under development for sale are stated at lower of cost and net realisable value. Cost comprises the prepaid land lease payments or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period. 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.

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

### Completed properties for sale

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

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as held-to-maturity debt investments, financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and, when allowed and appropriate, re-evaluates this designation at the end of the reporting period. 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments and other financial assets (continued)

#### Initial recognition and measurement (continued)

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.

The Group's financial assets include amounts due from associates and joint ventures, trade debtors and other receivables, available-for-sale financial assets, held-to-maturity debt investments, equity investments at fair value through profit or loss, pledged bank balances and time deposits, and cash and cash equivalents.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Held-to-maturity debt investments

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

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading 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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. 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 consolidated 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.

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments and other financial assets (continued)

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 finance income in the income statement. The loss arising from impairment is recognised in the consolidated income statement.

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity and debt 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale 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 in other operating expenses and removed from the available-for-sale 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.

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

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Derecognition of financial assets

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### 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 has 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.

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of financial assets (continued)

#### Financial assets carried at amortised cost (continued)

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 yet 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.

The carrying amount of the asset is reduced 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.

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.

#### Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

#### Available-for-sale financial assets

For available-for-sale financial assets, 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 financial 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.

## 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 amounts due to associates, trade creditors, other payables and accruals and bank 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.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair value of financial instruments

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

### Inventories

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

### Cash and cash equivalents

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

### Provisions

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

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



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income tax (continued)

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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e., based on the expected manner as to how the properties will be recovered).

### Revenue recognition

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

- (a) from the sale of completed properties developed for sale, upon the establishment of a binding contract in respect of the sale of properties, and the issue of an occupation permit by the government of the Hong Kong Special Administrative Region or a certificate of compliance by the relevant government authorities, whichever is later;
- (b) rental and property management fee income, in the period in which the properties are let and on the straight-line basis over the lease terms;
- (c) service income from hotel and restaurant operations and the provision of other related services, in the period in which such services are rendered;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Dividends

Final dividends proposed by the board of directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### 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 funds.

### 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 subsidiaries and 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 a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

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## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Employee benefits

#### Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "**vesting date**"). The cumulative expense recognised for equity-settled transactions at 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.

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Employee benefits (continued)

#### 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 end is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the material expected future cost of such paid leave earned during the current financial year by the employees and carried forward.

#### Employment Ordinance long service payments

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

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

#### Retirement benefits

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

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

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### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

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

##### Impairment of assets

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

##### Income tax

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

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

#### Judgements (continued)

##### Provision for tax indemnity

Provision for tax indemnity is recognised when a present obligation (legal or constructive) has arisen as a result of tax liability arising from disposal of certain property interests in the People's Republic of China (the "PRC") pursuant to certain indemnity deeds entered into by the Group and it is probable that such tax liability will be required to be settled. Management's judgement is required to determine (i) the estimated sale proceeds and outgoings; and (ii) the latest development plan and status of individual property development project. Further details are included in note 33(c) to the financial statements.

#### 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.

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

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The carrying amount at fair value of investment properties as at 31 July 2012 was HK\$8,570,911,000 (2011: HK\$7,756,931,000) and of available-for-sale financial assets as at 31 July 2012 was HK\$1,171,357,000 (2011 (restated): HK\$1,020,614,000).

##### Impairment test of assets

The Group determines whether an asset is impaired at least on an annual basis. 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 cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.



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#### 4. SEGMENT INFORMATION

For management purpose, the Group has the following reportable segments:

- (a) the property development and sales segment engages in property development and sale of properties;
- (b) the property investment segment engages in the leasing of and sale of investment properties and development of properties for investment purpose;
- (c) the hotel and restaurant operations segment engages in the operation of hotels and restaurants; and
- (d) the "others" segment comprises the Group's property management and consultancy services business, which provides property management, security and consultancy services to residential, office, industrial, commercial properties, hotel and restaurants.

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 results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that fair value gains on investment properties, reversal of provision/(provision) for tax indemnity, interest income, finance costs, dividend income, share of profits and losses of associates and share of profits of joint ventures are excluded from such measurement.

Segment assets mainly exclude interests in associates, interests in joint ventures, available-for-sale financial assets, equity investments at fair value through profit or loss, held-to-maturity debt investments, certain pledged bank balances and time deposits, and cash and cash equivalents.

Segment liabilities mainly exclude bank borrowings, tax payable, deferred tax and provision for tax indemnity.

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

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## 4. SEGMENT INFORMATION (CONTINUED)

## Segment revenue and results

The following tables present revenue and results for the Group's reportable segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	92,122	414,521	395,777	367,455	362,759	389,419	24,498	21,519	—	—	875,156	1,192,914
Intersegment sales	—	—	10,953	7,670	—	—	25,734	24,916	(36,687)	(32,586)	—	—
Other revenue	5,444	6,099	2,388	507	2	—	973	—	—	—	8,807	6,606
<b>Total</b>	<b>97,566</b>	<b>420,620</b>	<b>409,118</b>	<b>375,632</b>	<b>362,761</b>	<b>389,419</b>	<b>51,205</b>	<b>46,435</b>	<b>(36,687)</b>	<b>(32,586)</b>	<b>883,963</b>	<b>1,199,520</b>
Segment results	11,308	60,036	306,508	283,523	76,228	85,816	4,574	1,119	—	—	398,618	430,494
Interest income and unallocated gain											10,539	47,724
Fair value gains on investment properties	—	—	793,709	1,074,933	—	—	—	—	—	—	793,709	1,074,933
Unallocated expenses											(208,424)	(179,195)
Reversal of provision/ (provision) for tax indemnity											171,435	(48,379)
Profit from operating activities											1,165,877	1,325,577
Finance costs											(49,823)	(47,076)
Share of profits and losses of associates (restated)	2,016	62	—	—	(1,538)	785	—	—	—	—	478	847
Share of profits and losses of associates — unallocated (restated)											440,643	270,214
Share of profits of joint ventures (restated)	62,531	436,445	648,437	554,308	—	—	—	—	—	—	710,968	990,753
Discount on acquisition of additional interest in an associate											88,695	—
Loss on deemed disposal of interest in an associate											—	(3,552)
Profit before tax											2,356,838	2,536,763
Tax (restated)											(31,110)	(38,042)
Profit for the year											2,325,728	2,498,721

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#### 4. SEGMENT INFORMATION (CONTINUED)

##### Segment assets and liabilities

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,398,555	1,258,813	8,705,592	7,794,466	558,074	557,901	56,819	55,143	—	—	10,719,040	9,666,323
Interests in associates (restated)	9,503	7,600	—	—	11,214	4,975	—	—	—	—	20,717	12,575
Interests in associates — unallocated (restated)	—	—	—	—	—	—	—	—	—	—	3,062,970	2,490,635
Interests in joint ventures (restated)	256,363	713,832	3,632,895	2,133,315	—	—	—	—	—	—	3,889,258	2,847,147
Unallocated assets	—	—	—	—	—	—	—	—	—	—	2,638,595	2,121,423
<b>Total assets</b>											<b>20,330,580</b>	<b>17,138,103</b>
Segment liabilities	44,201	33,382	119,140	106,291	56,456	47,743	6,115	14,690	—	—	226,012	202,106
Bank borrowings	—	—	—	—	—	—	—	—	—	—	2,812,222	2,416,537
Other unallocated liabilities (restated)	—	—	—	—	—	—	—	—	—	—	608,064	767,704
<b>Total liabilities</b>											<b>3,646,298</b>	<b>3,386,347</b>

##### Other segment information

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of prepaid land lease payments	—	—	—	—	1,028	1,028	—	—	—	—	1,028	1,028
Depreciation	127	124	10	29	17,664	17,044	102	135	—	—	17,903	17,332
Depreciation — unallocated	—	—	—	—	—	—	—	—	—	—	6,615	6,137
											<b>24,518</b>	<b>23,469</b>
Capital expenditure	211,751	197,816	90,613	237,068	16,435	11,183	61	21	—	—	318,860	446,088
Capital expenditure — unallocated	—	—	—	—	—	—	—	—	—	—	6,417	780
											<b>325,277</b>	<b>446,868</b>

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#### 4. SEGMENT INFORMATION (CONTINUED)

##### Geographical information

The following table presents revenue and asset by geographical location of assets for the years ended 31 July 2012 and 2011:

	Hong Kong		Vietnam		Others		Consolidated	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Segment revenue								
Sales to external customers	<b>555,205</b>	843,028	<b>302,324</b>	324,622	<b>17,627</b>	25,264	<b>875,156</b>	1,192,914
Other revenue	<b>8,807</b>	6,606	—	—	—	—	<b>8,807</b>	6,606
Total	<b>564,012</b>	849,634	<b>302,324</b>	324,622	<b>17,627</b>	25,264	<b>883,963</b>	1,199,520
Segment assets								
Non-current assets	<b>9,733,407</b>	8,648,940	<b>294,313</b>	294,418	<b>216,992</b>	220,889	<b>10,244,712</b>	9,164,247
Current assets	<b>176,353</b>	256,952	<b>238,774</b>	220,722	<b>59,201</b>	24,402	<b>474,328</b>	502,076
Total	<b>9,909,760</b>	8,905,892	<b>533,087</b>	515,140	<b>276,193</b>	245,291	<b>10,719,040</b>	9,666,323

##### Information about major customers

For both the years ended 31 July 2012 and 31 July 2011, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

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## 5. RELATED PARTY TRANSACTIONS

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

### (a) Transactions with related parties

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Rental income and building management fee received from:		
— eSun Holdings Limited (“eSun”) and its subsidiaries (collectively the “eSun Group”), an associate	<b>7,766</b>	7,420
— a joint venture of the Group	<b>545</b>	2,821
Project management fee income received from a joint venture of the Group	—	3,600
Rental expenses and building management fees paid to an associate of LSG (Note)	<b>1,668</b>	1,251

The above transactions were entered based on terms stated in the respective lease agreements or contracts.

Note: This transaction, which was subject to the reporting requirements set out in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), was disclosed in the Report of the Directors.

### (b) Compensation of key management personnel of the Group

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>20,179</b>	18,036
Employee share option benefits	<b>9,008</b>	—
Post-employment benefits	<b>319</b>	327
<b>Total compensation paid to key management personnel</b>	<b>29,506</b>	18,363

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

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## 6. TURNOVER AND OTHER REVENUE

Turnover comprises the proceeds from sale of properties, rental income and building management fee, and income from hotel, restaurant and other operations.

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

	Group	
	2012 HK\$'000	2011 HK\$'000
<b>Turnover</b>		
Sale of properties	<b>92,122</b>	414,521
Rental income and building management fee	<b>395,777</b>	367,455
Hotel, restaurant and other operations	<b>387,257</b>	410,938
	<b>875,156</b>	1,192,914

	Group	
	2012 HK\$'000	2011 HK\$'000
<b>Other revenue and gain</b>		
Interest income from bank deposits	<b>3,862</b>	3,002
Interest income from held-to-maturity debt investments	<b>1,203</b>	2,175
Other interest income	<b>575</b>	737
Gain on disposal of an available-for-sale financial asset	—	27,795
Dividend income from listed equity investments at fair value through profit or loss	<b>244</b>	113
Dividend income from unlisted available-for-sale financial assets	<b>160</b>	3,926
Project management fee income received from a joint venture	—	3,600
Others	<b>13,302</b>	12,982
	<b>19,346</b>	54,330

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## 7. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	<b>Group</b> 2012 HK\$'000	2011 HK\$'000
Depreciation <sup>#</sup>	14	<b>24,518</b>	23,469
Amortisation of prepaid land lease payments*	15	<b>1,028</b>	1,028
Staff costs (including directors' remuneration — note 9):			
Wages and salaries		<b>181,129</b>	159,539
Pension scheme contributions		<b>3,951</b>	3,715
Employee share option benefits		<b>9,008</b>	—
		<b>194,088</b>	163,254
Auditors' remuneration		<b>2,743</b>	2,684
Loss on disposal of items of property, plant and equipment*		<b>4,331</b>	30
Fair value loss on equity investments at fair value through profit or loss*		<b>803</b>	7,215
Loss on disposal of equity investments at fair value through profit or loss*		<b>10,334</b>	782
Minimum lease payments under operating leases in respect of leasehold buildings		<b>14,634</b>	8,439
Rental income		<b>(395,777)</b>	(367,455)
Less: Outgoings		<b>56,763</b>	56,629
Net rental income		<b>(339,014)</b>	(310,826)
Foreign exchange losses/(gains), net		<b>93</b>	(441)

<sup>#</sup> Depreciation charge of HK\$21,901,000 (2011: HK\$21,321,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the consolidated income statement.

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

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## 8. FINANCE COSTS

	Group	
	2012 HK\$'000	2011 HK\$'000
Interest on bank borrowings wholly repayable within five years	51,021	40,889
Bank financing charges	9,081	9,979
	<b>60,102</b>	50,868
Less: Amount capitalised in properties under development for sale (note 17)	<b>(10,279)</b>	(3,792)
	<b>49,823</b>	47,076

## 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	
	2012 HK\$'000	2011 HK\$'000
Fees	600	600
Other emoluments:		
Salaries, allowances and benefits in kind	19,579	17,436
Employee share option benefits (note 30)	9,008	—
Pension scheme contributions	319	327
	<b>28,906</b>	17,763
	<b>29,506</b>	18,363



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## 9. DIRECTORS' REMUNERATION (CONTINUED)

The remuneration paid to independent non-executive directors, executive directors and non-executive directors during the year were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employee share option benefits HK\$'000	Pension scheme contributions HK\$'000	Total emoluments HK\$'000
<b>2012</b>					
Independent non-executive directors:					
Lam Bing Kwan	150	—	—	—	150
Leung Shu Yin, William	150	—	—	—	150
Ip Shu Kwan, Stephen, GBS, JP	150	—	—	—	150
	<b>450</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>450</b>
Executive directors:					
Lam Kin Ngok, Peter	—	9,987	—	13	10,000
Chew Fook Aun <sup>1</sup>	—	934	9,008	2	9,944
Lau Shu Yan, Julius	—	3,989	—	182	4,171
Tam Kin Man, Kraven <sup>3</sup>	—	3,014	—	109	3,123
Cheung Wing Sum, Ambrose, MH, JP <sup>2</sup>	—	—	—	—	—
Lui Siu Tsuen, Richard <sup>5</sup>	—	—	—	—	—
Cheung Sum, Sam <sup>4</sup>	—	1,655	—	13	1,668
	<b>—</b>	<b>19,579</b>	<b>9,008</b>	<b>319</b>	<b>28,906</b>
Non-executive directors:					
Lam Kin Ming	—	—	—	—	—
U Po Chu	—	—	—	—	—
Wan Yee Hwa, Edward <sup>6</sup>	150	—	—	—	150
	<b>150</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>150</b>
	<b>600</b>	<b>19,579</b>	<b>9,008</b>	<b>319</b>	<b>29,506</b>

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## 9. DIRECTORS' REMUNERATION (CONTINUED)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employee share option benefits HK\$'000	Pension scheme contributions HK\$'000	Total emoluments HK\$'000
2011					
Independent non-executive directors:					
Lam Bing Kwan	150	—	—	—	150
Leung Shu Yin, William	150	—	—	—	150
Wan Yee Hwa, Edward <sup>6</sup>	75	—	—	—	75
Ip Shu Kwan, Stephen, GBS, JP	150	—	—	—	150
	525	—	—	—	525
Executive directors:					
Lam Kin Ngok, Peter	—	9,988	—	12	10,000
Lau Shu Yan, Julius	—	3,721	—	169	3,890
Tam Kin Man, Kraven	—	3,112	—	141	3,253
Cheung Wing Sum, Ambrose, MH, JP	—	—	—	—	—
Lui Siu Tsuen, Richard <sup>5</sup>	—	—	—	—	—
Cheung Sum, Sam	—	615	—	5	620
Leung Churk Yin, Jeanny <sup>7</sup>	—	—	—	—	—
	—	17,436	—	327	17,763
Non-executive directors:					
Lam Kin Ming	—	—	—	—	—
U Po Chu	—	—	—	—	—
Wan Yee Hwa, Edward <sup>6</sup>	75	—	—	—	75
	75	—	—	—	75
	600	17,436	—	327	18,363

1 Chew Fook Aun was appointed as an executive director of the Company on 5 June 2012.

2 Cheung Wing Sum, Ambrose retired as an executive director on 21 December 2011.

3 Tam Kin Man, Kraven retired as an executive director on 1 May 2012.

4 Cheung Sum, Sam resigned as an executive director on 1 September 2012.

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

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

7 Leung Churk Yin, Jeanny resigned as an executive director of the Company on 1 January 2011.

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

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## 10. EMPLOYEES' REMUNERATION

The five highest paid employees during the year included four (2011: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2011: two) non-director, highest paid employee for the year are as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Salaries, allowances and benefits in kind	1,905	3,523
Pension scheme contributions	86	84
	<b>1,991</b>	3,607

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

	Number of employees	
	2012	2011
HK\$1,500,001 to HK\$2,000,000	1	2

## 11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	Group	
	2012 HK\$'000	2011 HK\$'000 (Restated)
Current tax		
Hong Kong	27,064	16,776
Overseas	14,894	16,248
	<b>41,958</b>	33,024
Deferred tax (note 28)	6,419	5,234
Prior years' overprovision — Hong Kong	(17,267)	(216)
Tax charge for the year	<b>31,110</b>	38,042

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**11. TAX (CONTINUED)**

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

	<b>Group</b>	
	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000 (Restated)
Profit before tax	<b>2,356,838</b>	2,536,763
Less: Share of profits and losses of associates	<b>(441,121)</b>	(271,061)
Share of profits of joint ventures	<b>(710,968)</b>	(990,753)
Profit before tax attributable to the Company and its subsidiaries	<b>1,204,749</b>	1,274,949
Tax at the statutory tax rate of 16.5% (2011: 16.5%)	<b>198,784</b>	210,367
Higher tax rate for other countries	<b>1,129</b>	1,654
Adjustments in respect of current tax of previous periods	<b>(17,267)</b>	(216)
Income not subject to tax	<b>(177,770)</b>	(186,318)
Expenses not deductible for tax purposes	<b>26,755</b>	21,543
Tax losses utilised from previous periods	<b>(2,806)</b>	(10,878)
Tax losses not recognised	<b>2,285</b>	1,890
Tax charge for the year	<b>31,110</b>	38,042

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**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 2012 includes a profit of HK\$829,571,000 (2011 (restated): HK\$663,201,000) which has been dealt with in the financial statements of the Company (note 31(b)).

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

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share	<b>2,282,568</b>	2,449,128
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share	<b>(19)</b>	
Earnings for the purpose of diluted earnings per share	<b>2,282,549</b>	
	<b>'000</b>	<b>'000</b> (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>18,326,701</b>	15,320,755
Effect of dilutive potential ordinary shares arising from share options	<b>2,490</b>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>18,329,191</b>	

The weighted average number of shares in issue for both years used in the basic earnings per share calculation has been adjusted or restated to reflect the effect of the rights issue completed in December 2011 as set out in note 29.

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## 14. PROPERTY, PLANT AND EQUIPMENT

## Group

	Note	Hotel properties HK\$'000	Leasehold buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Computers HK\$'000	Motor vessels HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:										
At 1 August 2010		357,035	81,035	49,006	147,075	23,349	11,287	34,162	—	702,949
Additions		—	—	3,611	3,723	—	1,089	456	3,104	11,983
Disposals/write-off		—	—	(7,331)	(9,394)	(469)	(181)	—	—	(17,375)
At 31 July 2011 and 1 August 2011		357,035	81,035	45,286	141,404	22,880	12,195	34,618	3,104	697,557
Additions		—	—	3,112	9,276	1,175	807	2,581	6,489	23,440
Disposals/write-off		—	—	(2,315)	(8,546)	(497)	(126)	—	—	(11,484)
<b>At 31 July 2012</b>		<b>357,035</b>	<b>81,035</b>	<b>46,083</b>	<b>142,134</b>	<b>23,558</b>	<b>12,876</b>	<b>37,199</b>	<b>9,593</b>	<b>709,513</b>
Accumulated depreciation:										
At 1 August 2010		106,220	12,419	36,364	118,360	18,941	8,449	33,965	—	334,718
Depreciation provided for the year	7	8,209	1,726	4,976	5,199	1,553	1,400	406	—	23,469
Disposals/write-off		—	—	(7,331)	(8,940)	(468)	(117)	—	—	(16,856)
At 31 July 2011 and 1 August 2011		114,429	14,145	34,009	114,619	20,026	9,732	34,371	—	341,331
Depreciation provided for the year	7	8,209	1,726	5,194	5,457	1,697	1,474	761	—	24,518
Disposals/write-off		—	—	(1,169)	(5,674)	(248)	(62)	—	—	(7,153)
<b>At 31 July 2012</b>		<b>122,638</b>	<b>15,871</b>	<b>38,034</b>	<b>114,402</b>	<b>21,475</b>	<b>11,144</b>	<b>35,132</b>	<b>—</b>	<b>358,696</b>
Net carrying amount:										
<b>At 31 July 2012</b>		<b>234,397</b>	<b>65,164</b>	<b>8,049</b>	<b>27,732</b>	<b>2,083</b>	<b>1,732</b>	<b>2,067</b>	<b>9,593</b>	<b>350,817</b>
At 31 July 2011		242,606	66,890	11,277	26,785	2,854	2,463	247	3,104	356,226

At 31 July 2012, the Group's hotel properties with a total carrying amount of HK\$234,397,000 (2011: HK\$242,606,000) were pledged to banks to secure banking facilities granted to the Group (note 27).

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**14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****Group (continued)**

The Group's hotel properties and leasehold buildings included above are held under the following lease terms:

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
At cost:		
Medium-term leases		
Hong Kong	<b>81,035</b>	81,035
Elsewhere	<b>357,035</b>	357,035
	<b>438,070</b>	438,070

**Company**

	<b>Leasehold improvements</b> HK\$'000	<b>Furniture, fixtures and equipment</b> HK\$'000	<b>Motor vehicles</b> HK\$'000	<b>Computers</b> HK\$'000	<b>Total</b> HK\$'000
Cost:					
At 1 August 2010	19,814	12,550	20,877	1,097	54,338
Additions	86	93	—	140	319
Disposals/write-off	—	(18)	(468)	(22)	(508)
At 31 July 2011 and 1 August 2011	19,900	12,625	20,409	1,215	54,149
Additions	1,022	412	668	238	2,340
Disposals/write-off	—	—	—	(21)	(21)
<b>At 31 July 2012</b>	<b>20,922</b>	<b>13,037</b>	<b>21,077</b>	<b>1,432</b>	<b>56,468</b>
Accumulated depreciation:					
At 1 August 2010	19,043	11,415	17,051	932	48,441
Depreciation provided for the year	278	405	1,345	120	2,148
Disposals/write-off	—	(18)	(468)	(22)	(508)
At 31 July 2011 and 1 August 2011	19,321	11,802	17,928	1,030	50,081
Depreciation provided for the year	481	473	1,511	151	2,616
Disposals/write-off	—	—	—	(19)	(19)
<b>At 31 July 2012</b>	<b>19,802</b>	<b>12,275</b>	<b>19,439</b>	<b>1,162</b>	<b>52,678</b>
Net carrying amount:					
<b>At 31 July 2012</b>	<b>1,120</b>	<b>762</b>	<b>1,638</b>	<b>270</b>	<b>3,790</b>
At 31 July 2011	579	823	2,481	185	4,068

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## 15. PREPAID LAND LEASE PAYMENTS

	Group	
	2012 HK\$'000	2011 HK\$'000
Cost:		
At beginning and end of year	<b>35,960</b>	35,960
Accumulated amortisation:		
At beginning of year	<b>9,922</b>	8,894
Amortisation provided for the year — note 7	<b>1,028</b>	1,028
At end of year	<b>10,950</b>	9,922
Net carrying amount:		
At beginning of year	<b>26,038</b>	27,066
At end of year	<b>25,010</b>	26,038

Leasehold land of the Group is held under a medium-term lease and is situated outside Hong Kong.

At 31 July 2012, the Group's prepaid land lease payments with a carrying amount of HK\$25,010,000 (2011: HK\$26,038,000) were pledged to banks to secure banking facilities granted to the Group (note 27).

## 16. INVESTMENT PROPERTIES

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Carrying amount at beginning of year	<b>7,756,931</b>	6,444,930	<b>4,839,100</b>	4,243,200
Exchange realignment	<b>(8,843)</b>	—	—	—
Additions, at cost	<b>29,114</b>	237,068	<b>10,197</b>	9,908
Fair value gains	<b>793,709</b>	1,074,933	<b>484,703</b>	585,992
Carrying amount at end of year	<b>8,570,911</b>	7,756,931	<b>5,334,000</b>	4,839,100

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

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Long-term leases in Hong Kong	<b>3,020,000</b>	2,700,000	—	—
Medium-term leases in Hong Kong	<b>5,336,520</b>	4,841,300	<b>5,334,000</b>	4,839,100
Freehold land outside Hong Kong	<b>214,391</b>	215,631	—	—
	<b>8,570,911</b>	7,756,931	<b>5,334,000</b>	4,839,100



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**16. INVESTMENT PROPERTIES (CONTINUED)**

At 31 July 2012, the investment properties were stated at their aggregate open market value of HK\$8,570,911,000 (2011: HK\$7,756,931,000), based on their existing use with reference to a valuation performed by Savills Valuation and Professional Services Limited, independent chartered surveyors, on that date.

All investment properties of the Group and the Company are leased out under operating leases, further summary details of which are included in note 34(a) to the financial statements.

Certain investment properties of the Group and the Company with carrying amounts of HK\$8,554,391,000 (2011: HK\$7,742,631,000) and HK\$5,320,000,000 (2011: HK\$4,827,000,000), respectively, were pledged to banks to secure banking facilities granted to the Group (note 27).

**17. PROPERTIES UNDER DEVELOPMENT FOR SALE**

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
At beginning of year, at cost	<b>1,098,195</b>	900,378
Additions	<b>200,944</b>	194,025
Interest and bank financing charges capitalised (note 8)	<b>10,279</b>	3,792
At end of year, at cost	<b>1,309,418</b>	1,098,195

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

	<b>Group</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Long-term leases	<b>667,559</b>	615,158
Medium-term leases	<b>641,859</b>	483,037
	<b>1,309,418</b>	1,098,195

As at 31 July 2012, the Group's properties under development for sale with a total carrying amount of HK\$1,200,491,000 (2011: HK\$481,917,000) were pledged to banks to secure banking facilities granted to the Group (note 27).

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## 18. INTERESTS IN SUBSIDIARIES

	Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	<b>167,411</b>	167,421
Amounts due from subsidiaries	<b>7,451,854</b>	7,065,218
Amounts due to subsidiaries	<b>(1,193,546)</b>	(980,062)
	<b>6,258,308</b>	6,085,156
Provision for impairment	<b>(2,538,903)</b>	(2,667,622)
	<b>3,886,816</b>	3,584,955

Balances with subsidiaries were unsecured, interest-free and had no fixed terms of repayment except for amounts due from subsidiaries of HK\$874,590,000 (2011: HK\$465,868,000) as at 31 July 2012 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 amounts recoverable from subsidiaries with reference to the fair value of the underlying assets held by the subsidiaries.

Particulars of the principal subsidiaries as at 31 July 2012 were as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Bushell Limited	Hong Kong	HK\$2	Ordinary	—	100.00	Property development
Chains Caravelle Hotel Joint Venture Company Limited ("CCHJV")	Vietnam	US\$23,175,577	*	—	26.01**	Hotel operations
Furama Hotel Enterprises Limited	Hong Kong	HK\$102,880,454	Ordinary	—	100.00	Investment holding
Furama Hotels and Resorts International Limited	British Virgin Islands/ Hong Kong	US\$1,000,000	Ordinary	—	100.00	Provision of management services

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## 18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Gilroy Company Limited	Hong Kong	HK\$10,000	Ordinary	100.00	—	Property investment
Glynhill Hotels and Resorts (Vietnam) Pte. Ltd.	Singapore/ Vietnam	S\$2	Ordinary	—	100.00	Provision of management and consultancy services to hotel owners
Glynhill Investments (Vietnam) Pte Limited ("GIV")	Singapore	S\$2	Ordinary	—	51.00**	Investment holding
Goldmay Development Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property development/ property sales
Hong Kong Hill Limited	Hong Kong	HK\$100	Ordinary	100.00	—	Property investment
Kolot Property Services Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property management
Lai Sun Real Estate Agency Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property management and real estate agency
Milirich Investment Limited	Hong Kong	HK\$2	Ordinary	100.00	—	Property development
Modern Charm Limited	Hong Kong	HK\$10,000	Ordinary	—	70.00	Restaurant operation
Oriental Style Limited	Hong Kong	HK\$1	Ordinary	—	100.00	Property development
Peakflow Profits Limited ("Peakflow")	British Virgin Islands/ Hong Kong	US\$1	Ordinary	100.00	—	Investment holding
Porchester Assets Limited ("Porchester") #	British Virgin Islands/ Hong Kong	US\$100	Ordinary	—	51.00**	Investment holding

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## 18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Royal Team Limited	Hong Kong	HK\$10,000	Ordinary	—	52.00	Restaurant operation
Speedy Result Limited	British Virgin Islands/ United Kingdom	US\$1	Ordinary	—	100.00	Property investment
Transformation International Limited <sup>#</sup>	British Virgin Islands/ Hong Kong	US\$1	Ordinary	100.00	—	Investment holding
Transtrend Holdings Limited	Hong Kong	HK\$20	Ordinary	—	100.00	Investment holding
韵港餐飲(上海)有限公司*	The PRC	US\$1,000,000	*	—	63.07	Restaurant operation

\* These subsidiaries have registered rather than issued share capital.

\*\* The Group owns a 51% equity interest in Porchester, which in turn, through GIV, a wholly-owned subsidiary of Porchester, owns a 51% interest in CCHJV. By virtue of the 51% equity interest in CCHJV held by the Group through the 51%-owned Porchester, an effective equity interest of 26.01% in CCHJV was held by the Group.

# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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.

Shares of certain subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group (note 27).

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**18. INTERESTS IN SUBSIDIARIES (CONTINUED)**

Summarised consolidated financial information of Porchester and its subsidiaries before intergroup eliminations is set out below:

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Current assets	<b>239,363</b>	221,391
Non-current assets	<b>290,201</b>	290,100
Current liabilities	<b>(47,560)</b>	(66,734)
Non-current liabilities	<b>(30,522)</b>	(53,651)
Equity attributable to ordinary equity holders of Porchester	<b>255,600</b>	225,605
Non-controlling interests	<b>195,882</b>	165,501
	<b>Year ended</b> <b>31 July 2012</b> <b>HK\$'000</b>	Year ended 31 July 2011 HK\$'000
Turnover	<b>302,323</b>	324,622
Cost of sales and operating expenses	<b>(200,094)</b>	(220,346)
Profit and total comprehensive income for the year	<b>60,376</b>	66,577
	<b>Year ended</b> <b>31 July 2012</b> <b>HK\$'000</b>	Year ended 31 July 2011 HK\$'000
Profit and total comprehensive income attributable to ordinary equity holders of Porchester	<b>29,996</b>	33,441
Profit and total comprehensive income attributable to the non-controlling interests	<b>30,380</b>	33,136
Profit and total comprehensive income for the year	<b>60,376</b>	66,577

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## 19. INTERESTS IN ASSOCIATES/JOINT VENTURES

## (a) Interests in associates

	Group			Company		
	31 July 2012 HK\$'000	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)	31 July 2012 HK\$'000	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
Unlisted shares, at cost	—	—	—	907	907	907
Share of net assets	2,981,976	2,409,307	2,174,008	—	—	—
	2,981,976	2,409,307	2,174,008	907	907	907
Amounts due from associates	280,608	266,659	258,883	203,741	203,709	203,634
	3,262,584	2,675,966	2,432,891	204,648	204,616	204,541
Provision for impairment	(178,897)	(172,756)	(165,220)	(195,633)	(195,629)	(195,558)
	3,083,687	2,503,210	2,267,671	9,015	8,987	8,983
Market value of listed shares at the end of the reporting period	471,604	944,445	474,460			
Amounts due to associates (classified as non-current liabilities)	(20,799)	(15,854)	(15,808)	(16,303)	(11,503)	(11,503)

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

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 amounts recoverable from the associates with reference to the fair value of the underlying assets held by the associates.

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**19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)****(a) Interests in associates (continued)**

Particulars of the principal associates as at 31 July 2012 were as follows:

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Class of shares held</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
Capital Artists Limited	Hong Kong	Ordinary	37.93	Music production and distribution
East Asia Entertainment Limited	Hong Kong	Ordinary	37.93	Entertainment activity production
East Asia Music (Holdings) Limited	Hong Kong	Ordinary	37.93	Music production and distribution
eSun Holdings Limited	Bermuda/ Hong Kong	Ordinary	37.93	Investment holding
Media Asia Entertainment Group Limited	Bermuda/ Hong Kong	Ordinary	37.93	Investment holding
Lai Fung Holdings Limited ("Lai Fung")	Cayman Islands/ PRC	Ordinary	18.16	*
Media Asia Group Holdings Limited (formerly known as Rojam Entertainment Holdings Limited) ("Media Asia")	Incorporated in the Cayman Islands and continued in Bermuda	Ordinary	19.38	**

\* Lai Fung is an investment holding company. The principal activities of the subsidiaries of Lai Fung consists of property development for sale and property investment for rental purpose in the PRC.

\*\* The principal activities of Media Asia include production and distribution of films and television drama series; organisation, management and production of concerts and lives performances; music production and publishing; investment in, and provision of contents, artist management services and consultancy services in entertainment related businesses, primarily in the PRC and Macau.

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

## 19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)

### (a) Interests in associates (continued)

The financial year end dates of the above associates are coterminous with that of the Group.

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

On 26 July 2010, LSG, a substantial shareholder of the Company, entered into a conditional shares swap agreement with eSun pursuant to which (i) LSG transferred its entire shareholding interest in Lai Fung, representing approximately 40.58% of the issued share capital of Lai Fung, to eSun (the "**Lai Fung Transaction**") whereby eSun transferred its entire shareholding interest in the Company, representing approximately 36.72% of the issued share capital of the Company, to LSG (the "**Shares Swap Transactions**" together with the Lai Fung Transaction); and (ii) cash consideration of approximately HK\$178.4 million was paid by eSun to LSG. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Shares Swap Transactions took place on 30 September 2010 (the "**Completion**").

Prior to the Completion, a crossholding position existed between the eSun and its subsidiaries (the "**eSun Group**") and the Company that the Group's interest in eSun was 36.08% and the eSun Group held 36.72% of the issued share capital of the Company. Upon the Completion, eSun no longer holds any interest in the Company but the Company continues to hold a 36.08% equity interest in eSun. Accordingly, the cross-holding relationship between eSun and the Company was eliminated.

Included in the share of results of the eSun Group for the year ended 31 July 2011 (restated) were (i) the eSun Group's gain on disposal of 36.72% interest in the Company shared by the Group of HK\$234,223,000; and (ii) the eSun Group's impairment loss on goodwill arising from acquisition of 40.58% interest in Lai Fung shared by the Group of HK\$191,634,000.

In April 2011, certain share options granted by eSun under its share option scheme were exercised to subscribe for ordinary shares of eSun. Accordingly, the Group's interest in eSun was diluted from 36.08% to 36.00%.

In August 2011, the Group acquired a 1.93% additional interest in eSun at a cost of HK\$43,301,000 and the Group's interest in eSun was increased from 36.00% to 37.93%. A discount on acquisition of HK\$88,695,000 was arising from such acquisition and recognised in the consolidated income statement for the year ended 31 July 2012.

On 27 February 2012, eSun and Lai Fung issued a joint announcement in respect of the proposed open offer of Lai Fung (the "**Open Offer**") and an underwriting arrangement between eSun and Lai Fung, pursuant to which eSun irrevocably undertook to Lai Fung to take up all shares offered in the Open Offer. The Open Offer became unconditional on 6 June 2012. eSun increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer on 11 June 2012. With early adoption of HKFRS 10 "Consolidated Financial Statements" in the current year, the directors of eSun concluded that eSun has had control over Lai Fung and Lai Fung has become a subsidiary of eSun since 11 June 2012. Subsequent to the Open Offer, eSun further acquired shares of Lai Fung from the market and increased its interest in Lai Fung to 47.87% in June 2012.



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**19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)****(a) Interests in associates (continued)**

The below summarised financial information is extracted from the published financial statements of the eSun Group. The consolidated financial statements of the eSun Group are prepared in accordance with HKFRSs and complied with the Group's accounting policies.

	<b>31 July 2012 HK\$'000</b>	31 July 2011 HK\$'000
Current assets	<b>8,026,791</b>	2,678,531
Non-current assets	<b>15,691,930</b>	4,967,235
Current liabilities	<b>(3,212,071)</b>	(349,704)
Non-current liabilities	<b>(4,639,865)</b>	(320,331)
Net assets attributable to ordinary equity holders of eSun	<b>7,997,900</b>	6,837,486
Non-controlling interests	<b>7,868,885</b>	138,245
	<b>Year ended 31 July 2012 HK\$'000</b>	Period from 1 January 2011 to 31 July 2011 HK\$'000
Turnover	<b>702,151</b>	316,285
Profit for the year/period	<b>1,086,011</b>	518,215
Other comprehensive (expenses)/income for the year/period	<b>(191,719)</b>	103,051
Total comprehensive income for the year/period	<b>894,292</b>	621,266

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## 19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)

## (a) Interests in associates (continued)

Reconciliation of the above summarised financial information of the eSun Group to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	<b>31 July 2012 HK\$'000</b>	31 July 2011 HK\$'000
Net assets attributable to ordinary equity holders of eSun	<b>7,997,900</b>	6,837,486
The Group's 37.93% interest in the eSun Group (2011: 36.00%)	<b>3,033,604</b>	2,461,495
The Group's share of net liabilities of remaining associates not individually material	<b>(51,628)</b>	(52,188)
<b>The Group's share of net assets of associates</b>	<b>2,981,976</b>	2,409,307
	<b>Year ended 31 July 2012 HK\$'000</b>	Year ended 31 July 2011 HK\$'000
The Group's share of profit and total comprehensive income of remaining associates not individually material	<b>560</b>	777

## (b) Interests in joint ventures

	<b>Group</b>			<b>Company</b>		
	<b>31 July 2012 HK\$'000</b>	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)	<b>31 July 2012 HK\$'000</b>	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
Unlisted shares, at cost	—	—	—	—	—	—
Share of net assets	<b>3,158,147</b>	2,171,901	1,181,148	—	—	—
	<b>3,158,147</b>	2,171,901	1,181,148	—	—	—
Amounts due from joint ventures	<b>731,111</b>	675,246	669,892	<b>393,522</b>	393,547	393,522
	<b>3,889,258</b>	2,847,147	1,851,040	<b>393,522</b>	393,547	393,522

Balances with joint ventures were unsecured, interest-free and had no fixed terms of repayment.

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**19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)****(b) Interests in joint ventures (continued)**

Particulars of the joint ventures as at 31 July 2012 were as follows:

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Class of shares held</b>	<b>Percentage of ownership interest attributable to the Group</b>	<b>Principal activities</b>
Best Value International Limited ("Best Value") #	Hong Kong	Ordinary	50.00	Property development
Brilliant Pearl Limited ("Brilliant Pearl") #	Hong Kong	Ordinary	50.00	Property development/ property sales
Diamond String Limited ("Diamond String")	Hong Kong	Ordinary	50.00	Property investment
Lucky Result Limited ("Lucky Result") #	British Virgin Islands/ Hong Kong	Ordinary	50.00	Investment holding

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Certain shares of a joint venture held by the Group were pledged to a bank to secure a banking facility granted to the joint venture.

All the joint ventures have been accounted for using the equity method in these financial statements.

The financial year end dates of the above joint ventures are different from that of the Group, among which (i) Lucky Result, Brilliant Pearl and Diamond String have financial year end date of 31 December and (ii) Best Value has financial year end date of 30 June.

The summarised financial information below represents amounts shown in the financial statements of respective joint ventures prepared in accordance with HKFRSs and complied with the Group's accounting policies.

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## 19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)

## (b) Interests in joint ventures (continued)

Best Value Group (acquired on 11 November 2011 as set out in note 23)

	31 July 2012 HK\$'000
<i>Assets and liabilities</i>	
Current assets	4,981
Non-current assets	1,740,000
Current liabilities	(74)
Non-current liabilities	(675,178)
The above amounts of assets and liabilities include the following:	
Non-current financial liabilities (excluding trade and other payables and provisions)	(675,178)
	Period from 11 November 2011 to 31 July 2012 HK\$'000
<i>Profit for the period</i>	
Turnover	—
Profit and total comprehensive income for the period	42,571

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**19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)****(b) Interests in joint ventures (continued)**

Best Value Group (acquired on 11 November 2011 as set out in note 23) (continued)

Reconciliation of the above summarised financial information of the Best Value Group to the carrying amount of the interest in the Best Value Group recognised in the consolidated financial statements:

	<b>31 July 2012 HK\$'000</b>	
Net assets of Best Value Group	<b>1,069,729</b>	
The Group's 50% ownership interest in Best Value Group	<b>534,865</b>	
Amount due from Best Value Group	<b>337,589</b>	
Carrying amount of the Group's interest in Best Value Group	<b>872,454</b>	
<b>Diamond String</b>		
	<b>2012 HK\$'000</b>	2011 HK\$'000 (Restated)
<i>Assets and liabilities</i>		
Current assets	<b>136,064</b>	140,896
Non-current assets	<b>6,410,000</b>	4,710,000
Current liabilities	<b>(96,577)</b>	(34,793)
Non-current liabilities	<b>(1,715,649)</b>	(1,336,567)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	<b>135,159</b>	140,785
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>(1,715,649)</b>	(1,336,567)
Interest income (capitalised as non-current assets)	<b>1,342</b>	553
Interest expense (capitalised as non-current assets)	<b>18,964</b>	15,627

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## 19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)

## (b) Interests in joint ventures (continued)

## Diamond String (continued)

	Year ended 31 July 2012 HK\$'000	Year ended 31 July 2011 HK\$'000 (Restated)
<i>Profit for the year</i>		
Turnover	—	—
Profit and total comprehensive income for the year	<b>1,254,303</b>	1,108,618

Reconciliation of the above summarised financial information of Diamond String to the carrying amount of the interest in Diamond String recognised in the consolidated financial statements:

	2012 HK\$'000	2011 HK\$'000 (Restated)
Net assets of Diamond String	<b>4,733,838</b>	3,479,536
The Group's 50% ownership interest in Diamond String	<b>2,366,919</b>	1,739,768
Amount due from Diamond String	<b>393,522</b>	393,547
Carrying amount of the Group's interest in Diamond String	<b>2,760,441</b>	2,133,315

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**19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)****(b) Interests in joint ventures (continued)**

Lucky Result (consolidated Brilliant Pearl as a wholly-owned subsidiary)

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<i>Assets and liabilities</i>		
Current assets	<b>805,146</b>	1,718,327
Current liabilities	<b>(292,420)</b>	(290,663)
Non-current liabilities	—	(563,398)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	<b>518,396</b>	262,322
Non-current financial liabilities (excluding trade and other payables and provisions)	—	(563,398)
	<b>Year ended</b> <b>31 July 2012</b> <b>HK\$'000</b>	Year ended 31 July 2011 HK\$'000
<i>Profit for the year</i>		
Turnover	<b>314,692</b>	1,987,352
Profit and total comprehensive income for the year	<b>125,062</b>	872,889
Dividends received from Lucky Result during the year	<b>476,603</b>	—
The above profit for the year includes the following:		
Tax charge	<b>24,170</b>	170,813

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## 19. INTERESTS IN ASSOCIATES/JOINT VENTURES (CONTINUED)

### (b) Interests in joint ventures (continued)

Lucky Result (consolidated Brilliant Pearl as a wholly-owned subsidiary) (continued)

Reconciliation of the above summarised financial information of Lucky Result (consolidated Brilliant Pearl as a wholly-owned subsidiary) to the carrying amount of the interest in Lucky Result recognised in the consolidated financial statements:

	2012 HK\$'000	2011 HK\$'000
Net assets of Lucky Result	<b>512,726</b>	864,266
The Group's 50% ownership interest in Lucky Result	<b>256,363</b>	432,133
Amount due from Lucky Result	—	281,699
Carrying amount of the Group's interest in Lucky Result	<b>256,363</b>	713,832

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group			Company	
	31 July 2012 HK\$'000	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)	31 July 2012 HK\$'000	31 July 2011 HK\$'000
Available-for-sale investments, at fair value					
Unlisted equity investments	<b>1,138,591</b>	988,107	721,939	<b>40,247</b>	—
Unlisted debt investments	<b>32,766</b>	32,507	32,419	—	—
	<b>1,171,357</b>	1,020,614	754,358	<b>40,247</b>	—
Unlisted equity investments, at cost	<b>176,247</b>	177,117	196,732	<b>3,101</b>	3,101
Provision for impairment	<b>(161,794)</b>	(161,794)	(180,574)	<b>(3,000)</b>	(3,000)
	<b>14,453</b>	15,323	16,158	<b>101</b>	101
	<b>1,185,810</b>	1,035,937	770,516	<b>40,348</b>	101

As at 31 July 2012, unlisted investments of the Group with a carrying amount of HK\$14,453,000 (31 July 2011: HK\$15,323,000) were stated at cost less impairment because the directors are of the opinion that the variability in the range of reasonable fair value estimate is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.



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**20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)**

As at 31 July 2012, included in available-for-sale financial assets at fair value were equity and debt interests in Bayshore Development Limited ("Bayshore"), the principal activity of which is property investment, with an aggregate amount of HK\$1,120,420,000 (31 July 2011 (restated): HK\$1,014,419,000; 1 August 2010 (restated): HK\$746,197,000). The interest held by the Group was pledged to banks to secure a syndicated loan facility granted to Bayshore.

**21. HELD-TO-MATURITY DEBT INVESTMENTS**

	Group and Company	
	2012	2011
	HK\$'000	HK\$'000
Debt securities, at amortised cost	—	33,963

The held-to-maturity debt investments held as at 31 July 2011 were listed overseas. The weighted average effective interest rate of these held-to-maturity debt investments was approximately 2.0% per annum.

**22. PLEDGED BANK BALANCES AND TIME DEPOSITS AND CASH AND CASH EQUIVALENTS**

	Group		Company	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	665,001	404,005	492,331	249,402
Time deposits	1,006,141	698,391	831,815	540,182
	1,671,142	1,102,396	1,324,146	789,584
Less: Pledged balances for bank borrowings:				
Bank balances	(4,849)	(3,772)	(4,849)	(3,772)
Time deposits	(101,188)	(95,819)	(101,188)	(95,819)
Pledged bank balances and time deposits	(106,037)	(99,591)	(106,037)	(99,591)
Cash and cash equivalents	1,565,105	1,002,805	1,218,109	689,993

## 22. PLEDGED BANK BALANCES AND TIME DEPOSITS AND CASH AND CASH EQUIVALENTS (CONTINUED)

At the end of the reporting period, cash and bank balances of the Group denominated in Vietnamese Dong ("VND") and Renminbi ("RMB") amounted to approximately HK\$18,816,000 (2011: HK\$17,596,000) and HK\$8,918,000 (2011: HK\$2,013,000), respectively. The conversion of VND/RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies balances out of Vietnam/the PRC are subject to the relevant rules and regulation of foreign exchange control promulgated by the respective government authorities concerned.

Cash at banks earns interest at floating rates based on bank deposit rates. Short term time deposits are spread over 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. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

## 23. DEPOSITS PAID

At 31 July 2012, deposit of HK\$61,500,000 was paid for acquisition of an investment property.

As at 31 July 2011, deposit of HK\$90,000,000 was paid for acquisition of interest in a joint venture.

On 12 July 2011, Luck Reach Limited (the "Purchaser", a wholly-owned subsidiary of the Company), the Company, and three vendors (the "Vendors"), guarantors for the Vendors and a trustee for a vendor entered into an agreement (the "Acquisition Agreement"), pursuant to which:

- (a) the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell 50% equity and loan interests in Best Value at a total consideration of approximately HK\$846 million (subject to adjustment in accordance with the terms and conditions of the Acquisition Agreement); and
- (b) the Vendors granted an option to the Purchaser to purchase an additional 10% equity and loan interests in Best Value (the "Option") for a consideration of approximately HK\$169 million (subject to adjustment in accordance with the terms and conditions of the Acquisition Agreement), exercisable by the Purchaser subject to certain conditions stipulated in the Acquisition Agreement.

The principal assets of Best Value and its subsidiaries (the "Best Value Group") comprise properties, which represent parcels of ground on Observatory Road, Kowloon, Hong Kong with the buildings erected thereon (now known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon, Hong Kong) (the "Land"). The Group currently intends that the Best Value Group will develop a multi-storey commercial complex on the Land.

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## 23. DEPOSITS PAID (CONTINUED)

In July 2011, the Group paid an amount of HK\$90 million to the Vendors' solicitors as the deposit upon signing of the Acquisition Agreement.

The acquisition of 50% equity and loan interests in Best Value, the exercise of the Option and the financial assistance to be provided by the Group to the Best Value Group for redevelopment of the Land (collectively as the "Transactions") together constituted a major transaction for the Company under Chapter 14 of the Listing Rules and are, therefore, subject to the approval of the Company's shareholders by way of poll. Further details of the Transactions and the Acquisition Agreement were set out in the circular of the Company dated 4 October 2011.

Resolutions approving the Transactions were duly passed at the extraordinary general meeting of the Company on 22 October 2011. Completion of the acquisition of 50% interest took place on 11 November 2011.

Given the fact that the conditions in relation to the Option were not fulfilled, the Option was not exercisable by the Purchaser. Accordingly, the Group ended up holding a 50% interest in Best Value.

Based on terms and conditions of the Acquisition Agreement, the final consideration for acquisition of 50% equity and loan interests was approximately HK\$842 million. The remaining balance of the final consideration was fully paid to the Vendors during the year.

## 24. COMPLETED PROPERTIES FOR SALE

The completed properties for sale are carried at cost as at the end of the reporting period.

## 25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2012	2011
	HK\$'000	HK\$'000
Equity investments at market value:		
Listed in Hong Kong	—	7,707
Listed overseas	1,648	2,451
	<b>1,648</b>	10,158

The above equity instruments as at the end of the reporting period were classified as held for trading.

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## 26. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

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

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Trade debtors:				
Not yet due or				
less than 30 days past due	4,881	7,252	325	1,420
31-60 days past due	1,282	2,143	232	235
61-90 days past due	347	385	232	106
Over 90 days past due	2,721	2,559	2,040	1,697
	9,231	12,339	2,829	3,458
Deposits paid, prepayments and other receivables	90,363	112,488	44,390	42,238
	99,594	124,827	47,219	45,696

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

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
At 1 August	206	1,446	206	1,446
Impairment losses recognised	541	150	510	150
Amount written off as uncollectible	(747)	(1,390)	(716)	(1,390)
At 31 July	—	206	—	206

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## 26. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS (CONTINUED)

(a) (continued)

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors. The individually impaired trade debtors related to customers who defaulted in settlement of the receivables and a portion of the receivables were expected not to be recovered after taking into account the rental deposits held by the Group.

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

(b) An ageing analysis of the Group's trade creditors, based on payment due date, as at the end of the reporting period is as follows:

	2012 HK\$'000	2011 HK\$'000
Trade creditors:		
Not yet due or		
less than 30 days past due	7,398	7,004
31-60 days past due	480	1,273
61-90 days past due	148	374
Over 90 days past due	486	481
	<b>8,512</b>	9,132
Deposits received, other payables and accruals	<b>235,091</b>	212,967
	<b>243,603</b>	222,099

The trade creditors are non-interest-bearing normally with one month credit period.



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## 28. DEFERRED TAX

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

### Group

	Revaluation of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 August 2010, as originally stated	(886,648)	(88,440)	369	(1,156)	(975,875)
Effect of changes in accounting policies (note 2.2)	886,648	—	—	—	886,648
At 1 August 2010, as restated	—	(88,440)	369	(1,156)	(89,227)
Deferred tax charged to the consolidated income statement during the year (note 11)	—	(5,568)	334	—	(5,234)
At 31 July 2011 and 1 August 2011, as restated	—	(94,008)	703	(1,156)	(94,461)
Deferred tax charged to the consolidated income statement during the year (note 11)	—	(6,896)	477	—	(6,419)
<b>At 31 July 2012</b>	<b>—</b>	<b>(100,904)</b>	<b>1,180</b>	<b>(1,156)</b>	<b>(100,880)</b>

The Group had tax losses arising in Hong Kong of approximately HK\$1,284 million (2011: HK\$1,296 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as future taxable profit may not be available to utilise such losses in the foreseeable future.

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**28. DEFERRED TAX (CONTINUED)**

## Company

	<b>Revaluation of investment properties</b> HK\$'000	<b>Accelerated tax depreciation</b> HK\$'000	<b>Total</b> HK\$'000
At 1 August 2010, as originally stated	(618,021)	(45,462)	(663,483)
Effect of change in accounting policies (note 2.2)	618,021	—	618,021
At 1 August 2010, as restated	—	(45,462)	(45,462)
Deferred tax charged to the income statement during the year	—	(2,516)	(2,516)
At 31 July 2011 and 1 August 2011, as restated	—	(47,978)	(47,978)
Deferred tax charged to the income statement during the year	—	(4,199)	(4,199)
<b>At 31 July 2012</b>	<b>—</b>	<b>(52,177)</b>	<b>(52,177)</b>

At 31 July 2012, there was no significant unrecognised deferred tax liability (2011: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted.



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## 29. SHARE CAPITAL

	2012		2011	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 (2011: HK\$0.01) each	<b>27,000,000</b>	270,000	<b>17,200,000</b>	172,000
Preference shares of HK\$1.00 each	<b>1,200,000</b>	1,200,000	<b>1,200,000</b>	1,200,000
		<b>1,470,000</b>		<b>1,372,000</b>
Issued and fully paid:				
Ordinary shares of HK\$0.01 (2011: HK\$0.01) each	<b>20,062,893</b>	200,629	<b>14,162,042</b>	141,620

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 22 September 2011, the authorised share capital of the Company was increased from HK\$172,000,000 divided into 17,200,000,000 shares to HK\$270,000,000 divided into 27,000,000,000 shares by the creation of 9,800,000,000 additional shares of HK\$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

In December 2011, the Company completed a rights issue of 5,900,850,966 ordinary shares of HK\$0.01 each on the basis of five rights shares for every twelve shares held of the Company at a subscription price of HK\$0.09 per rights share (the "Rights Issue"). The net proceeds from the Rights Issue was approximately HK\$513,640,000, after deduction of share issue expenses of approximately HK\$17,437,000.

Movements in the Company's issued capital during the year are summarised as follows:

	Number of ordinary shares '000	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
As at 1 August 2011	14,162,042	141,620	6,974,701	7,116,321
Rights Issue	5,900,851	59,009	472,068	531,077
Share issue expenses	—	—	(17,437)	(17,437)
As at 31 July 2012	20,062,893	200,629	7,429,332	7,629,961

## 29. SHARE CAPITAL (CONTINUED)

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

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

- (1) 50% investment in Fortune Sign Venture Inc. ("Fortune Sign"), up to an aggregate amount of HK\$1,556,000,000;
- (2) 10% investment in Bayshore, up to an aggregate amount of HK\$2,923,000,000; and/or
- (3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK\$1,140,000,000

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

The undertaking is subject to the following provisos:

- (i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserve of the Company and the same shall become available for distribution;
- (ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets being the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and
- (iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

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## 29. SHARE CAPITAL (CONTINUED)

In prior years, an aggregate amount of HK\$630,400,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow, which holds a 10% equity interest in Bayshore, to the extent of HK\$372,072,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK\$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company.

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

As a result of the Rights Issue with net cash proceeds of approximately HK\$513,640,000 as detailed above, the Company's issued share capital and share premium account was increased by an aggregate amount of HK\$513,640,000. The entire remaining balance of the special capital reserve of HK\$126,264,000 was further transferred to the general reserve (a distributable reserve) of the Company pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

As at 31 July 2012, the outstanding balance of the general reserve of the Company was HK\$630,400,000 (2011: HK\$504,136,000). There was no remaining balance in the special capital reserve (2011: HK\$126,264,000).

## 30. SHARE OPTION SCHEME

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

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

### 30. SHARE OPTION SCHEME (CONTINUED)

The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's total number of shares in issue. Any further grant of share options representing in aggregate over 1% of the total number of the Company's shares in issue must be separately approved by the shareholders in general meeting of the Company.

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

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

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

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

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**30. SHARE OPTION SCHEME (CONTINUED)**

The following share options were granted during the year ended 31 July 2007 and vested on the same day, were lapsed during the year ended 31 July 2011:

Name and category of participant	Number of share options granted in 2007 and lapsed during the year ended 31 July 2011	Date of grant of options	Exercise period of share options	Exercise price of share options* HK\$ per share
<b>Director</b>				
Lau Shu Yan, Julius	15,000,000	19/01/2007	19/01/2007- 31/12/2010	0.45
	15,000,000	19/01/2007	19/01/2007- 31/12/2010	0.55
	15,000,000	19/01/2007	19/01/2007- 31/12/2010	0.65
	15,000,000	19/01/2007	19/01/2007- 31/12/2010	0.75
	60,000,000			

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

The following share options were granted during the year and vested on the same day and outstanding and exercisable under the Share Option Scheme as at 31 July 2012:

Name and category of participant	Number of share options granted during the year and outstanding as at 31 July 2012	Date of grant of options	Exercise period of share options	Exercise price of share options* HK\$ per share
<b>Director</b>				
Chew Fook Aun	200,628,932	05/06/2012	05/06/2012- 04/06/2022	0.112

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

The fair value of the share options granted during the year was HK\$9,008,000 of which the Group recognised the amount as expense during the year as there was no vesting period.

### 30. SHARE OPTION SCHEME (CONTINUED)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	—
Expected volatility (%)	46.012
Historical volatility (%)	46.012
Risk-free interest rate (%)	1.024
Expected life of options (years)	10
Closing share price (HK\$ per share)	0.111

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Other than the grant of the above share options, during the year, no other options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme. As at the date of approval of these financial statements, 1,805,660,397 (2011: 1,416,204,232) shares of HK\$0.01 each of the Company were available for issue under the Share Option Scheme.

### 31. 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 of the financial statements.

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## 31. RESERVES (CONTINUED)

## (b) Company

	Notes	Share premium account HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Special capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 August 2010, as originally stated		6,974,701	—	6,572	1,200,000	504,136	126,264	(3,254,793)	5,556,880
Effect of change in accounting policies		—	—	—	—	—	—	618,021	618,021
At 1 August 2010, as restated		6,974,701	—	6,572	1,200,000	504,136	126,264	(2,636,772)	6,174,901
Profit for the year (restated)	12	—	—	—	—	—	—	663,201	663,201
Release of reserve upon lapse of share options	30	—	—	(6,572)	—	—	—	6,572	—
At 31 July 2011 and 1 August 2011		6,974,701	—	—	1,200,000	504,136	126,264	(1,966,999)	6,838,102
Profit for the year	12	—	—	—	—	—	—	829,571	829,571
Change in fair value of available-for-sale financial assets		—	(9,673)	—	—	—	—	—	(9,673)
Total comprehensive income for the year		—	(9,673)	—	—	—	—	829,571	819,898
Rights issue	29	472,068	—	—	—	—	—	—	472,068
Share issue expenses	29	(17,437)	—	—	—	—	—	—	(17,437)
Transfer of reserve	29	—	—	—	—	126,264	(126,264)	—	—
Recognition of share-based payments	30	—	—	9,008	—	—	—	—	9,008
<b>At 31 July 2012</b>		<b>7,429,332</b>	<b>(9,673)</b>	<b>9,008</b>	<b>1,200,000</b>	<b>630,400</b>	<b>—</b>	<b>(1,137,428)</b>	<b>8,121,639</b>

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### 32. CAPITAL COMMITMENTS

The Group had the following commitments in respect of purchase of items of property, plant and equipment not provided for in the financial statements at the end of the reporting period:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Contracted, but not provided for	<b>2,453</b>	4,168	<b>2,453</b>	4,168

### 33. CONTINGENT LIABILITIES

- (a) Contingent liabilities not provided for in the financial statements at the end of the reporting period are as follows:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Guarantees given to banks in connection with facilities granted to and utilised by:				
Subsidiaries	—	—	<b>422,604</b>	356,026
A joint venture	<b>465,287</b>	277,979	<b>465,287</b>	277,979
	<b>465,287</b>	277,979	<b>887,891</b>	634,005

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



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### 33. CONTINGENT LIABILITIES (CONTINUED)

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

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

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2012 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK\$1,345,265,000 (2011: HK\$1,336,996,000).

As at 31 July 2012, the directors of the Company, after taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, considered it is probable that an estimated amount of HK\$347,135,000 (2011: HK\$518,570,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, a reversal of provision for tax indemnity of HK\$171,435,000 (2011: an additional provision for tax indemnity of HK\$48,379,000) was recognised in the income statement for the year ended 31 July 2012.

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### 34. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

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

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within one year	<b>284,463</b>	249,374	<b>197,843</b>	156,362
In the second to fifth years, inclusive	<b>218,552</b>	176,487	<b>146,665</b>	119,462
	<b>503,015</b>	425,861	<b>344,508</b>	275,824

#### (b) As lessee

The Group leases certain properties under operating lease arrangements, with an original lease term of twelve years with option to terminate the leases upon expiry of six 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		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within one year	<b>27,953</b>	26,494	<b>20,330</b>	20,330
In the second to fifth years, inclusive	<b>20,553</b>	45,353	<b>17,223</b>	37,553
	<b>48,506</b>	71,847	<b>37,553</b>	57,883

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### 35. 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:

2012

Group

#### Financial assets

	Financial assets at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale financial assets	—	—	1,185,810	1,185,810
Amounts due from associates	—	101,711	—	101,711
Amounts due from joint ventures	—	731,111	—	731,111
Trade debtors and other receivables	—	25,998	—	25,998
Equity investments at fair value through profit or loss	1,648	—	—	1,648
Pledged bank balances and time deposits	—	106,037	—	106,037
Cash and cash equivalents	—	1,565,105	—	1,565,105
	1,648	2,529,962	1,185,810	3,717,420

#### Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Amounts due to associates	20,799
Trade creditors, other payables and accruals	145,816
Bank borrowings	2,812,222
	2,978,837

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## 35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2011	Group				
Financial assets	Financial assets at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Held-to-maturity debt investments HK\$'000	Total HK\$'000
Available-for-sale financial assets (restated)	—	—	1,035,937	—	1,035,937
Held-to-maturity debt investments	—	—	—	33,963	33,963
Amounts due from associates (restated)	—	93,903	—	—	93,903
Amounts due from joint ventures (restated)	—	675,246	—	—	675,246
Trade debtors and other receivables	—	68,855	—	—	68,855
Equity investments at fair value through profit or loss	10,158	—	—	—	10,158
Pledged bank balances and time deposits	—	99,591	—	—	99,591
Cash and cash equivalents	—	1,002,805	—	—	1,002,805
	10,158	1,940,400	1,035,937	33,963	3,020,458
Financial liabilities					Financial liabilities at amortised cost HK\$'000
Amounts due to associates					15,854
Trade creditors, other payables and accruals					123,844
Bank borrowings					2,416,537
					2,556,235

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## 35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

## Financial assets

	Company								
	2012				2011				
	Financial assets at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Total HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Loans and receivables HK\$'000	Available-for-sale financial assets HK\$'000	Held-to-maturity debt investments HK\$'000	Total HK\$'000
Amounts due from subsidiaries	—	4,912,951	—	4,912,951	—	4,397,596	—	—	4,397,596
Amounts due from associates (restated)	—	8,108	—	8,108	—	8,080	—	—	8,080
Amounts due from joint ventures (restated)	—	393,522	—	393,522	—	393,547	—	—	393,547
Available-for-sale financial assets	—	—	40,348	40,348	—	—	101	—	101
Held-to-maturity debt investments	—	—	—	—	—	—	—	33,963	33,963
Trade debtors and other receivables	—	5,814	—	5,814	—	7,063	—	—	7,063
Equity investments at fair value through profit or loss	1,648	—	—	1,648	10,158	—	—	—	10,158
Pledged bank balances and time deposits	—	106,037	—	106,037	—	99,591	—	—	99,591
Cash and cash equivalents	—	1,218,109	—	1,218,109	—	689,993	—	—	689,993
	1,648	6,644,541	40,348	6,686,537	10,158	5,595,870	101	33,963	5,640,092

## Financial liabilities

	Company	
	2012 Financial liabilities at amortised cost HK\$'000	2011 Financial liabilities at amortised cost HK\$'000
Amounts due to subsidiaries	1,193,546	980,062
Amounts due to associates	16,303	11,503
Trade creditors, other payables and accruals	37,453	35,881
Bank borrowings	2,134,100	1,992,300
	3,381,402	3,019,746

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

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### 36. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

#### Assets measured at fair value:

##### Group

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 July 2012</b>				
Available-for-sale financial assets, at fair value (note 20)	—	1,171,357	—	1,171,357
Equity investments at fair value through profit or loss (note 25)	1,648	—	—	1,648
	<b>1,648</b>	<b>1,171,357</b>	<b>—</b>	<b>1,173,005</b>
<b>As at 31 July 2011</b>				
Available-for-sale financial assets, at fair value (restated) (note 20)	—	1,020,614	—	1,020,614
Equity investments at fair value through profit or loss (note 25)	10,158	—	—	10,158
	10,158	1,020,614	—	1,030,772

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**36. FAIR VALUE HIERARCHY (CONTINUED)****Company**

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 July 2012</b>				
Available-for-sale financial assets, at fair value (note 20)				
Unlisted equity investments	—	40,247	—	40,247
Equity investments at fair value through profit or loss (note 25)	1,648	—	—	1,648
	<b>1,648</b>	<b>40,247</b>	<b>—</b>	<b>41,895</b>
<b>As at 31 July 2011</b>				
Equity investments at fair value through profit or loss (note 25)	10,158	—	—	10,158

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2011: Nil).

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The principal financial assets held by the Group comprise held-to-maturity debt investments, available-for-sale financial assets, pledged bank balances and time deposits and cash and cash equivalents. The management would base on the Group's projected cashflow requirements, determine the types and levels of these financial instruments with a view to maintaining appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial instruments. The Group's principal financial liabilities are bank borrowings. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment projects. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The main risks arising from the Group's financial instruments are interest rate risks, foreign currency 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) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument fluctuates because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged bank balances and time deposits, cash and cash equivalents and bank borrowings with a floating interest rate.

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

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

	Increase in interest rate (in percentage)	Group		Company	
		Decrease in profit HK\$'000	Decrease in equity HK\$'000	Increase in interest rate (in percentage)	Decrease in equity HK\$'000
<b>2012</b>	<b>0.5%</b>	<b>5,705</b>	<b>5,705</b>	<b>0.5%</b>	<b>4,050</b>
2011	0.5%	6,571	6,571	0.5%	6,014

#### (ii) Foreign currency risk

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

The Group's major assets and liabilities and transactions are principally denominated in HK\$ or US\$. As HK\$ is pegged against US\$, the Group does not expect any significant movements in the exchange rate in the foreseeable future.



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**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(ii) Foreign currency risk (continued)**

The Group had made an investment in the United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK\$124 million (2011: HK\$86 million) which only accounted for an insignificant portion of the consolidated net assets of the Group as at 31 July 2012. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in RMB and VND which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure.

**(iii) Credit risk**

The Group maintains various credit policies for different business operations as described in note 26. In addition, trade debtors balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

The credit risk of the Group's financial assets, which comprise trade debtors and other receivables, amounts due from associates and joint ventures, pledged bank balances and time deposits, cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

**(iv) Equity price risk**

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 25) as at 31 July 2012. The Group's listed investments are listed on the 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% increase in the fair value of the equity investments, with all other variables held constant and before any impact on tax, of the Group's profit and equity based on their carrying amounts at the end of the reporting period.

	<b>Increase in profit and increase in equity</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Investments listed in:		
Hong Kong — Held-for-trading	<b>82</b>	508

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## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

## (v) Liquidity risk

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

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

**Group****2012**

	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	No fixed repayment term HK\$'000	Total HK\$'000
Amounts due to associates	—	—	—	20,799	20,799
Trade creditors, other payables and accruals	145,816	—	—	—	145,816
Bank borrowings	54,337	1,097,988	1,793,087	—	2,945,412
	<b>200,153</b>	<b>1,097,988</b>	<b>1,793,087</b>	<b>20,799</b>	<b>3,112,027</b>

**2011**

	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	No fixed repayment term HK\$'000	Total HK\$'000
Amounts due to associates	—	—	—	15,854	15,854
Trade creditors, other payables and accruals	123,844	—	—	—	123,844
Bank borrowings	29,312	227,709	2,285,147	—	2,542,168
	153,156	227,709	2,285,147	15,854	2,681,866

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**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(v) Liquidity risk (continued)****Company****2012**

	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	No fixed repayment term HK\$'000	Total HK\$'000
Amounts due to subsidiaries	—	—	—	1,193,546	1,193,546
Amounts due to associates	—	—	—	16,303	16,303
Trade creditors, other payables and accruals	—	—	—	37,453	37,453
Bank borrowings	50,962	780,554	1,410,144	—	2,241,660
	<b>50,962</b>	<b>780,554</b>	<b>1,410,144</b>	<b>1,247,302</b>	<b>3,488,962</b>

**2011**

	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	No fixed repayment term HK\$'000	Total HK\$'000
Amounts due to subsidiaries	—	—	—	980,062	980,062
Amounts due to associates	—	—	—	11,503	11,503
Trade creditors, other payables and accruals	35,881	—	—	—	35,881
Bank borrowings	26,779	182,289	1,885,204	—	2,094,272
	<b>62,660</b>	<b>182,289</b>	<b>1,885,204</b>	<b>991,565</b>	<b>3,121,718</b>

**(vi) Risks associated with interests in joint ventures**

Details of the Group's contingent liabilities in relation to the guarantees given to banks for facilities granted to and utilised by a joint venture are described in note 33(a).

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### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### (vii) Capital management

The Group manages its capital structure to ensure that entities in the Group will be able to continue to operate as a going concern 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 bank borrowings and equity attributable to ordinary equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. 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.

The Group monitors capital using, inter alia, a gearing ratio which is net debt divided by total equity (2011: net debt divided by total equity). Net debt includes bank borrowings, less pledged bank balances and time deposits and cash and cash equivalents. Total equity represented equity attributable to owners of the Company. The gearing ratio as at the end of the reporting period is as follows:

	2012 HK\$'000	2011 HK\$'000 (Restated)
Bank borrowings	<b>2,812,222</b>	2,416,537
Less: Pledged bank balances and time deposits	<b>(106,037)</b>	(99,591)
Cash and cash equivalents	<b>(1,565,105)</b>	(1,002,805)
Net debt	<b>1,141,080</b>	1,314,141
Equity attributable to ordinary equity holders of the Company	<b>16,357,585</b>	13,463,822
Gearing ratio	<b>7%</b>	10%

### 38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 October 2012.

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting (the “**AGM**”) of the members (the “**Members**”) of Lai Sun Development Company Limited (the “**Company**”) will be held at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 18 December 2012 at 11:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2012 (the “**Year**”) and the reports of the directors and the independent auditors thereon;
2. To elect two retiring directors of the Company (the “**Directors**”) and re-elect another retiring Director and to authorise the board of Directors (the “**Board**”) to fix the Directors’ remuneration;
3. To re-appoint Ernst & Young, Certified Public Accountants of Hong Kong (“**Ernst & Young**”), as the independent auditors of the Company and to authorise the Board to fix their remuneration; and
4. As special businesses, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

Ordinary Resolution (A)

**“THAT:**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional 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 shares in the Company); or
  - (iii) 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 passing this Resolution, and the said approval shall be limited accordingly; and

## Notice of Annual General Meeting

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the date of passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members of the Company in general meeting; or
- (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held; and

“Rights Issue” means an offer of shares in 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).”

Ordinary Resolution (B)

**“THAT:**

the authorised share capital of the Company be and is hereby increased from HK\$270,000,000.00 divided into 27,000,000,000 ordinary shares of HK\$0.01 each (“**Shares**”) to HK\$380,000,000.00 divided into 38,000,000,000 Shares by the creation of an additional 11,000,000,000 Shares and that such Shares shall rank pari passu in all respects with the existing Shares in the Company and **THAT** any one Director or the Company Secretary of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts, deeds or things deemed by the Director to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the above increase of the authorised share capital of the Company.”

By Order of the Board  
**Lai Sun Development Company Limited**  
**Kwok Siu Man**  
*Company Secretary*

Hong Kong, 19 November 2012

Notes:

1. A Member entitled to attend and vote at the AGM convened by the above notice (the “**Notice**”) (or its adjourned meeting) is entitled to appoint one (or if he/she/it holds two or more shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company (the “**Articles of Association**”). A proxy need not be a Member.
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 the Company’s share registrars, Tricor Tengis Limited (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 form of 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 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 number of the Registrars is (852) 2980 1333.

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 Registrars not later than 4:30 p.m. on Thursday, 13 December 2012 for registration.
5. Where there are joint registered holders of any ordinary share of HK\$0.01 each in the Company (the “**Share**”), any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the AGM or its adjourned meeting (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the Register of Members of the Company 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 Articles of Association, Mr. Chew Fook Aun (“**Mr. F.A. Chew**”) (appointed by the Board as an executive Director and the Deputy Chairman with effect from 5 June 2012) and Mr. Lam Hau Yin, Lester (appointed by the Board as an executive Director with effect from 1 November 2012) will retire as Directors at the AGM and, being eligible, offer themselves for election;
  - (ii) in accordance with Article 102 of the Articles of Association, Dr. Lam Kin Ngok, Peter (“**Dr. Peter Lam**”) (an executive Director and the Chairman) will retire from office as Director by rotation at the AGM. Being eligible, he offers himself for re-election;
  - (iii) in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” and the “**Listing Rules**”, respectively), the particulars of Mr. F.A. Chew and Dr. Peter Lam are set out in the “Biographical Details of Directors” section of the Annual Report of the Company for the Year while the particulars of Mr. Lam Hau Yin, Lester are summarised below:

Mr. Lam Hau Yin, Lester (“**Mr. Lam**”), aged 31, was appointed an executive Director and a member of the executive committee of the Company with effect from 1 November 2012. He was also appointed an executive director of eSun Holdings Limited (“**eSun**”) with effect from the same date. Mr. Lam is currently an executive director and chief executive officer of Lai Fung Holdings Limited (“**Lai Fung**”) and an executive director of Lai Sun Garment (International) Limited (“**LSG**”). LSG is the ultimate holding company of the Company which in turn is the controlling shareholder of eSun, while eSun is the ultimate holding company of Lai Fung. The issued shares of LSG, eSun and Lai Fung are listed and traded on the Main Board of the Stock Exchange.

## Notice of Annual General Meeting

Mr. Lam holds a Bachelor of Science in Business Administration degree from the Northeastern University, Boston, the United States of America. He joined the Company as a vice president in January 2004 and has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment. Mr. Lam is interested, within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong in 60,623,968 shares of LSG and 2,794,443 shares of eSun, representing approximately 3.75% and 0.22% of the issued share capital of LSG and eSun, respectively. Mr. Lam is a son of Dr. Peter Lam, an executive Director and the Chairman, a nephew of Dr. Lam Kin Ming, a non-executive Director and a grandson of Madam U Po Chu, another non-executive Director. Apart from the aforesaid, Mr. Lam does not have any relationship with any Directors, senior management, or substantial or controlling shareholders of the Company.

The Company and Mr. Lam have entered into a service contract with no fixed term but such contract is determinable by either the Company or Mr. Lam serving the other party not less than 3 months' written notice or payment in lieu thereof. Mr. Lam will receive a monthly salary of HK\$112,320 and a discretionary bonus to be determined by the Board with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions. He will be subject to retirement from office by rotation once every three years since his last election at the AGM and will be eligible for re-election at future AGMs of the Company, in accordance with the provisions of the Articles of Association.

For the purpose of his election as a Director at the forthcoming AGM in accordance with Article 93 of the Articles of Association, 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 needs to be disclosed pursuant to any of the requirements under Rule 13.51(2) (h) to (v) of the Listing Rules.

7. Concerning agenda item 3 of this Notice, 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 the year ending 31 July 2013 ("**Year 2013**"). Members should note that in practice, independent auditors' remuneration for Year 2013 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of the audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditors' remuneration as operating expenses for Year 2013, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for Year 2013 is required, and is hereby sought, at the AGM.
8. The proposed Ordinary Resolution (A) 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.  
  
The proposed Ordinary Resolution (B) under agenda item 4 of this Notice relates to the proposed increase of the authorised share capital of the Company. The increase has been proposed to provide greater flexibility and accommodate future growth of the Company. The Directors have no present intention to allot and issue such new Shares.
9. In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be decided by way of a poll.
10. If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 9:00 a.m. and 5:00 p.m. on the date of the AGM, the AGM will be postponed and Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice, posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 9:00 a.m. on the date of the AGM and where conditions permit, the AGM will be held as scheduled.

The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

After considering their own situations, Members should decide whether they would attend the AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.