LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED

(Stock code: 488)

Annual Report 2009-2010

Contents

Lai Sun Development Company Limited
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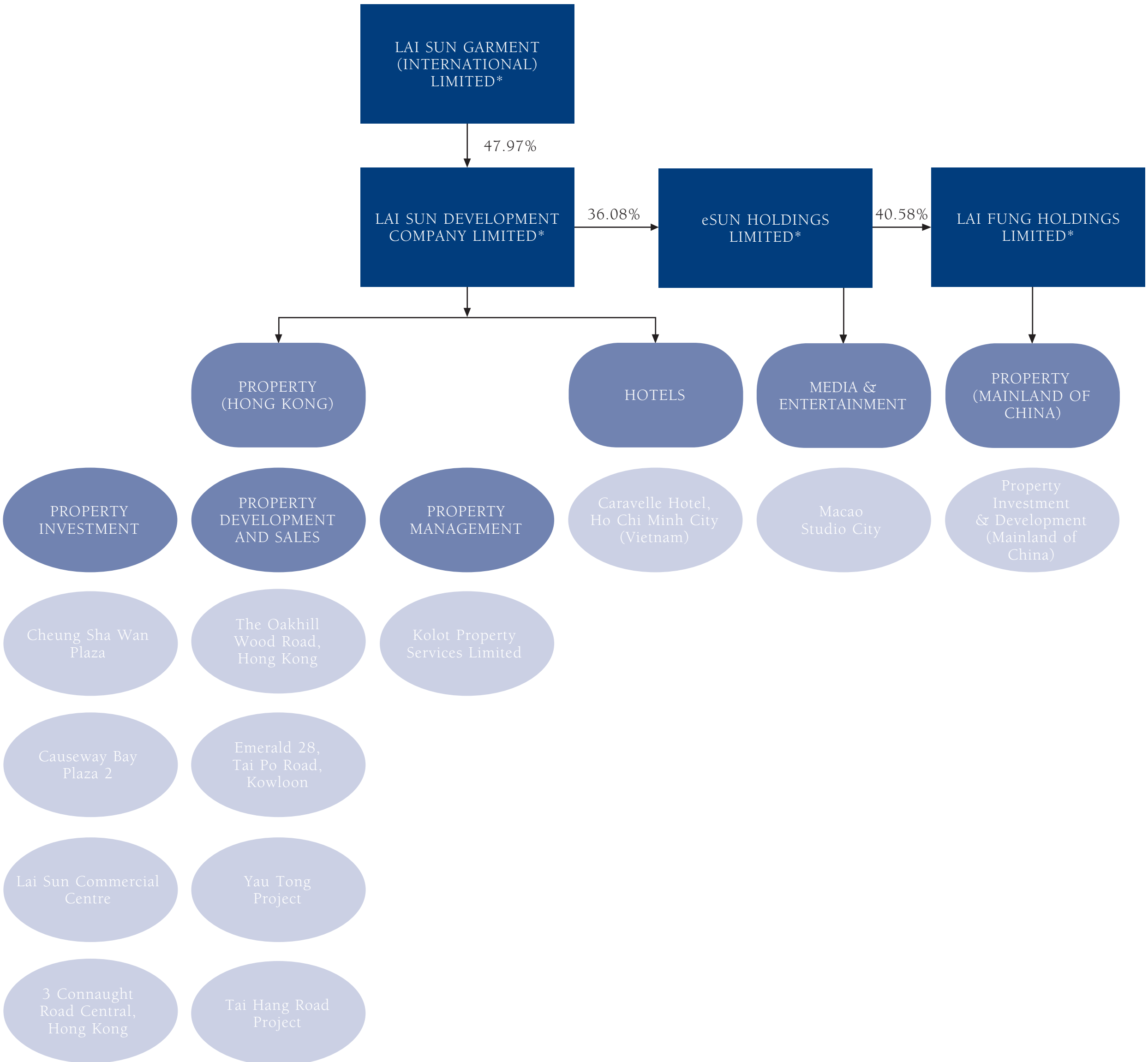
Stock code on Hong Kong Stock Exchange: 488

Corporate Profile

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



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

Note:

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

Corporate Information

Place of Incorporation
Hong Kong

Directors
Lam Kin Ngok, Peter *(Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Tam Kin Man, Kraven
Cheung Wing Sum, Ambrose, *MH, JP*
Leung Churk Yin, Jeanny
Lam Kin Ming
U Po Chu
Lam Bing Kwan *
Leung Shu Yin, William *
Wan Yee Hwa, Edward *
Ip Shu Kwan, Stephen*, *GBS, JP*

* *Independent non-executive director*

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

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

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

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

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

Lo & Lo
7th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

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

Chairman's Statement

Chairman **LAM Kin Ngok, Peter**

OVERVIEW OF FINAL RESULTS

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

During the year, the Group booked a fair value gain on completed investment properties of HK$1,232,615,000 (2009: a loss of HK$145,748,000) as a result of the continued strength of the macro-economic conditions and rebound of the property markets. During the year, the Group recorded an additional provision for tax indemnity of approximately HK$17,495,000 (2009: a reversal of provision of HK$11,936,000). Such provision was made in the financial year of 2008 in respect of certain tax indemnity granted by the Group to Lai Fung Holdings Limited ("Lai Fung") in November 1997 at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited (details of such tax indemnity and provision are set out in Note 32(c) to the financial statements). Taking into account of the above exceptional items, the Group recorded a profit from operating activities of HK$1,412,230,000 during the year ended 31 July 2010 (2009: HK$11,333,000).

Chairman's Statement

During the year, share of profits from associates was HK$982,364,000, compared to share of losses from associates of HK$132,483,000 in the previous year. Movements of main items of the Group's share of profits from associates during the year were as follows:

1. The Group currently holds a 50% interest in Diamond String Limited ("DSL"), which is the joint venture company between the Group and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB") for the purpose of redevelopment project of 3 Connaught Road Central, Hong Kong. During the year, the Group adopted amendments to HKAS 40 in relation to its interest through DSL in the 3 Connaught Road Central redevelopment project, which is an investment property under development. Prior to the application of amendments to HKAS 40, DSL's investment property under development was carried at cost until the construction is completed, at which time it will be fair valued with gain or loss being recognised in profit or loss. As a result of the Group's adoption of amendments to HKAS 40, such property development project will be carried at fair value for the purpose of conforming to the Group's accounting policies and a fair value gain or loss will be recognised in profit or loss. Accordingly, the Group shared the fair value gain of DSL's investment property under development amounting to approximately HK$859,582,000 (net of the related deferred tax and goodwill) in the consolidated income statement for the year.

2. During the year, the Group held a 36.08% interest in eSun Holdings Limited ("eSun"), which in turn held a 36.72% interest in the Group. For the year ended 31 July 2010, the Group's share of eSun's losses (before taking into account the Group's further share of eSun's result arising from eSun's share of the results of the Group) included in the Group's share of results of associates was approximately HK$168,700,000 (2009: a loss of HK$118,700,000).

3. Due to the cross-holding structure between the Group and eSun existed during the year, the Group is required to further take up eSun's share of the Group's results. The effect of such recurring process leads to the Group taking up a share of profit of approximately HK$295,900,000 (2009: a loss of HK$13,500,000) and such amount is included in the Group's share of results of associates. The cross-holding relationship between the Company and eSun was eliminated as a result of the Group Reorganisation completed on 30 September 2010. Details of the Group Reorganisation are set out the section headed "Subsequent Event – Group Reorganisation" below.

Chairman's Statement

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

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

Shareholders' equity as at 31 July 2010 amounted to HK$9,405,690,000, up from HK$7,093,474,000 as at 31 July 2009. Net asset value per share as at 31 July 2010 was HK$0.664, as compared to HK$0.501 as at 31 July 2009.

BUSINESS REVIEW

Investment Properties

The Group wholly owns three major investment properties for rental purposes, i.e. Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the year ended 31 July 2010, aggregate gross rental income from investment properties contributed to the Group's turnover of approximately HK$341,103,000 (2009: HK$340,980,000), which was stable compared to the previous year. As at 31 July 2010, overall occupancy of the Group's investment properties remained high at 97%.

Development Properties

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

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

Foundation work was completed in April 2010, and above-ground construction work has started thereafter. The entire redevelopment work is now expected to be completed by first half of 2012.

The Oakhill, Wood Road, Wanchai

Emerald 28, Tai Po Road, Kowloon

Yau Tong Project

3 Connaught Road Central, Hong Kong

Chairman's Statement

The Oakhill, Wood Road, Wanchai

This joint residential development project is a 50:50 joint venture between the Group and the AIG Global Real Estate Investment (Asia) LLC. The development has a total development cost of about HK$1,300,000,000. It offers a total of 130 residential units with a total saleable gross floor area of 154,753 square feet, podium retail units with a total saleable gross floor area of 5,122 square feet and about 60 carparks for sale.

The project is scheduled for completion by second half of 2011. Pre-sale for the residential units commenced in July 2010. Up to the date of this report, 117 residential units with an aggregate saleable gross floor area of 132,448 square feet were pre-sold at an average selling price of HK$14,600 per square foot. The development income will be recognised in the Group's share of results of associates after completion of the project.

Emerald 28, Tai Po Road, Kowloon

The Group wholly owns this development project. The development has an estimated total development cost of about HK$500,000,000. It offers a total of 53 residential units with a total saleable gross floor area of 60,686 square feet and podium retail units with a total salable gross floor area of 8,580 square feet. For the year under review, the Group recorded the sale of 3 residential units with an aggregate gross floor area of 3,694 square feet at an average selling price of HK$9,400 per square foot and recognised a turnover of HK$34,578,000. Up to the date of this report, the Group contracted further sale of 27 residential units with an aggregate saleable gross floor area of 30,618 sq. ft. were sold at an average selling price of HK$8,700 per square foot. The relevant development income, subject to completion of the sale, will be recognised in the next financial year.

Yau Tong Project

The Group completed the purchase of the site of this project located at No. 4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong in September 2008. In 2009, the Group also completed the lease modification of the site to non-industrial use and paid the relevant land premium.

The Group wholly owns this development project. The Group intends to develop the site into a residential-cum-commercial property with a total gross floor area of about 106,000 square feet. A total development cost is now estimated to be about HK$700 million.

Foundation work was started in May 2010 and the entire construction is scheduled for completion in 2012.

Tai Hang Road Project, Hong Kong

Cheung Sha Wan Plaza

Causeway Bay Plaza 2

Macao Studio City

Chairman's Statement

Tai Hang Road Project

The Group completed the purchase of this project situated at 335-339 Tai Hang Road, Hong Kong for a consideration of HK$358 million in December 2009.

The Group wholly owns this project and intends to redevelop the site into a luxury residential property. A total gross floor area for redevelopment is about 29,000 square feet. A total development cost is estimated to be about HK$650 million.

Foundation work was started in October 2010 and the entire construction is scheduled for completion in 2013.

Hotel and Restaurant Operation

For the year ended 31 July 2010, hotel and restaurant operations contributed HK$334,843,000 to the Group's turnover (2009: HK$284,335,000), up approximately 17.8% from the previous year. The increase in turnover was partly contributed by certain new restaurants which commenced business in the first half of 2009. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of Caravelle Hotel in Ho Chi Minh City, Vietnam. For the year ended 31 July 2010, Caravelle Hotel achieved an average occupancy of 59% (2009: 48%) and average daily room rate of US$148 (2009: US$192).

eSun

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

Macao Studio City

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

Project progress

The Macao Studio City project has not progressed over the year under review, essentially because of the continuing dispute between East Asia Satellite Television (Holdings) Limited ("EAST (Holdings)") and New Cotai, LLC ("New Cotai").

Chairman's Statement

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

Cyber One, the jointly-controlled joint venture company responsible for the project, has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. In connection with that application, the Macau government requested, and has repeated its request for, further particulars from the joint venture concerning plans for the project, in respect of which EAST (Holdings) and New Cotai have yet to formulate an agreed response. On 29 October 2009, EAST (Holdings) commenced legal proceedings in the Hong Kong Special Administrative Region against New Cotai and parties interested in that company (the "New Cotai Parties"). Amongst other things, EAST (Holdings) is claiming damages of approximately HK$689 million for breach or inducing breaches of contract and, by way of derivative action on behalf of members of the Cyber One group, damages of approximately US$2.385 billion (approximately HK$18.6 billion) for, amongst other things, breaches of fiduciary duties and dishonestly assisting breaches of fiduciary duties owed to such members of the Cyber One group. EAST (Holdings) is also seeking order requiring New Cotai to transfer its interests in the Cyber One group to EAST (Holdings). The proceedings are being pursued in the context of a desire on the part of eSun to protect EAST (Holdings)'s interests in the development and progress the Macao Studio City project.

The New Cotai Parties made several interlocutory applications to the Court to challenge certain of these claims. By the Court's judgment dated 16 July 2010, it has struck out certain claims, including the derivative claims by EAST (Holdings) made on behalf of members of the Cyber One group. The aforesaid judgement, if not overturned on appeal, would have the effect of preventing EAST (Holdings) from proceeding with the derivative claims in Hong Kong. However, EAST (Holdings) may consider proceeding with the derivative claims in the jurisdictions of incorporation of the relevant members of the Cyber One group. EAST (Holdings) might also procure the relevant members of the Cyber One group to proceed with the claims in Hong Kong directly in the event EAST (Holdings) was successful in

Chairman's Statement

securing control of the Cyber One group through the litigation. On 30 July 2010, EAST (Holdings) obtained leave to appeal the aforesaid judgment. The appeals have been lodged and listed to be heard on 12 and 13 May 2011. EAST (Holdings) will pursue the appeals vigorously. In parallel with the appeals, EAST (Holdings) continues to pursue the remaining claims in the legal proceedings, including the claim for damages of approximately HK$689 million for breach of contract by the New Cotai Parties. These claims are contested by the New Cotai Parties and a defence has been filed by them on 27 September 2010.

In addition, on 14 October 2010, New Cotai Parties and New Cotai Entertainment LLC (an affiliate of New Cotai) ("NCE") have respectively commenced two sets of legal proceedings in the Hong Kong Special Administrative Region against EAST (Holdings), eSun, CapitaLand, CapitaLand Limited and the Cyber One group. One of the claims is brought by NCE against the joint venture company, EAST (Holdings), eSun and others, seeking specific performance from the joint venture as to the execution of a casino lease and for damages for breach of contract/inducing or procuring breach of contract for failure to execute the lease. Both eSun and EAST (Holdings) have filed acknowledgment of service of the proceedings on 27 October 2010 indicating their intention to contest the proceedings. The other claim is brought by the New Cotai nominated directors of Cyber One against Cyber One and EAST (Holdings) for an indemnity of all costs and liability incurred by these directors in defending the legal proceedings commenced against them by EAST (Holdings). EAST (Holdings) has taken, and will take, all appropriate steps to protect its position, including filing an acknowledgment of service.

Further, on 29 October 2010, New Cotai presented to the High Court of the Hong Kong Special Administrative Region its own petition ("New Cotai's Petition") seeking an order that EAST (Holdings) do transfer its shareholding in Cyber One to New Cotai, at a valuation to be determined by the court. In terms of the relief sought, New Cotai's Petition is the mirror-image of the petition of EAST (Holdings) filed on 29 October 2009. New Cotai is seeking an expedited hearing of the New Cotai Petition based on, amongst other things, the risk that the site for the Macao Studio City project may be reclaimed by the Macau government. The New Cotai's Petition has been fixed to be heard on 10 November 2010, at which directions will be given by the court as to the future conduct of the proceedings.

Chairman's Statement

With the litigation continuing, it should be noted that its timing and outcome remain inherently uncertain. The directors of eSun have given due consideration to these risks and have chosen to accept the risks, because they consider that EAST (Holdings)'s core claims are well-founded and the litigation is necessary in order to protect the interest of all of eSun's shareholders and, ultimately, to preserve the potential of the Macao Studio City project. Further, in the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau government would exercise its rights, including but not limited to its rights to re-possess the plot of land.

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

Financing

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

EAST (Holdings)'s put option

Although eSun and CapitaLand have been in consistent agreement on the development of Macao Studio City, it should be noted that, in the event the land grant modification for the first phase of the project has not been published by the Macau government and the occupation permit for Macao Studio City (in effect, signifying completion of the first phase of the project) is not issued solely due to the failure of the Macau government to publish in its gazette the land grant modification for the first phase of the project, in each case, within 54 months of completion of CapitaLand's investment (i.e. by mid-September 2011), then CapitaLand would, subject to the terms and conditions in the sale and purchase agreement, have an option (the "Put Option") to put back its holding of shares in EAST (Holdings) to eSun. The consideration payable for the shares would be equal to the purchase price paid by CapitaLand for the shares (being approximately HK$659 million to date) and any further sums invested by it (being US$40 million to date, as its project funding contribution) net of any returns or dividends received by CapitaLand. Were the put option to become exercisable and be exercised and completed, eSun's attributable interest in Macao Studio City would increase to 60%.

Chairman's Statement

As the Put Option is potentially exercisable in September 2011, eSun is considering the likelihood of exercise and a number of prospective outcomes. However, given the current uncertainties surrounding the Macao Studio City project, the directors of eSun believe that it will only be feasible to accurately assess the likely working capital implications of the Put Option once the prospects of any solution to the impasse in respect of the development of the Macao Studio City project has been more fully explored over the coming twelve months.

Media and entertainment businesses

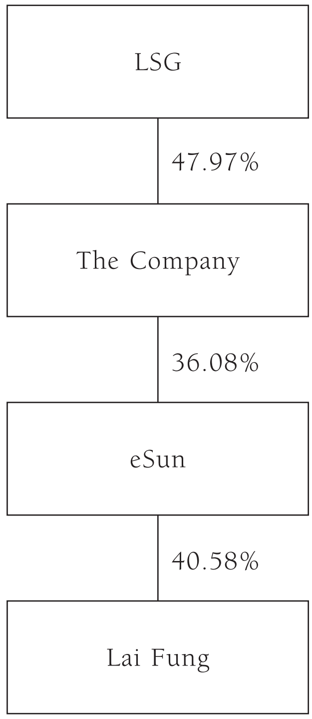
During the year under review, eSun's media and entertainment businesses had mixed performances. There were increases in revenue across almost all media and entertainment business operations (namely live entertainment, music production and distribution, sale of products, film library licensing and advertising), but this was tempered by a reduction in revenue from film production and distribution. The decrease in revenue over the corresponding period for film production and distribution was largely due to the comparatively lower revenue from the films released in early 2010. The increase in revenue over the corresponding period for music production and distribution was largely due to high sales on a particular album. The increase in revenue over the corresponding period for live entertainment was mainly due to major concerts being organised/promoted in the early part of 2010 as compared to smaller events/dramas being organised in 2009.

SUBSEQUENT EVENT — GROUP REORGANISATION

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

Chairman's Statement

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



As a result of the Group Reorganisation, the cross-holding structure between the Company and eSun that existed since 2004 was dismantled. The Group Reorganisation simplified the ownership structure of the Company and eSun, and eliminated the circular effect of the accounting treatment of the cross-holdings. By unlocking this structure, the magnifying effect of the cross-held interests will be eliminated. More importantly, the directors of the Company believe that the simplified shareholding structure provides greater clarity to shareholders and the market with regard to the core business of each of the companies.

eSun became the controlling shareholder of Lai Fung with a well-established portfolio of property interests in the Mainland of China and shares the operating profit of Lai Fung as an associate (as that expression is used in the context of the Hong Kong Financial Reporting Standards) of eSun. This directly benefits eSun and indirectly benefits the Company as well.

Chairman's Statement

PROSPECTS

Hong Kong Property Development

In 2010, Hong Kong's economy and property market continues to benefit from the global low interest rate environment and the Mainland of China's continued effort to stimulate domestic economy.

With improvement of its operations and with the timely disposal of assets in the past few years, the Group has a healthy balance sheet with reasonable leverage. Under the current circumstances, the Group is now further looking for investment opportunities to expand and grow its business in Hong Kong and overseas.

Investment Properties

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

In the coming year, the Group will target to maintain high occupancy rates and rental cashflows from its investment properties.

Development Properties

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

The Group currently holds a number of residential projects under development in Hong Kong and managed to capture the strong sentiment in the Hong Kong residential property market by achieving satisfactory sales performance for its The Oakhill and Emerald 28 projects this year. In the coming year, the Group intends to sell the remaining units at The Oakhill and Emerald 28, in order to capture

Chairman's Statement

the continued rebound of Hong Kong's residential property market. Given the shortage in supply in core city areas in Hong Kong, the Group is still optimistic on the Hong Kong residential properties in the longer term.

eSun

Macao Studio City

eSun continues to believe that the Macao Studio City will eventually become one of the region's major entertainment destinations and will be an important platform for eSun to expand and monetise its entertainment and media expertise. eSun remains firmly committed to the project, with or without the participation of its US project partners, to the project.

Media and entertainment

With regard to eSun's media and entertainment businesses, eSun will strive to (i) steadily increase the number of films produced per annum, through diversification by co-production and joint venture; (ii) diversify its Hong Kong live entertainment business by expanding into the Mainland of China, Macau and Taiwan; (iii) expand into the Mainland of China's music business by releasing more Mandarin albums; (iv) continue to search for better new media distributor(s) and explore new media channels for music distribution; and (v) develop the lucrative television drama, content production and distribution business in the Mainland of China.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2010, the Group had consolidated net assets of approximately HK$9,406 million (as at 31 July 2009: HK$7,093 million).

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

As at 31 July 2010, the Group had outstanding secured bank borrowings of approximately HK$2,704 million (as at 31 July 2009: HK$2,147 million). The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 29%. As at 31 July 2010, the maturity profile of the bank borrowings of HK$2,704 million was spread over a period of less than 5 years with HK$391 million repayable within 1 year, HK$1,283 million repayable in the second year and HK$1,030 million repayable in the third to fifth years. As at 31 July 2010, all the Group's borrowings carried interest on a floating rate basis.

Chairman's Statement

As at 31 July 2010, certain investment properties with carrying amounts of approximately HK$6,435 million, certain property, plant and equipment with carrying amounts of approximately HK$251 million, prepaid land lease payments of approximately HK$27 million, certain properties under development for sale of approximately HK$416 million, certain completed properties for sale of approximately HK$463 million and certain bank balances and time deposits with banks of approximately HK$99 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 of associates held by the Group were pledged to banks to secure loan facilities granted to these associates of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 32 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 1,000 (2009:1,000) employees as at 31 July 2010. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a share option scheme, a mandatory provident fund scheme for all the eligible employees, a free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes.

Chairman's Statement

MANAGEMENT AND STAFF

On behalf of the Board, I would like to thank the management and staff of the Company for their efforts and dedication during the year. I would also like to express my gratitude to our shareholders and business associates for their valuable support.

Lam Kin Ngok, Peter
Chairman

Hong Kong
5 November 2010

Report of the Directors

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

PRINCIPAL ACTIVITIES

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

The principal activities of the Company for the year consisted of property investment and investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements.

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 July 2010 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 50 to 125.

The directors do not recommend the payment of an ordinary dividend for the year ended 31 July 2010 (2009: Nil). No interim dividend was paid or declared in respect of the year ended 31 July 2010 (2009: Nil).

RESERVES

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

DISTRIBUTABLE RESERVES

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

SHARE CAPITAL

Details of movement in the Company's share capital during the year are set out in notes 28 to the financial statements.

Report of the Directors

DIRECTORS

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

Lam Kin Ngok, Peter *(Chairman)*	
Lau Shu Yan, Julius *(Chief Executive Officer)*	
Tam Kin Man, Kraven	
Cheung Wing Sum, Ambrose, *MH, JP*	
Leung Churk Yin, Jeanny	
Lam Kin Ming	
U Po Chu	
Lam Bing Kwan*	
Leung Shu Yin, William*	
Wan Yee Hwa, Edward*	
Ip Shu Kwan, Stephen*, *GBS, JP*	(appointed on 29 December 2009)
Cheung Sum, Sam	(resigned on 5 October 2009)

* *Independent non-executive director*

Mr. Ip Shu Kwan, Stephen was appointed an independent non-executive director of the Company on 29 December 2009. In accordance with Article 93 of the Company's Articles of Association, Mr. Ip will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 102 of the Company's Articles of Association, Miss Leung Churk Yin, Jeanny and Madam U Po Chu will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in businesses which compete or are likely to compete, whether direct or indirect, with the businesses of the Group pursuant to the Listing Rules.

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

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

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

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

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

Dr. Lam Kin Ming held interest and/or directorship in companies engaged in the production of pop concerts and management of artistes.

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

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

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

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

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

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Lam Kin Ngok, Peter, Chairman, aged 53, has been an executive director of the Company since June 1977. He is also the deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Fung Holdings Limited, an executive director of eSun Holdings Limited and Crocodile Garments Limited and the chairman of Media Asia Entertainment Group Limited. LSG is substantial shareholder of the Company. Mr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business.

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

Mr. Lau Shu Yan, Julius, Chief Executive Officer, aged 54, joined the Company as an executive director in July 1991. He is also an executive director of Lai Fung Holdings Limited. Mr. Lau has over 20 years' experience in the property and securities industries holding senior management positions. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of Real Estate Developers Association of Hong Kong.

Mr. Tam Kin Man, Kraven, aged 62, joined the Lai Sun Group in 1989 and was appointed an executive director of the Company in November 2005. He is also an executive director of Lai Fung Holdings Limited and Lai Sun Garment (International) Limited ("LSG"). LSG is a substantial shareholder of the Company. He is currently a director of Furama Hotel Enterprises Limited and a number of subsidiaries of the Company. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has 30 years' experience in property development, investment and management. He also has over 18 years' experience in the hospitality business including hotels, restaurants and clubs in Asia and North America.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Executive Directors (continued)

Mr. Cheung Wing Sum, Ambrose, *MH, JP*, aged 59, was appointed an executive director of the Company in November 2005. He is also an executive director of eSun Holdings Limited, a public company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Cheung is a business executive with a legal and banking background. He has over 29 years' experience in mergers and acquisitions, management and development of hotels, hospitality and property industries. He was previously a partner of Woo, Kwan, Lee & Lo and Philip K H Wong, Kennedy Y H Wong & Co, and an executive director of Sino Land Company Limited. Mr. Cheung is a Justice of the Peace and a recipient of a Medal of Honour awarded by the Hong Kong Special Administrative Region Government in 2009 and over the last 29 years he served on a number of public bodies and committees, which included the Legislative Council, the Urban Council and the Hong Kong Stadium Board of Governors. He is currently an elected member of the Shamshuipo District Council, the chairman of Insurance Agents Registration Board and a member of the Hong Kong Institute of Certified Public Accountants Council, and of the Advisory Committee, School of Hotel and Tourism Management, The Chinese University of Hong Kong.

Miss Leung Churk Yin, Jeanny, aged 45, was appointed an executive director of the Company in September 2007. She is also an executive director and the chief executive officer of eSun Holdings Limited and an executive director of both Lai Sun Garment (International) Limited ("LSG") and Lai Fung Holdings Limited. LSG is substantial shareholder of the Company. She is also an independent non-executive director of Top Form International Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Miss Leung has over 20 years of corporate finance experience in Hong Kong, the Mainland of China and Taiwan.

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Non-Executive Directors

Dr. Lam Kin Ming, aged 73, has been a director of the Company since June 1959. Dr. Lam was awarded the Honorary Doctorate Degree by the International America University in 2009. He is also the chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman and chief executive officer of Crocodile Garments Limited and the deputy chairman of Lai Fung Holdings Limited. LSG is a substantial shareholder of the Company. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Lam has been involved in the management of garment business since 1958. He is the elder brother of Mr. Lam Kin Ngok, Peter.

Madam U Po Chu, aged 85, has been a director of the Company since December 1993. She is also a non-executive director of Lai Sun Garment (International) Limited ("LSG"), eSun Holdings Limited and an executive director of Lai Fung Holdings Limited. LSG is substantial shareholder of the Company. Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business since the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing and in the late 1980's became involved in property development and investment. She is the mother of Mr. Lam Kin Ngok, Peter.

Madam U does not have a service contract with the Company but will be subject to retirement by rotation once every three years since her last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. She is entitled to such emoluments and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of her emoluments is set out in Note 9 to the Financial Statements. Madam U holds interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' Interests" section of this report. For the purpose of her re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Article of Association of the Company, save as disclosed above, there are no other matters relating to Madam U that need to be brought to the attention of shareholders of the Company and there is no information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.

Mr. Lam Bing Kwan, aged 61, was appointed an independent non-executive director of the Company in July 2002. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in the property development and investment in China, having been closely involved in this industry since the mid-1980's. Mr. Lam has served on the boards of listed companies in Hong Kong for over 10 years and is currently a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited and an independent non-executive director of Lai Fung Holdings Limited and eForce Holdings Limited, all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Non-Executive Directors (continued)

Mr. Leung Shu Yin, William, aged 61, was appointed an independent non-executive director of the Company in September 2004. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities Institute and a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is practising as a practising director of two Certified Public Accountants' firms in Hong Kong. He is an independent non-executive director of Lai Sun Garment (International) Limited, a substantial shareholder of the Company and Mainland Headwear Holdings Limited, both companies are listed on the Main Board of the Stock Exchange.

Mr. Wan Yee Hwa, Edward, aged 74, was appointed an independent non-executive director of the Company in June 2008. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961. He is an independent non-executive director of Lai Sun Garment (International) Limited ("LSG") and Crocodile Garments Limited. LSG is a substantial shareholder of the Company.

Mr. Ip Shu Kwan, Stephen, *GBS, JP* aged 59 was appointed an independent non-executive director of the Company in December 2009. Mr. Ip graduated from the University of Hong Kong with a 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 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 Hong Kong Special Administrative Region Government in July 2007.

Mr. Ip has been appointed an independent non-executive director of five publicly-listed companies, namely Yangtze China Investment Limited, a company listed in the United Kingdom, since February 2008, and Synergis Holdings Limited since September 2008, China Resources Cement Holdings Limited since August 2008, Coolpoint Energy Limited since June 2010 and Time Infrastructure Holdings Limited since October 2010, all are companies listed in Hong Kong. Mr. Ip received the Gold Bauhinia Star award from the Hong Kong Special Administrative Region Government in 2001, and is an unofficial Justice of the Peace.

Mr. Ip does not have a service contract with the Company but will be subject to retirement by rotation once every three years and will also be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Ip is entitled to a director's fee of HK$150,000 per annum. The amount of his emoluments is set out in Note 9 to the Financial Statements. Mr. Ip does not have any relationship with any other director, senior management, substantial or controlling shareholders of the Company. He does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 93 of the Articles of Association of the Company, save as disclosed above, there are no other matters relating to Mr. Ip that need to be brought to the attention of shareholders of the Company and there is no information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.

Report of the Directors

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 22 December 2006 for the purpose of providing incentives and rewards to Participants as defined in the Share Option Scheme.

Details of the Company's share option scheme are included in note 29 to the financial statements.

DIRECTORS' INTERESTS

As at 31 July 2010, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which would be required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register kept by the Company pursuant to Section 352 of the SFO (the "Register"); or (iii) notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transaction by Directors and Designated Employees adopted by the Company:

(1) The Company

	Long positions in the shares						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interest	Capacity	Total	Percentage
Lam Kin Ngok, Peter	10,099,585	Nil	6,792,869,192 (Note 1)	Nil	Beneficial owner	6,802,968,777	48.04%
Lau Shu Yan, Julius	6,200,000	Nil	Nil	60,000,000 (Note 3)	Beneficial owner	66,200,000	0.47%
U Po Chu (Note 2)	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.004%

Report of the Directors

DIRECTORS' INTERESTS (continued)

(1) The Company (continued)

Notes:

1. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,592,869,192 shares representing approximately 11.25% in the issued share capital of the Company. Pursuant to the shares swap agreement ("Shares Swap Agreement") entered into between LSG and eSun Holdings Limited ("eSun") on 26 July 2010, LSG has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of the Company, thereby increasing the LSG's interest in the Company from 1,592,869,192 shares (approximately 11.25%) to 6,792,869,192 shares (approximately 47.97%). Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.

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

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

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

During the year under review, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme. As at 31 July 2010, the total number of 60,000,000 share options outstanding under the Scheme represented approximately 0.42% of the Company's shares in issue at that date.

(2) Associated Corporation
eSun Holdings Limited ("eSun")

	Long positions in shares of eSun						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	2,794,443	Nil	447,604,186 (Note 1)	1,889,507 (Note 2)	Beneficial owner/ Owner controlled corporation	452,288,136	36.45%
Cheung Wing Sum, Ambrose	2,194,443	Nil	Nil	1,889,507 (Note 2)	Beneficial owner	4,083,950	0.33%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	2,535,620 (Note 2)	Beneficial owner	2,535,620	0.20%

DIRECTORS' INTERESTS (continued)

(2) Associated Corporation (continued)

eSun Holdings Limited ("eSun") (continued)

Note:

(1) LSG and its wholly-owned subsidiary beneficially owned 1,592,869,192 shares representing approximately 11.25% in the issued share capital of the Company. Pursuant to the Shares Swap Agreement entered into between LSG and eSun on 26 July 2010, LSG has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of the Company, thereby increasing LSG's interest in the Company from 1,592,869,192 shares (approximately 11.25%) to 6,792,869,192 shares (approximately 47.97%). As the Company is interested in 447,604,186 shares (approximately 36.08%) in the issued share capital of eSun, LSG was deemed to be interested in such shares by virtue of its interest in approximately 47.97% of the issued share capital of the Company. As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares representing approximately 36.08% of the issued share capital of eSun by virtue of his personal and deemed interest in approximately 37.69% of the issue share capital of LSG.

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

Name of Director	Date of grant	No. share option outstanding	Option exercisable period	Subscription price per share
Lam Kin Ngok, Peter	24/02/2006	1,889,507	01/01/2010 to 31/12/2010	HK$4.68
Cheung Wing Sum, Ambrose	24/02/2006	1,889,507	01/01/2010 to 31/12/2010	HK$4.68
Leung Churk Yin, Jeanny	20/02/2008	1,267,810	01/01/2010 to 31/12/2010	HK$6.18
	20/02/2008	1,267,810	01/01/2011 to 31/12/2011	HK$6.52
		2,535,620		

(3) Associated Corporation

Lai Fung Holdings Limited ("Lai Fung")

(a) Long positions in shares of Lai Fung

	Long positions in shares of Lai Fung						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note 1)	Nil	Owner of controlled corporation	3,265,688,037	40.58%
Lau Shu Yan, Julius,	6,458,829	Nil	Nil	NIL	Beneficial owner	6,458,829	0.08%
Tam Kin Man, Kraven	Nil	Nil	Nil	10,000,000 (Note 2)	Beneficial owner	10,000,000	0.12%

Report of the Directors

DIRECTORS' INTERESTS (continued)

(3) Associated Corporation (continued)

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

Note:

(1) LSG and its wholly-owned subsidiary beneficially owned 1,592,869,192 shares representing approximately 11.25% in the issued share capital of the Company. Pursuant to the Shares Swap Agreement entered into between LSG and eSun on 26 July 2010, LSG has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of the Company, thereby increasing LSG's interest in the Company from 1,592,869,192 shares (approximately 11.25%) to 6,792,869,192 shares (approximately 47.97%). As the Company was interested in 36.08% of the issued share capital of eSun and eSun has agreed to accept the transfer of the LSG's direct and indirect interests in 3,265,688,037 shares (approximately 40.58%) in Lai Fung pursuant to the aforesaid Shares Swap Agreement, the Company was also deemed to be interested in 40.58% in Lai Fung by virtue of the Company's interest in eSun. As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares representing approximately 40.58% of the issued share capital of Lai Fung by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.

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

Name of Director	Date of grant	No. share option outstanding	Option exercisable period	Subscription price per share
Tam Kin Man, Kraven	09/01/2007	10,000,000	01/01/2010 to 31/12/2010	HK$0.75
		10,000,000		

(b) Interests in the Debentures of Lai Fung (in USD)

Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Capacity	Total
Lau Shu Yan, Julius	300,000	Nil	Nil	Nil	Beneficial owner	300,000
	300,000					300,000

Save as disclosed above, as at 31 July 2010, none of the directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at 31 July 2010, the following persons, one of whom is a director of the Company, had an interest in the following long positions and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

		Long positions in the shares		
Name	**Capacity**	**Nature**	**Number of Shares**	**Percentage**
eSun Holdings Limited ("eSun")	Owner of controlled corporation	Corporate	5,200,000,000	36.72% (Note 1)
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	6,792,869,192	47.97% (Note 2)
Lam Kin Ngok, Peter	Beneficial owner	Personal and Corporate	6,802,968,777	48.04% (Note 2)
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	737,488,935	5.21%
Xing Feng Investments Limited ("Xing Feng")	Owner of controlled corporation	Corporate	737,488,935	5.21% (Note 3)
Chen Din Hwa	Owner of controlled corporation	Corporate	963,221,435	6.80% (Note 4)
Chen Yang Foo Oi	Interest of spouse	Family	963,221,435	6.80% (Note 5)
Paul G. Desmarais	Owner of controlled corporation	Corporate	989,494,000	6.99% (Note 6)
Nordex Inc ("Nordex")	Owner of controlled corporation	Corporate	989,494,000	6.99% (Note 6)
Gelco Enterprises Limited ("Gelco")	Owner of controlled corporation	Corporate	989,494,000	6.99% (Note 6)
Power Corporation of Canada ("Power C")	Owner of controlled corporation	Corporate	989,494,000	6.99% (Note 6)
Power Financial Corporation ("Power F")	Owner of controlled corporation	Corporate	989,494,000	6.99% (Note 6)
IGM Financial Inc. ("IGM")	Owner of controlled corporation	Corporate	989,494,000	6.99% (Note 6)
Peter Cundill & Associates (Bermuda) Limited	Investment Manager	Corporate	903,108,000	6.38%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS (continued)

Notes:

1. Pursuant to the Shares Swap Agreement entered into between LSG and eSun on 26 July 2010, LSG has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of the Company. eSun ceased to be interested in such shares upon completion of the aforesaid Share Swap Agreement on 30 September 2010.

2. LSG and its wholly-owned subsidiary beneficially owned 1,592,869,192 shares representing approximately 11.25% in the issued share capital of the Company. Pursuant to the Shares Swap Agreement entered into between LSG and eSun on 26 July 2010, LSG has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of the Company, thereby increasing LSG's interest in the Company from 1,592,869,192 shares (approximately 11.25%) to 6,792,869,192 shares (approximately 47.97%) as of 26 July 2010 pursuant to the SFO requirements. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.

3. Xing Feng was taken to be interested in 737,488,935 shares beneficially owned by Nice Cheer due to its corporate interest therein.

4. Mr. Chen Din Hwa was taken to be interested in 737,488,935 shares by virtue of his corporate interests in Nice Cheer. In addition, Mr. Chen was taken to be interested in the 225,732,500 shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein.

5. Madam Chen Yang Foo Oi was deemed to be interested in 963,221,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.

6. Mr. Paul G. Desmarais was taken to be interested in 989,494,000 shares by virtue of his corporate interest in Nordex.

   Nordex was deemed to be interested in 989,494,000 shares due to its corporate interest in Gelco.

   Gelco was deemed to be interested in 989,494,000 shares by virtue of its corporate interest in Power C.

   Power C was deemed to be interested in 989,494,000 shares by virtue of its corporate interest in Power F.

   Power F was deemed to be interested in 989,494,000 shares by virtue of its corporate interest in IGM.

   IGM was deemed to be interested in 989,494,000 shares by virtue of its corporate interest in Mackenzie Inc., Mackenzie Financial Corporation and Mackenzie Cundill Investment Management Limited.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 July 2010.

CONTROLLING SHAREHOLER'S INTEREST IN CONTRACTS

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

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(1) Crocodile Garments Limited Lease

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

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

Dr. Lam Kin Ming ("Dr. Lam"), a non-executive director of the Company, owns approximately 51.39% interests in CGL. CGL is an associate of Dr. Lam and therefore a connected person of the Company within the meaning of the Listing Rules. Dr. Lam is also a director, chairman and chief executive officer of CGL. Accordingly, the above lease constitutes a continuing connected transaction for the Company.

(2) Big Honor Asia Limited Lease

As reported in the annual report of the Company for the year ended 31 July 2009, on 28 October 2008 the Company entered into the offer letter with Big Honor Asia Limited ("Big Honor"), pursuant to which the Company agreed to lease to Big Honor the premises at Unit 1105, 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong (the "Premises") for a term of twenty-four months commencing from 1 July 2008 to 30 June 2010 at a monthly rental of HK$95,200 (exclusive of government rates, government rent, management fee and air-conditioning charges).

Big Honor is a company owned as to 50% by Dr. Lam Kin Ming, a non-executive director of the Company and as to the remaining 50% by his daughter. Big Honor is thus an associate of a connected person of the Company under the Listing Rules and the offer letter constitutes a continuing connected transaction for the Company. The lease of the Premises was terminated on 22 April 2010 by a surrender agreement entered into between the Company and Big Honor.

(3) Media Asia Group Limited Lease

As reported in the annual report of the Company for the year ended 31 July 2009, on 5 October 2007, Gilroy Company Limited ("Gilroy"), a subsidiary of the Company, entered into the offer letter with Media Asia Group Limited ("Media Asia"), a subsidiary of eSun Holdings Limited ("eSun"), pursuant to which Gilroy agreed to lease to Media Asia the whole of 24th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of 3 years commencing from 1 October 2007 to 30 September 2010 at the monthly rental of HK$165,000 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings).

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

(3) Media Asia Group Limited Lease (continued)

eSun owned a 36.72% interests in the Company as at the date of entering the offer letter. Media Asia was therefore an associate of a connected person of the Company under the Listing Rules. Accordingly, the entering into of the offer letter between Gilroy and Media Asia constituted a continuing connected transaction for the Company.

Pursuant to the shares swap agreement ("Shares Swap Agreement") entered into between LSG and eSun on 26 July 2010, LSG has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of the Company. eSun ceased to be connected person of the Company on completion of the aforesaid Shares Swap Agreement on 30 September 2010.

(4) eSun Holdings Limited Lease

As announced by the Company on 11 December 2009, Gilroy entered into the offer letter with eSun, pursuant to which Gilroy agreed to lease to eSun the 14th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of 36 months from 6 December 2009 to 5 December 2012 at a monthly rental of HK$187,500 (exclusive of management fee, air-conditioning charges, rates and government rent).

eSun owned a 36.72% interests in the Company as at the date of entering the offer letter. eSun was therefore a connected person of the Company and the offer letter between Gilroy and eSun constituted a continuing connected transaction for the Company under the Listing Rules. eSun ceased to be connected person of the Company upon completion of the Shares Swap Agreement on 30 September 2010 mentioned under item (3) above.

(5) Li Xing Contract and Ascott Property Management (Shanghai) Co. Ltd Agreement

The Company announced on 16 April 2010 that on 16 April 2010, Triple Pass Limited ("Triple Pass"), a non-wholly owned subsidiary of the Company and 韵港餐飲(上海)有限公司 (Wan Kong Catering (Shanghai) Limited) ("Wan Kong"), a wholly-owned subsidiary of Triple Pass (Triple Pass and Wan Kong collectively the "Lessees") entered into the contract (the "Contract") with Shanghai Li Xing Real Estate Development Co., Limited ("Li Xing"), a 95%-owned subsidiary of Lai Fung Holdings Limited ("Lai Fung") in respect of the lease of the Portion of Levels 6 and 7, North Tower of Hong Kong Plaza, 282 Huailhaizhong Road, Luwan District, Shanghai, PRC for a fixed term of 3 years from 15 May 2010 to 14 May 2013 at the rent of RMB112,807.81 (about HK$128,191) per calendar month from 15 May 2010 to 14 May 2012 and RMB117,320.13 (about HK$133,318) per calendar month from 15 May 2012 to 14 May 2013. The Lessees shall be responsible for paying the air-conditioning charges and other outgoings (if any) subject to revision from time to time. The Leasees have an option to renew the Contract for further two years and three years.

CONTINUING CONNECTED TRANSACTIONS (continued)

(5) Li Xing Contract and Ascott Property Management (Shanghai) Co. Ltd Agreement (continued)

An agreement ("the "Agreement") was also entered on 16 April 2010 between the Lessees, Li Xing and Ascott Property Management (Shanghai) Company Limited, a wholly-owned subsidiary of CapitaLand Limited, a substantial shareholder of Lai Fung. Under the Agreement, the Lessees agreed, among other things, to serve breakfasts at a predetermined price per head to occupants of the Service Apartments located at North Tower, Hong Kong Plaza, 282 Huaihaizhong Road, Luwan District, Shanghai, PRC during the lease period stipulated in the Contract.

LSG owned a 40.58% interest in Lai Fung as at the date of entering the Contract and the Agreement. Lai Fung was therefore an associate of LSG, a connected person of the Company. Accordingly, the Contract and the Agreement constituted continuing connected transactions for the Company.

Pursuant to the shares swap agreement ("Shares Swap Agreement") entered into between LSG and eSun on 26 July 2010. eSun has agreed to accept the transfer of LSG's direct and indirect interest in 3,265,688,037 shares in Lai Fung. Lai Fung ceased to be an associate of LSG, a connected person of the Company on completion of the aforesaid Shares Swap Agreement on 30 September 2010.

(6) Mass Energy Limited Tenancy Agreement

The Company announced on 13 August 2010 that on 13 August 2010, Winfield Properties Limited, a wholly-owned subsidiary of the Company, as tenant entered into the tenancy agreement ("Tenancy Agreement") with Mass Energy Limited ("Mass Energy") as landlord for the lease of Carpark of Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong consisting of all the car parking spaces thereof (the "Premises") for a term of twenty four months from 1 December 2009 to 30 November 2011 at the basic rent of HK$120,000 per month or the turnover rent equivalent to 52% of the gross monthly revenue of the tenant's business carried at the Premises, whichever is higher.

Mass Energy was owned as to 50% each by LSG and CGL. LSG is a substantial shareholder of the Company and CGL is owned as to 51.39% by Dr. Lam Kin Ming, a non-executive director of the Company. Mass Energy is therefore an associate of connected persons of the Company and the Tenancy Agreement constitutes a continuing connected transaction for the Company.

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

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

(b) on normal commercial terms; and

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

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

Report of the Directors

CONNECTED TRANSACTIONS

(1) Joint Venture in respect of Italian cuisine

As announced by the Company on 29 January 2010, the agreement (the "Agreement") relating to the formation of Prompt Result Limited (the "JV Company") was entered into between Transformation International Limited ("TIL"), a wholly-owned subsidiary of the Company, Capital Well Holdings Limited ("Capital Well"), Bright Fame International Limited ("Bright Fame"), Direct Gain International Limited ("Direct Gain") and Ease Win International Limited ("Ease Win") (Bright Fame, Direct Gain and Ease Win collectively the "Investors") for investment in the food and beverage business, in particular, Italian cuisine in Hong Kong.

Pursuant to the Agreement, (i) TIL as the holder of the only 1 share in issue, has agreed to subscribe 29 new shares, Capital Well has agreed to subscribe 28 new shares, and each of the Investors has agreed to subscribe 14 new shares respectively in the JV Company; (ii) TIL, Capital Well and the Investors have also agreed to advance shareholders' loan of HK$13,000,000 in cash to the JV Company, of which TIL's share of shareholders' loan is HK$3,900,000, Capital Well's share of shareholders' loan is HK$3,640,000 and each of the Investors' share of shareholders' loan is HK$1,820,000. The JV Company is therefore owned as to 30% by TIL, 28% by Capital Well and 14% by each of the Investors. TIL, Capital Well and the Investors further agreed that the JV Company may, in future, require them to provide further shareholders' loan up to a total of HK$6,000,000, which shall be contributed by them in accordance with their shareholdings in the JV Company at the time further shareholders' loan is made.

As each of Capital Well and Bright Fame is a substantial shareholder of an existing subsidiary of the Company and hence, both Capital Well and Bright Fame are connected persons to the Company. Therefore, the Agreement constitutes a connected transaction of the Company under the Listing Rules.

(2) Joint Venture Company in respect of Asian cuisine

As announced by the Company on 1 April 2010, the agreement (the "Agreement") relating to the formation of Royal Team Limited (the "JV Company") was entered into between Transformation International Limited ("TIL"), a wholly-owned subsidiary of the Company, Capital Well Holdings Limited ("Capital Well"), Direct Gain International Limited ("Direct Gain"), Bright Fame International Limited ("Bright Fame") and the JV Company for the investment in and operation of the food and beverage business, in particular, Asian cuisine in Hong Kong.

Pursuant to the Agreement, each of TIL, Capital Well, Direct Gain and Bright Fame agreed to pay up the issued share capital of the JV Company in the amount of HK$5,200, HK$2,400, HK$1,200 and HK$1,200 respectively. In addition, each of TIL, Capital Well, Direct Gain and Bright Fame agreed to advance shareholders' loans of HK$5,714,800, HK$2,637,600, HK$1,318,800 and HK$1,318,800 to the JV Company respectively. The JV Company is therefore owned as to 52% by TIL, 24% by Capital Well and as to 12% by each of Direct Gain and Bright Fame respectively.

As each of Capital Well and Bright Fame is a substantial shareholder of an existing subsidiary of the Company and hence both Capital Well and Bright Fame are connected persons to the Company. Therefore, the Agreement constitutes a connected transaction of the Company under the Listing Rules.

Report of the Directors

DETAILS OF PROPERTIES

The principal investment properties of the Group are as follows:

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

Report of the Directors

DETAILS OF PROPERTIES (continued)

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

	Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
1.	4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	Foundation work in progress	2012	Residential/ commercial	The total site area is approximately 17,760 sq.ft. The total gross floor area will be approximately 106,000 sq.ft.
2.	335-339 Tai Hang Road, Hong Kong	100%	Foundation work in progress	2013	Residential	The total site area is approximately 13,800 sq.ft. The total gross floor area will be approximately 29,000 sq.ft.
3.	3 Connaught Road Central, Hong Kong	50%	Superstructure work in progress	First half of 2012	Office	The total site area is approximately 14,900 sq.ft. The total gross floor area will be approximately 225,000 sq.ft.
4.	28 Wood Road, Wanchai, Hong Kong	50%	Superstructure work in progress	Second half of 2011	Residential/ commercial	The total site area is approximately 13,300 sq.ft. The total gross floor area will be approximately 140,000 sq.ft.

The principal completed properties for sale of the Group as at the date of this report are as follows:

	Location	Group interest	Existing use	Saleable gross floor area
1.	Certain portions in Emerald 28, 28 Tai Po Road, Kowloon, Hong Kong	100%	Residential/commercial	65,572 sq.ft.

Report of the Directors

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

Details of 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 above under the heading "Details of properties."

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 July				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**729,254**	649,742	826,506	908,906	793,807
PROFIT/(LOSS) BEFORE TAX	**2,352,817**	(179,629)	1,176,586	1,665,250	629,758
Tax	**(244,756)**	(3,868)	(96,318)	(118,410)	(80,656)
PROFIT/(LOSS) FOR THE YEAR	**2,108,061**	(183,497)	1,080,268	1,546,840	549,102
Attributable to:					
Ordinary equity holders of the Company	**2,064,562**	(220,985)	1,013,333	1,495,091	512,922
Non-controlling interests	**43,499**	37,488	66,935	51,749	36,180
	2,108,061	(183,497)	1,080,268	1,546,840	549,102

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued)

ASSETS AND LIABILITIES

	As at 31 July				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**368,231**	379,091	335,775	1,230,513	1,265,621
Prepaid land lease payments	**27,066**	28,094	29,121	30,148	31,176
Investment properties	**6,444,930**	5,192,800	5,336,000	4,614,600	4,124,700
Properties under development for sale	**900,378**	723,552	451,558	106,942	61,197
Goodwill	**—**	—	—	152,700	4,005
Interests in associates	**3,725,761**	2,659,637	2,770,370	1,734,563	1,115,830
Available-for-sale financial assets	**657,994**	441,419	453,200	743,516	519,172
Held-to-maturity debt investments	**35,840**	12,205	—	—	—
Pledged bank balances and time deposits	**99,154**	—	94,121	95,138	95,652
Deposits paid	**—**	—	18,800	36,500	—
Current assets	**1,873,322**	1,530,397	1,408,178	1,097,946	518,160
TOTAL ASSETS	**14,132,676**	10,967,195	10,897,123	9,842,566	7,735,513
Current liabilities	**(658,773)**	(858,887)	(353,086)	(581,167)	(522,252)
Interest-bearing bank and other borrowings	**(2,313,493)**	(1,533,829)	(1,722,703)	(1,933,139)	(2,234,551)
Deferred tax	**(975,875)**	(766,103)	(785,523)	(727,972)	(625,100)
Provision for tax indemnity	**(470,191)**	(452,696)	(464,632)	—	—
Long term rental deposits received	**(47,523)**	(40,576)	(44,431)	(47,155)	(31,605)
TOTAL LIABILITIES	**(4,465,855)**	(3,652,091)	(3,370,375)	(3,289,433)	(3,413,508)
NON-CONTROLLING INTERESTS	**(261,131)**	(221,630)	(199,813)	(333,151)	(384,881)
NET ASSETS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**9,405,690**	7,093,474	7,326,935	6,219,982	3,937,124

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. During the year, purchases from the Group's five largest suppliers accounted for approximately 79% of the total purchases which included the acquisition of the property situated at No. 335-339 Tai Hang Road, Hong Kong, a property under development for sale of the Group, representing approximately 42% of the total purchases for the year.

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

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

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

As at 31 July 2010, 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 proforma combined statement of financial position of the affiliated companies at 31 July 2010 is disclosed as follows:

	HK$'000
Property, plant and equipment	261,314
Film rights	71,396
Film products	85,889
Music catalogs	112,973
Interest in jointly controlled entities	1,040,406
Interests in associates	3,470,931
Available-for-sale investments	61,473
Held-to-maturity debt investments	26,645
Deposits, prepayments and other receivables	118,481
Deferred tax assets	3,826
Investment property under construction	1,092,259
Properties under development	1,212,929
Amounts due from shareholders	31,336
Net current assets	1,059,834
Total assets less current liabilities	8,649,692
Put option	(130,000)
Long term borrowings	(806,963)
Deferred income	(44,762)
Amounts due to shareholders	(2,031,559)
	(3,013,284)
	5,636,408

Report of the Directors

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

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

	HK$'000
CAPITAL AND RESERVES	
Issued capital	629,563
Share premium account	4,227,678
Contributed surplus	891,289
Investment revaluation reserve	256,981
Share option reserve	13,559
Other reserve	10,351
Exchange fluctuation reserve	(10,862)
Accumulated losses	(703,662)
	5,314,897
Non-controlling interests	321,511
	5,636,408

B. Advance to an entity (Paragraph 13.20 of Chapter 13)

In compliance with paragraph 13.20 of Chapter 13, details of an advance to the following entity by the Company as at 31 July 2010 which has exceeded the asset ratio of 8% under the Listing Rules are set out below:

Name of Entity	Percentage of capital held	Amount due from the entity HK$'000 (Note a)	Guarantee given for banking facility granted HK$'000 (Note b)	Total HK$'000
Diamond String Limited	50.0	393,572	765,000	1,158,572

Notes:

(a) The balance due is unsecured, interest-free and have no fixed term of repayment.

(b) A corporate guarantee was given by the Company to a bank, on a several basis and in proportion to its respective shareholding in Diamond String Limited, to secure 50% of all monies payable under a loan facility of HK$1,530 million granted to Diamond String Limited.

Report of the Directors

DONATIONS

During the year, the Group made charitable contributions totaling approximately HK$950,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 44 to 47 of the 2009-2010 Annual Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITORS

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

On behalf of the Board

Lam Kin Ngok, Peter
Chairman

Hong Kong
5 November 2010

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

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

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

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the annual general meeting of the Company held on 23 December 2009.

(2) DIRECTORS' SECURITIES TRANSACTIONS

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

(3) BOARD OF DIRECTORS

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

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

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

(3) BOARD OF DIRECTORS (CONTINUED)

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

Directors	Board Meetings Held	Board Meetings Attended
Executive Directors		
Lam Kin Ngok, Peter *(Chairman)*	4	4
Lau Shu Yan, Julius *(Chief Executive Officer)*	4	4
Tam Kin Man, Kraven	4	4
Cheung Wing Sum, Ambrose, *MH, JP*	4	4
Leung Churk Yin, Jeanny	4	4
Cheung Sum, Sam†	N/A	N/A
Non-Executive Directors		
Lam Kin Ming	4	1
U Po Chu	4	0
Independent Non-Executive Directors		
Lam Bing Kwan	4	4
Leung Shu Yin, William	4	4
Wan Yee Hwa, Edward	4	4
Ip Shu Kwan, Stephen*, *GBS, JP*	3	3

* Ip Shu Kwan, Stephen was appointed a director on 29 December 2009.

† Cheung Sum, Sam resigned as director on 5 October 2009.

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules

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

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

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of Chairman and Chief Executive Officer be separated and not performed by the same individual.

During the year under review, Mr. Lam Kin Ngok, Peter was the Chairman of the Company while Mr. Lau Shu Yan, Julius was the Chief Executive Officer of the Company.

Corporate Governance Report

(5) NON-EXECUTIVE DIRECTORS

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

(6) REMUNERATION COMMITTEE

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

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

(6.3) The Remuneration Committee held one meeting during the year under review to discuss remuneration-related matters and was attended by all the current members.

(7) NOMINATION OF DIRECTORS

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

(8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK$2,550,000 for the year under review. Ernst & Young also received fees amounting to HK$625,200 for providing non-audit services to the Company and its subsidiaries during the year.

(9) AUDIT COMMITTEE

(9.1) the Board established an Audit Committee on 31 March 2000, which comprises the three independent non-executive Directors, namely Messrs. Wan Yee Hwa, Edward (Chairman), Lam Bing Kwan and Leung Shu Yin, William.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company and 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 and effectiveness of the audit process.

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

Corporate Governance Report

(9) AUDIT COMMITTEE (CONTINUED)

(9.2) The Audit Committee held two meetings during the year under review and Mr. Wan Yee Hwa, Edward, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William attended both meetings.

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

(10) FINANCIAL REPORTING

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

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

(11) INTERNAL CONTROLS

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

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the financial statements of Lai Sun Development Company Limited (the "Company") set out on pages 50 to 125, which comprise the consolidated and company statements of financial position as at 31 July 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report

OPINION

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

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

5 November 2010

Consolidated Income Statement

Year ended 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
TURNOVER	6	**729,254**	649,742
Cost of sales		**(254,273)**	(195,206)
Gross profit		**474,981**	454,536
Other revenue	6	**46,579**	22,858
Selling and marketing expenses		**(11,964)**	—
Administrative expenses		**(270,721)**	(273,312)
Other operating expenses, net		**(41,765)**	(58,937)
Fair value gains/(losses) on investment properties	16	**1,232,615**	(145,748)
Reversal of provision/(provision) for tax indemnity	32(c)	**(17,495)**	11,936
PROFIT FROM OPERATING ACTIVITIES	7	**1,412,230**	11,333
Finance costs	8	**(41,777)**	(58,479)
Share of profits and losses of associates		**982,364**	(132,483)
PROFIT/(LOSS) BEFORE TAX		**2,352,817**	(179,629)
Tax	11	**(244,756)**	(3,868)
PROFIT/(LOSS) FOR THE YEAR		**2,108,061**	(183,497)
Attributable to:			
Ordinary equity holders of the Company	12	**2,064,562**	(220,985)
Non-controlling interests		**43,499**	37,488
		2,108,061	(183,497)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK14.58 cents**	HK(1.56) cents
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 July 2010

	2010 HK$'000	2009 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**2,108,061**	(183,497)
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	**216,350**	(12,494)
Exchange realignments:		
Subsidiaries	**5**	(305)
Associate	**(6,526)**	(94)
Share of investment revaluation reserve of an associate	**33,041**	(1,908)
Share of other reserve of an associate	**3,734**	—
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**246,604**	(14,801)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**2,354,665**	(198,298)
Attributable to:		
Ordinary equity holders of the Company	**2,311,166**	(235,786)
Non-controlling interests	**43,499**	37,488
	2,354,665	(198,298)

Consolidated Statement of Financial Position

31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**368,231**	379,091
Prepaid land lease payments	15	**27,066**	28,094
Investment properties	16	**6,444,930**	5,192,800
Properties under development for sale	17	**900,378**	723,552
Interests in associates	19	**3,725,761**	2,659,637
Available-for-sale financial assets	20	**657,994**	441,419
Held-to-maturity debt investments	21	**35,840**	12,205
Pledged bank balances and time deposits	22	**99,154**	—
Total non-current assets		**12,259,354**	9,436,798
CURRENT ASSETS			
Completed properties for sale	23	**465,085**	2,350
Equity investments at fair value through profit or loss	24	**12,552**	38,332
Inventories		**4,780**	5,050
Debtors and deposits paid	25(a)	**121,315**	86,714
Held-to-maturity debt investments	21	**144,812**	241,145
Pledged bank balances and time deposits	22	**—**	77,547
Cash and cash equivalents	22	**1,124,778**	1,079,259
Total current assets		**1,873,322**	1,530,397
CURRENT LIABILITIES			
Creditors, deposits received and accruals	25(b)	**216,621**	206,417
Tax payable		**51,829**	39,221
Bank borrowings	26	**390,323**	613,249
Total current liabilities		**658,773**	858,887
NET CURRENT ASSETS		**1,214,549**	671,510
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,473,903**	10,108,308
NON-CURRENT LIABILITIES			
Bank borrowings	26	**(2,313,493)**	(1,533,829)
Deferred tax	27	**(975,875)**	(766,103)
Provision for tax indemnity	32(c)	**(470,191)**	(452,696)
Long term rental deposits received		**(47,523)**	(40,576)
Total non-current liabilities		**(3,807,082)**	(2,793,204)
		9,666,821	7,315,104

Consolidated Statement of Financial Position

31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	28	**141,620**	141,620
Share premium account	28	**6,974,701**	6,974,701
Investment revaluation reserve		**699,769**	450,378
Share option reserve		**12,417**	19,019
Capital redemption reserve		**1,200,000**	1,200,000
General reserve	28	**504,136**	504,136
Other reserve		**3,734**	—
Special capital reserve	28	**126,264**	46,885
Exchange fluctuation reserve		**35,058**	41,579
Accumulated losses		**(292,009)**	(2,284,844)
		9,405,690	7,093,474
Non-controlling interests		**261,131**	221,630
		9,666,821	7,315,104

Lam Kin Ngok, Peter
Director

Lau Shu Yan, Julius
Director

Consolidated Statement of Changes in Equity

31 July 2010

	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	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 2008	141,620	6,974,701	464,780	16,694	1,200,000	504,136	—	46,885	41,978	(2,063,859)	7,326,935	199,813	7,526,748
Total comprehensive income/(expenses) for the year	—	—	(14,402)	—	—	—	—	—	(399)	(220,985)	(235,786)	37,488	(198,298)
Share of reserve movements of associates	—	—	—	2,325	—	—	—	—	—	—	2,325	—	2,325
Dividend paid to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(21,671)	(21,671)
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	6,000	6,000
At 31 July 2009 and 1 August 2009	141,620	6,974,701	450,378	19,019	1,200,000	504,136	—	46,885	41,579	(2,284,844)	7,093,474	221,630	7,315,104
Total comprehensive income/(expenses) for the year	—	—	249,391	—	—	—	3,734	—	(6,521)	2,064,562	2,311,166	43,499	2,354,665
Share of reserve movements of associates	—	—	—	(6,602)	—	—	—	—	—	7,652	1,050	—	1,050
Transfer of reserves	—	—	—	—	—	—	—	79,379	—	(79,379)	—	—	—
Dividend paid to non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(11,466)	(11,466)
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	7,468	7,468
At 31 July 2010	**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**

Consolidated Statement of Cash Flows

Year ended 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**2,352,817**	(179,629)
Adjustments for:			
Finance costs	8	**41,777**	58,479
Share of profits and losses of associates		**(982,364)**	132,483
Fair value losses/(gains) on investment properties		**(1,232,615)**	145,748
Depreciation	7	**26,807**	26,008
Amortisation of prepaid land lease payments	7	**1,028**	1,027
Loss on disposal of items of property, plant and equipment	7	**327**	—
Fair value loss/(gain) on equity investments at fair value through profit or loss	7	**(121)**	30,229
Loss on disposal of equity investments at fair value through profit or loss	7	**19,804**	1,563
Provision/(reversal of provision) for tax indemnity		**17,495**	(11,936)
Interest income	6	**(8,286)**	(14,191)
Return of capital from an unlisted available-for-sale equity investment	6	**—**	(424)
Dividend income from listed equity investments at fair value through profit or loss	6	**(46)**	—
Dividend income from unlisted available-for-sale equity investments	6	**(20,748)**	(1,247)
		215,875	188,110
Decrease in completed properties for sale		**25,581**	—
Decrease/(increase) in inventories		**270**	(621)
Decrease/(increase) in debtors and deposits paid		**(28,034)**	9,152
Increase in creditors, deposits received and accruals		**32,498**	22,626
Cash generated from operations		**246,190**	219,267
Interest received		**2,528**	11,868
Interest paid on bank and other borrowings		**(29,574)**	(55,292)
Hong Kong profits tax refunded/(paid)		**(8,899)**	3,505
Overseas taxes paid		**(13,477)**	(11,655)
Net cash inflow from operating activities		**196,768**	167,693

Consolidated Statement of Cash Flows

Year ended 31 July 2010

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(16,344)**	(69,324)
Additions to investment properties	**(19,515)**	(2,548)
Additions to properties under development for sale	**(663,878)**	(249,814)
Acquisition of equity investments at fair value through profit or loss	**(19,102)**	(29,943)
Acquisition of held-to-maturity debt investments	**(189,120)**	(252,816)
Redemption of held-to-maturity debt investments	**261,818**	—
Proceeds from disposal of items of property, plant and equipment	**70**	—
Proceeds from disposal of equity investments at fair value through profit or loss	**25,199**	7,836
Advances to associates	**(52,444)**	(17,494)
Return of capital from an unlisted available-for-sale equity investment	**—**	424
Dividends received from unlisted available-for-sale equity investments	**1,083**	1,247
Interest received from held-to-maturity debt investments	**5,433**	783
Interest received from bank deposit with maturity of more than three months	**100**	293
Dividends received from equity investments at fair value through profit or loss	**46**	—
Decrease/(increase) in pledged bank balances and time deposits	**(21,607)**	16,574
Decrease/(increase) in bank deposits with maturity of more than three months	**60,000**	(60,000)
Net cash outflow from investing activities	**(628,261)**	(654,782)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**1,203,000**	500,000
Capital contribution from non-controlling interests of subsidiaries	**7,468**	6,000
Repayment of bank borrowings	**(646,262)**	(227,800)
Bank financing charges	**(15,733)**	(5,224)
Dividend paid to non-controlling interest of a subsidiary	**(11,466)**	(21,671)
Net cash inflow from financing activities	**537,007**	251,305

Consolidated Statement of Cash Flows

Year ended 31 July 2010

	2010 HK$'000	2009 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**105,514**	(235,784)
Cash and cash equivalents at beginning of year	**1,019,259**	1,255,348
Effect of foreign exchange rate changes, net	**5**	(305)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,124,778**	1,019,259
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**230,403**	80,135
Non-pledged time deposits	**894,375**	999,124
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,124,778**	1,079,259
Non-pledged time deposit with maturity of more than three months	**—**	(60,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,124,778**	1,019,259

Statement of Financial Position

31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**5,897**	8,437
Investment properties	16	**4,243,200**	3,441,300
Interests in subsidiaries	18	**3,407,799**	2,839,264
Interests in associates	19	**391,002**	391,900
Available-for-sale financial assets	20	**101**	101
Held-to-maturity debt investments	21	**35,840**	12,205
Pledged bank balances and time deposits	22	**99,154**	—
Total non-current assets		**8,182,993**	6,693,207
CURRENT ASSETS			
Equity investments at fair value through profit or loss	24	**12,552**	—
Debtors and deposits paid	25(a)	**36,808**	40,500
Held-to-maturity debt investments	21	**144,812**	241,145
Pledged bank balances and time deposits	22	**—**	77,547
Cash and cash equivalents	22	**869,444**	870,010
Total current assets		**1,063,616**	1,229,202
CURRENT LIABILITIES			
Creditors, deposits received and accruals		**80,773**	91,385
Tax payable		**41,466**	28,414
Bank borrowings	26	**201,500**	578,500
Total current liabilities		**323,739**	698,299
NET CURRENT ASSETS		**739,877**	530,903
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,922,870**	7,224,110
NON-CURRENT LIABILITIES			
Bank borrowings	26	**(2,060,300)**	(1,296,100)
Deferred tax	27	**(663,483)**	(530,783)
Provision for tax indemnity	32(c)	**(470,191)**	(452,696)
Long term rental deposits received		**(30,396)**	(29,290)
Total non-current liabilities		**(3,224,370)**	(2,308,869)
		5,698,500	4,915,241
EQUITY			
Issued capital	28	**141,620**	141,620
Reserves	30(b)	**5,556,880**	4,773,621
		5,698,500	4,915,241

Lam Kin Ngok, Peter
Director

Lau Shu Yan, Julius
Director

Notes to Financial Statements

31 July 2010

1. CORPORATE INFORMATION

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

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

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Notes to Financial Statements

31 July 2010

2.2 IMPACT OF NEW AND REVISED HKFRSs

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

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

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised) Presentation of Financial Statements, HKFRS 7 (Amendments) Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments, HKFRS 8 Operating Segments and the amendments to HKAS 40 Investment Property under the Improvements to HKFRSs issued in October 2008 as described below, has had no material impact on the reported results or financial position of the Group.

HKAS 1 (Revised) Presentation of Financial Statements

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

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

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

2.2 IMPACT OF NEW AND REVISED HKFRSs (continued)

HKFRS 8 Operating Segments

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

Improvements to HKFRSs — Amendments to HKAS 40 Investment Property

The Group has adopted the amendments to HKAS 40 which became effective in the Group's accounting period beginning 1 August 2009. Under the amendments, investment property under construction is included within the scope of HKAS 40. Investment property under construction could be carried at fair value when its fair value is reliably determinable. Any difference between the fair value and the carrying book value of the property shall be recognised as gain or loss in the income statement for the period of initial adoption of this amendment. Prior to the amendments, investment property under construction was carried at cost until the construction had been completed. The Group, through Diamond String Limited ("Diamond String"), a 50%-owned associate, holds a property ("Property") situated at 3 Connaught Road Central, Hong Kong (formerly operating as "The Ritz-Carlton Hong Kong") which is being re-developed into a grade-A office tower for investment purpose. The Property is stated at cost less accumulated depreciation and any impairment losses in Diamond String's financial statements. When the Group accounts for its interest in Diamond String under equity method in its consolidated financial statements, the Property is measured at fair value for the purpose of conforming to the Group's accounting policies. As a result, a 50% share of fair value gain arising from valuation of the Property of HK$859,582,000 (after net of the related deferred tax and goodwill (note 19)) is recorded in the Group's share of results of associates for the year ended 31 July 2010. The carrying amount of the Group's interests in associates as at 31 July 2010 is correspondingly increased by HK$859,582,000. The basic earnings per share attributable to ordinary equity holders of the Company is increased by HK 6.07 cents. This amendment has been applied prospectively and the corresponding amounts of prior periods have not been restated.

Notes to Financial Statements

31 July 2010

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Associates

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

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

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

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

Excess over the cost of acquisition of subsidiaries and associates

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

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates prior to 1 August 2009 represents the excess of the cost of the business combination over the Group's interests in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition. The cost of business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

Leases

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

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

Properties under development 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of the reporting period.

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

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

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis and other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss 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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

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

Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

Financial liabilities at amortised cost (including bank borrowings)

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

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

Derecognition of financial liabilities

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

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

Inventories

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

Cash and cash equivalents

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

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

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Revenue recognition

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

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

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

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

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

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

Borrowing costs

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

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

The functional currencies of certain overseas 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 included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in the components 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.

Employee benefits

Share-based payment transactions

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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.

Retirement benefits

The Group operates Mandatory Provident Fund retirement benefits 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 government 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.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Impairment of assets

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

Income tax

Deferred tax is provided using the liability method, on all temporary differences at the 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.

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 judgement is required to determine (i) the estimated sale proceeds and outgoings; and (ii) the development plan and status of individual property development project. Further details are included in note 32(c) to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

When fair value of an investment property under development/construction can be reliably determined

If the fair value of an investment property under development/construction is at present not reliably determinable, such property is stated at cost until either its fair value becomes reliably determinable or development/construction is completed, whichever is earlier.

The Group has to exercise judgement in determining when the fair value of an investment property under development/construction can be reliably determined by assessing whether a substantial part of the project risk has been reduced or eliminated, which might include the consideration of (i) whether the asset is being constructed in a developed liquid market; (ii) whether the construction permits have been obtained; and (iii) the stage of development/construction or completion. Other indications may also be appropriate in light of the facts and circumstances of individual developments.

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 2010 was HK$6,444,930,000 (2009: HK$5,192,800,000) and the available-for-sale financial assets as at 31 July 2010 was HK$641,836,000 (2009: HK$425,261,000).

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. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their operations and services and 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 profit/(loss), which is measured by means of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that fair value gains/(losses) on investment properties, reversal of provision/(provision) for tax indemnity, interest income, finance costs, dividend income and share of profits and losses of associates are excluded from such measurement.

Segment assets mainly exclude interests in associates, available-for-sale financial assets, equity investments at fair value through profit or loss, held-to-maturity debt investments and 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.

Notes to Financial Statements

31 July 2010

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	34,578	–	341,103	340,980	334,843	284,335	18,730	24,427	–	–	729,254	649,742
Intersegment sales	–	–	8,537	9,967	–	–	26,144	24,861	(34,681)	(34,828)	–	–
Other revenue	883	1,276	542	613	1	22	–	–	–	–	1,426	1,911
Total	35,461	1,276	350,182	351,560	334,844	284,357	44,874	49,288	(34,681)	(34,828)	730,680	651,653
Segment results	(4,020)	(482)	265,462	259,691	76,159	63,706	367	8,197	–	–	337,968	331,112
Interest income and unallocated gains											45,153	20,947
Fair value gains/(losses) on investment properties	–	–	1,232,615	(145,748)	–	–	–	–	–	–	1,232,615	(145,748)
Unallocated expenses											(186,011)	(206,914)
Reversal of provision/ (provision) for tax indemnity											(17,495)	11,936
Profit from operating activities											1,412,230	11,333
Finance costs											(41,777)	(58,479)
Share of profits and losses of associates	(4,246)	(27)	859,299	(344)	155	(12)	–	–	–	–	855,208	(383)
Share of profits and losses of associates – unallocated											127,156	(132,100)
Profit/(loss) before tax											2,352,817	(179,629)
Tax											(244,756)	(3,868)
Profit/(loss) for the year											2,108,061	(183,497)

Notes to Financial Statements

31 July 2010

4. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	1,409,304	731,903	6,465,206	5,213,345	528,001	504,351	56,497	46,278	8,459,008	6,495,877
Interests in associates	279,531	235,465	1,384,180	524,881	4,174	—	—	—	1,667,885	760,346
Interests in associates — unallocated									2,057,876	1,899,291
Unallocated assets									1,947,907	1,811,681
Total assets									14,132,676	10,967,195
Segment liabilities	21,496	11,784	96,806	89,342	48,462	41,617	16,129	13,201	182,893	155,944
Bank borrowings									2,703,816	2,147,078
Other unallocated liabilities									1,579,146	1,349,069
Total liabilities									4,465,855	3,652,091

Other segment information

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	1,027	—	—	1,028	1,027
Depreciation	124	—	28	28	15,215	14,343	212	271	15,579	14,642
Depreciation — unallocated									11,228	11,366
									26,807	26,008
Capital expenditure	665,638	253,291	19,515	2,548	10,843	15,335	40	281	696,036	271,455
Capital expenditure — unallocated									4,965	53,708
									701,001	325,163

Notes to Financial Statements

31 July 2010

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The following table presents revenue and asset by geographical location of assets for the years ended 31 July 2010 and 2009:

	Hong Kong		Vietnam		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Sales to external customers	**436,390**	395,175	**292,864**	254,567	**729,254**	649,742
Other revenue	**1,426**	1,911	**—**	—	**1,426**	1,911
Total	**437,816**	397,086	**292,864**	254,567	**730,680**	651,653
Segment assets						
Non-current assets	**7,358,638**	5,933,435	**303,466**	305,337	**7,662,104**	6,238,772
Current assets	**597,362**	82,266	**199,542**	174,839	**796,904**	257,105
	7,956,000	6,015,701	**503,008**	480,176	**8,459,008**	6,495,877

Information about major customers

For both the years ended 31 July 2010 and 31 July 2009, there was no revenue derived from a single customer which contributed for more than 10% of the Group's revenue for respective years.

Notes to Financial Statements

31 July 2010

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

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Rental income and building management fee received from related companies	(i)	**5,881**	6,694
Rental income and building management fee received from eSun and its subsidiaries (collectively the "eSun Group")	(ii)	**7,219**	7,100
Project management fee income received from an associate	(iii)	**9,000**	—
Rental expenses and building management fees paid to related companies	(i)	**1,281**	—

Notes:

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

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

(iii) The project management fee income received from an associate was based on terms stated in the respective agreement.

Pursuant to the respective lease agreements, the rental received from/paid to related parties as included in the above related party transactions constituted continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The details of certain of these continuing connected transactions, which were subject to the reporting requirements set out in Chapter 14A of the Listing Rules, were disclosed on pages 33 to 35 of the Report of the Directors.

(b) Compensation of key management personnel of the Group

	Group 2010 HK$'000	Group 2009 HK$'000
Short term employee benefits	**17,292**	18,567
Post-employment benefits	**316**	321
Total compensation paid to key management personnel	**17,608**	18,888

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

Notes to Financial Statements

31 July 2010

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	
	2010	2009
	HK$'000	HK$'000
Turnover		
Sale of properties	**34,578**	—
Rental income and building management fee	**341,103**	340,980
Hotel, restaurant and other operations	**353,573**	308,762
	729,254	649,742

	Group	
	2010	2009
	HK$'000	HK$'000
Other revenue		
Interest income from bank deposits	**1,774**	11,546
Interest income from held-to-maturity debt investments	**5,433**	1,317
Other interest income	**1,079**	1,328
Dividend income from equity investments at fair value through profit or loss	**46**	—
Dividend income from unlisted available-for-sale equity investments	**20,748**	1,247
Return of capital from an unlisted available-for-sale equity investment	**—**	424
Project management fee income received from an associate	**9,000**	—
Others	**8,499**	6,996
	46,579	22,858

Notes to Financial Statements

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7. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Depreciation#	14	**26,807**	26,008
Amortisation of prepaid land lease payments*	15	**1,028**	1,027
Staff costs (including directors' remuneration — note 9):			
Wages and salaries		**137,160**	126,612
Pension scheme contributions		**3,519**	3,443
		140,679	130,055
Auditors' remuneration		**2,550**	2,451
Loss on disposal of items of property, plant and equipment*		**327**	—
Fair value loss/(gain) on equity investments at fair value through profit or loss*		**(121)**	30,229
Loss on disposal of equity investments at fair value through profit or loss*		**19,804**	1,563
Minimum lease payments under operating leases in respect of leasehold buildings		**8,466**	5,563
Rental income		**(341,103)**	(340,980)
Less: Outgoings		**52,589**	53,567
Net rental income		**(288,514)**	(287,413)
Foreign exchange gains		**(114)**	(1,577)

Depreciation charge of HK$19,451,000 (2009: HK$18,064,000) 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.*

8. FINANCE COSTS

	Group 2010 HK$'000	Group 2009 HK$'000
Interest on bank borrowings wholly repayable within five years	**33,892**	54,450
Bank financing charges	**9,149**	7,409
	43,041	61,859
Less: Amount capitalised in properties under development for sale (note 17)	**(1,264)**	(3,380)
	41,777	58,479

9. DIRECTORS' REMUNERATION

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

	Group 2010 HK$'000	Group 2009 HK$'000
Fees	**539**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**16,753**	18,117
Pension scheme contributions	**316**	321
	17,069	18,438
	17,608	18,888

Notes to Financial Statements

31 July 2010

9. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2010 HK$'000	2009 HK$'000
Lam Bing Kwan	**150**	150
Leung Shu Yin, William	**150**	150
Wan Yee Hwa, Edward	**150**	150
Ip Shu Kwan, Stephen*, *GBS, JP*	**89**	—
	539	450

* Ip Shu Kwan, Stephen was appointed as an independent non-executive director of the Company on 29 December 2009.

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

(b) Executive directors and non-executive directors

	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
2010				
Executive directors:				
Lam Kin Ngok, Peter	9,889	—	12	9,901
Lau Shu Yan, Julius	3,575	—	165	3,740
Tam Kin Man, Kraven	2,990	—	138	3,128
Cheung Wing Sum, Ambrose, *MH, JP*	—	—	—	—
Cheung Sum, Sam	299	—	1	300
Leung Churk Yin, Jeanny	—	—	—	—
	16,753	—	316	17,069
Non-executive directors:				
Lam Kin Ming	—	—	—	—
U Po Chu	—	—	—	—
	—	—	—	—
	16,753	—	316	17,069

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9. DIRECTORS' REMUNERATION (CONTINUED)

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

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

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

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31 July 2010

10. EMPLOYEES' REMUNERATION

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

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,650**	1,658
Pension scheme contributions	**86**	80
	3,736	1,738

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

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

11. TAX

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

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	
	2010	2009
	HK$'000	HK$'000
Current tax		
Hong Kong	**17,148**	10,483
Overseas	**13,557**	11,864
	30,705	22,347
Deferred tax (note 27)	**209,772**	(19,420)
Prior years' under provision — Hong Kong	**4,279**	941
Tax charge for the year	**244,756**	3,868

11. TAX (CONTINUED)

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

	Group	
	2010	2009
	HK$'000	HK$'000
Profit/(loss) before tax	**2,352,817**	(179,629)
Share of profits and losses of associates	**(982,364)**	132,483
Profit/(loss) before tax attributable to the Company and its subsidiaries	**1,370,453**	(47,146)
Tax at the statutory tax rate of 16.5% (2009: 16.5%)	**226,125**	(7,779)
Higher tax rate for other countries	**1,898**	1,781
Adjustments in respect of current tax of previous periods	**4,279**	941
Income not subject to tax	**(5,463)**	(5,405)
Expenses not deductible for tax purposes	**12,398**	8,128
Tax losses utilised from previous periods	**(324)**	(408)
Tax losses not recognised	**5,843**	6,610
Tax charge for the year	**244,756**	3,868

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

The consolidated profit/(loss) attributable to ordinary equity holders of the Company for the year ended 31 July 2010 includes a profit of HK$783,259,000 (2009: loss of HK$99,732,000) which has been dealt with in the financial statements of the Company (note 30(b)).

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

The calculation of basic earnings/(loss) per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$2,064,562,000 (2009: loss attributable to ordinary equity holders of the Company of HK$220,985,000) and the weighted average number of 14,162,042,000 (2009: 14,162,042,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share for the years ended 31 July 2010 and 2009 have not been presented as no diluting events existed during both years.

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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$'000	Total HK$'000
Cost:									
At 1 August 2008		357,035	34,303	42,262	127,868	19,507	10,947	33,889	625,811
Additions		–	46,732	12,154	9,165	833	316	124	69,324
Disposals/write-off		–	–	(5,181)	(2)	–	(101)	–	(5,284)
At 31 July 2009 and 1 August 2009		357,035	81,035	49,235	137,031	20,340	11,162	34,013	689,851
Additions		–	–	256	10,410	5,042	487	149	16,344
Disposals/write-off		–	–	(485)	(366)	(2,033)	(362)	–	(3,246)
At 31 July 2010		**357,035**	**81,035**	**49,006**	**147,075**	**23,349**	**11,287**	**34,162**	**702,949**
Accumulated depreciation:									
At 1 August 2008		89,800	9,385	27,231	108,158	15,801	6,237	33,424	290,036
Depreciation provided for the year	7	8,209	1,309	6,803	5,525	2,576	1,334	252	26,008
Disposals/write-off		–	–	(5,181)	(2)	–	(101)	–	(5,284)
At 31 July 2009 and 1 August 2009		98,009	10,694	28,853	113,681	18,377	7,470	33,676	310,760
Depreciation provided for the year	7	8,211	1,725	7,626	5,025	2,597	1,334	289	26,807
Disposals/write-off		–	–	(115)	(346)	(2,033)	(355)	–	(2,849)
At 31 July 2010		**106,220**	**12,419**	**36,364**	**118,360**	**18,941**	**8,449**	**33,965**	**334,718**
Net carrying amount:									
At 31 July 2010		**250,815**	**68,616**	**12,642**	**28,715**	**4,408**	**2,838**	**197**	**368,231**
At 31 July 2009		259,026	70,341	20,382	23,350	1,963	3,692	337	379,091

Notes to Financial Statements

31 July 2010

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 July 2010, the Group's hotel properties with a total carrying amount of HK$250,815,000 (2009: HK$259,026,000) were pledged to banks to secure a banking facility granted to the Group (note 26).

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

	2010	2009
	HK$'000	HK$'000
At cost:		
Medium-term leases		
Hong Kong	**81,035**	81,035
Elsewhere	**357,035**	357,035
	438,070	438,070

Company

	Leasehold improvements	**Furniture, fixtures and equipment**	**Motor vehicles**	**Computers**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:					
At 1 August 2008	25,753	18,041	17,531	923	62,248
Additions	1,250	1,717	833	143	3,943
Disposals/write-off	(7,189)	(7,389)	—	(29)	(14,607)
At 31 July 2009 and 1 August 2009	19,814	12,369	18,364	1,037	51,584
Additions	—	181	4,546	89	4,816
Disposals/write-off	—	—	(2,033)	(29)	(2,062)
At 31 July 2010	**19,814**	**12,550**	**20,877**	**1,097**	**54,338**

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued)

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Accumulated depreciation:					
At 1 August 2008	18,994	14,098	14,269	706	48,067
Depreciation provided for the year	3,619	1,735	2,442	148	7,944
Disposals/write-off	(7,189)	(5,646)	—	(29)	(12,864)
At 31 July 2009 and 1 August 2009	15,424	10,187	16,711	825	43,147
Depreciation provided for the year	3,619	1,228	2,373	134	7,354
Disposals/write-off	—	—	(2,033)	(27)	(2,060)
At 31 July 2010	**19,043**	**11,415**	**17,051**	**932**	**48,441**
Net carrying amount:					
At 31 July 2010	**771**	**1,135**	**3,826**	**165**	**5,897**
At 31 July 2009	4,390	2,182	1,653	212	8,437

15. PREPAID LAND LEASE PAYMENTS

	Group 2010 HK$'000	Group 2009 HK$'000
Cost:		
At beginning and end of year	**35,960**	35,960
Accumulated amortisation:		
At beginning of year	**7,866**	6,839
Amortisation provided for the year — note 7	**1,028**	1,027
At end of year	**8,894**	7,866
Net carrying amount:		
At end of year	**27,066**	28,094

15. PREPAID LAND LEASE PAYMENTS (CONTINUED)

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

At 31 July 2010, the Group's prepaid land lease payments with a carrying amount of HK$27,066,000 (2009: HK$28,094,000) were pledged to banks to secure a banking facility granted to the Group (note 26).

16. INVESTMENT PROPERTIES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of year	**5,192,800**	5,336,000	**3,441,300**	3,564,400
Additions, at cost	**19,515**	2,548	**19,463**	2,448
Fair value gains/(losses)	**1,232,615**	(145,748)	**782,437**	(125,548)
Carrying amount at end of year	**6,444,930**	5,192,800	**4,243,200**	3,441,300

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long leases	**2,200,000**	1,750,000	**—**	—
Medium-term leases	**4,244,930**	3,442,800	**4,243,200**	3,441,300
	6,444,930	5,192,800	**4,243,200**	3,441,300

At 31 July 2010, the investment properties were stated at their aggregate open market value of HK$6,444,930,000 (2009: HK$5,192,800,000), 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 33(a) to the financial statements.

Certain investment properties of the Group and the Company with carrying amounts of HK$6,435,000,000 (2009: HK$5,185,000,000) and HK$4,235,000,000 (2009: HK$3,435,000,000), respectively, were pledged to banks to secure banking facilities granted to the Group (note 26).

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17. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year, at cost	**723,552**	451,558
Additions	**663,878**	268,614
Interest and bank financing charges capitalised (note 8)	**1,264**	3,380
Transfer to completed properties for sale	**(488,316)**	—
At end of year, at cost	**900,378**	723,552

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

	Group	
	2010	2009
	HK$'000	HK$'000
Long leases	**483,189**	106,245
Medium-term leases	**417,189**	617,307
	900,378	723,552

As at 31 July 2010, the Group's properties under development for sale with a total carrying amount of HK$416,069,000 (2009: HK$399,120,000) were pledged to a bank to secure a banking facility granted to the Group (note 26).

18. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**167,421**	167,421
Amounts due from subsidiaries	**6,946,614**	6,461,445
Amounts due to subsidiaries	**(985,792)**	(997,086)
	5,960,822	5,464,359
Provision for impairment	**(2,720,444)**	(2,792,516)
	3,407,799	2,839,264

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18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Balances with subsidiaries were unsecured, interest-free and have no fixed terms of repayment except for an amount due from a subsidiary of HK$474,372,000 (2009: HK$484,589,000) as at 31 July 2010 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 date was determined on the basis of the amounts recoverable from subsidiaries with reference to the fair value of the underlying assets held by the subsidiaries.

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ 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 ("FHEL")	Hong Kong	HK$102,880,454	Ordinary	—	100.00	Investment holding
Furama Hotels and Resorts International Limited	British Virgin Islands/ Hong Kong	US$1,000,000	Ordinary	—	100.00	Provision of management services
Gilroy Company Limited	Hong Kong	HK$10,000	Ordinary	100.00	—	Property investment
Glynhill Hotels and Resorts (Vietnam) Pte. Ltd.	Singapore/ Vietnam	S$2	Ordinary	—	100.00	Provision of management and consultancy services to hotel owners
Goldmay Development Limited ("Goldmay")	Hong Kong	HK$2	Ordinary	100.00	—	Property development

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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 Direct	Indirect	Principal activities
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
Royal Team Limited	Hong Kong	HK$10,000	Ordinary	—	52.00	Restaurant operation
Transformation International Limited#	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Investment holding
Transtrend Holdings Limited	Hong Kong	HK$20	Ordinary	—	100.00	Investment holding

* This subsidiary has registered rather than issued share capital.

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

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18. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

Shares of certain subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group (note 26).

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**907**	907
Share of net assets	**2,978,013**	1,834,862	**—**	—
Goodwill on acquisition	**—**	129,488	**—**	—
	2,978,013	1,964,350	**907**	907
Amounts due from associates	**928,775**	873,050	**597,156**	596,928
Amounts due to associates	**(15,808)**	(15,747)	**(11,503)**	(11,503)
	3,890,980	2,821,653	**586,560**	586,332
Provision for impairment	**(165,219)**	(162,016)	**(195,558)**	(194,432)
	3,725,761	2,659,637	**391,002**	391,900
Market value of listed shares at the end of the reporting period	**474,460**	523,697	**—**	—

The balances with associates were unsecured, interest-free and have 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 (CONTINUED)

Particulars of the principal associates as at 31 July 2010 are as follows:

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

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19. INTERESTS IN ASSOCIATES (CONTINUED)

Certain shares of associates held by the Group were also pledged to banks to secure the banking facilities granted to the associates.

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

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

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

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

	2010	2009
	HK$'000	HK$'000
Assets	**9,540,519**	8,625,523
Liabilities	**3,904,111**	3,373,497
Turnover	**391,612**	315,177
Profit/(loss) attributable to ordinary equity holders of the Company	**322,416**	(400,190)

The eSun Group

Included in the Group's interests in associates at 31 July 2010 was the Group's share of net assets of the eSun Group of HK$2,044,631,000 (2009: HK$1,886,180,000).

Until 30 September 2010, a cross holding position existed between eSun and the Company. As at 31 July 2010, the Group's interest in eSun was 36.08% (2009: 36.08%) and the eSun Group held 36.72% (2009: 36.72%) of the issued share capital of the Company.

Notes to Financial Statements

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19. INTERESTS IN ASSOCIATES (CONTINUED)

The eSun Group (continued)

On 26 July 2010, Lai Sun Garment (International) Limited ("LSG"), a substantial shareholder of the Company, entered into a conditional shares swap agreement with eSun pursuant to which:

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

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

Further details of the Transactions were set out in the circulars of LSG and eSun both dated 30 August 2010. Resolutions approving the shares swap agreement were duly passed at an extraordinary general meeting of LSG and a special general meeting of eSun on 20 September 2010. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Transactions took place on 30 September 2010.

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 has been eliminated.

19. INTERESTS IN ASSOCIATES (CONTINUED)

The eSun Group (continued)

eSun has been engaged in the Macao Studio City project through its interest in East Asia Satellite Television Holdings ("East Asia"), of which 66.7% is held indirectly by eSun and 33.3% is held by Capitaland Integrated Resorts Pte. Ltd. ("Capitaland"), a wholly-owned subsidiary of CapitaLand Limited (one of the largest listed real estate companies in Asia). East Asia has a 60% interest in Cyber One, the joint venture company responsible for the project while the US partner, New Cotai, holds the balance 40%. Disputes have arisen in respect of the joint venture, which has led to litigation between the parties. Details of the disputes and ensuing litigation are set out in the 2010 Interim Report of eSun and updated by its announcements dated 15 October 2010 and 30 October 2010. With the litigation continuing, it should be noted that its timing and outcome remain inherently uncertain. The Directors of eSun consider that the core claims made by the eSun Group are well-founded and the litigations are necessary in order to protect the interest of all of eSun's shareholders and, ultimately, to preserve the potential of the Macao Studio City project. eSun is in the process of taking legal advice in relation to the claims brought by New Cotai and believes that the eSun Group has complied with all material obligations relevant to the joint venture. eSun intends to defend vigorously all unmeritorious claims brought by New Cotai.

Diamond String

Included in the Group's interests in associates as at 31 July 2010 and share of profits and losses of associates for the year ended 31 July 2010 was the Group's share of net assets and profits of Diamond String of HK$1,384,180,000 (2009: HK$524,881,000) and HK$859,299,000 (2009: share of loss of HK$344,000), respectively.

The increase in the Group's share of net assets and profits of Diamond String was mainly attributable to the Group's adoption of the new amendments to HKAS 40 — Investment Property which became effective in the Group's accounting period beginning 1 August 2009. The details are set out in note 2.2 to these financial statements.

Included in interests in associate as at 31 July 2009 was a goodwill of HK$129,488,000 attributable to acquisition of additional equity interests in Diamond String in 2007. Such goodwill represented consideration paid by the Group over the Group's corresponding share of the then net assets value of Diamond String, of which the Property was stated at cost less depreciation. Upon adoption of the amendments to HKAS 40, the Property was stated at its fair value when the Group equity accounted for its interest in Diamond String in the Group's consolidated financial statements. As a result, such goodwill was charged to consolidated income statement and included in share of profits and losses of associates during the year ended 31 July 2010.

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19. INTERESTS IN ASSOCIATES (CONTINUED)

Corporate guarantee given by the Company for a loan facility granted to Diamond String

On 21 September 2009, Diamond String awarded an exclusive mandate to CCB International Finance Limited, a wholly-owned subsidiary of China Construction Bank Corporation for arrangement and underwriting of a syndicated term loan facility ("Loan Facility") with facility amount up to HK$1,530 million sought by Diamond String for the purpose of refinancing its previous bank loan and financing the development cost of the Property and the related interest/financing cost.

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

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

The documentation in relation to the Loan Facility was concluded on 10 December 2009.

As at 31 July 2010, an amount of HK$433,216,000 was utilised by Diamond String under the Loan Facility.

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20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale investments, at fair value				
Unlisted equity investments	**609,417**	393,067	**—**	—
Unlisted debt investments	**32,419**	32,194	**—**	—
	641,836	425,261	**—**	—
Unlisted equity investments, at cost	**196,732**	196,732	**3,101**	3,101
Provision for impairment	**(180,574)**	(180,574)	**(3,000)**	(3,000)
	16,158	16,158	**101**	101
	657,994	441,419	**101**	101

The fair values of the unlisted investments have been estimated using either the present value of the estimated future cash flows expected to be generated by the underlying property development projects, including cash flows from their operations and the proceeds from the ultimate disposal of the underlying projects with reference to the prevailing property market conditions in Hong Kong as at 31 July 2010, or with reference to the market value of the underlying properties held by the investee companies.

As at 31 July 2010, unlisted investments of the Group with a carrying amount of HK$16,158,000 (2009: HK$16,158,000) were stated at cost less impairment because the directors are of the opinion that the variability in the range of reasonable fair value estimate is so significant and the probabilities of the various estimates cannot be reasonably assessed and used in estimating fair value.

As at 31 July 2010, included in available-for-sale financial assets at fair value were equity and debt interests in Bayshore Development Limited ("Bayshore"), the principal activity of which is property investment, in an aggregate amount of HK$633,675,000 (2009: HK$399,111,000). The interests held had been pledged to banks to secure a syndicated loan facility granted to Bayshore.

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21. HELD-TO-MATURITY DEBT INVESTMENTS

Held-to-maturity debt investments comprise:

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Debt securities, at amortised cost	**180,652**	253,350
Analysed for reporting purposes as:		
Current assets	**144,812**	241,145
Non-current assets	**35,840**	12,205
	180,652	253,350

Of the held-to-maturity debt investments held, approximately HK$146,399,000 (2009: HK$244,796,000) are listed overseas and HK$34,253,000 (2009: HK$8,554,000) are unlisted. The weighted average effective interest rate of these held-to-maturity debt investments was approximately 2.1% (2009: 3%) per annum.

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**233,177**	85,608	**122,377**	30,923
Time deposits	**990,755**	1,071,198	**846,221**	916,634
	1,223,932	1,156,806	**968,598**	947,557
Less: Pledged balances for bank borrowings:				
Bank balances	**(2,774)**	(5,473)	**(2,774)**	(5,473)
Time deposits	**(96,380)**	(72,074)	**(96,380)**	(72,074)
Pledged bank balances and time deposits	**(99,154)**	(77,547)	**(99,154)**	(77,547)
Cash and cash equivalents	**1,124,778**	1,079,259	**869,444**	870,010

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") amounted to approximately HK$17,966,000 (2009: HK$17,962,000). The VND is not freely convertible into other currencies. However, under the Regulations on Foreign Exchange Control of the Socialist Republic of Vietnam, the Group is permitted to exchange VND for other currencies through banks authorised to conduct foreign exchange business.

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

23. COMPLETED PROPERTIES FOR SALE

The completed properties for sale are carried at the lower of cost and estimated sale proceeds less costs to be incurred for disposal as at the end of the reporting period.

As at 31 July 2010, the Group's completed properties for sale with a total carrying amount of HK$462,735,000 (2009:Nil) were pledged to a bank to secure a banking facility granted to the Group (note 26).

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments in Hong Kong, at market value	**12,552**	38,332	**12,552**	—

The above equity instruments as at 31 July 2010 were classified as held for trading.

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

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

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25. DEBTORS AND DEPOSITS PAID/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS (CONTINUED)

(a) (continued)

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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors:				
Not yet due or less than 30 days past due	**23,363**	5,307	**1,101**	1,309
31 — 60 days past due	**1,458**	1,215	**267**	567
61 — 90 days past due	**270**	459	**63**	287
Over 90 days past due	**2,282**	1,918	**2,005**	1,774
	27,373	8,899	**3,436**	3,937
Other debtors and deposits paid	**93,942**	77,815	**33,372**	36,563
	121,315	86,714	**36,808**	40,500

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 August	**1,216**	1,201	**1,216**	1,201
Impairment losses recognised	**377**	1,398	**377**	1,236
Amount written off as uncollectible	**(147)**	(1,383)	**(147)**	(1,221)
At 31 July	**1,446**	1,216	**1,446**	1,216

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 portion of the receivables were expected not to be recovered after taking into account the rental deposit held by the Group.

25. DEBTORS AND DEPOSITS PAID/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS (CONTINUED)

(a) (continued)

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Trade creditors:		
Not yet due or less than 30 days past due	**6,973**	6,887
31 — 60 days past due	**173**	654
61 — 90 days past due	**1**	—
	7,147	7,541
Other creditors, deposits received and accruals	**209,474**	198,876
	216,621	206,417

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

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26. BANK BORROWINGS

	Effective annual interest rate (%)	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
Current					
Bank borrowings — secured	0.88 — 4.78	**390,323**	613,249	**201,500**	578,500
Non-current					
Bank borrowings — secured	1.60 — 4.78	**2,313,493**	1,533,829	**2,060,300**	1,296,100
		2,703,816	2,147,078	**2,261,800**	1,874,600
Analysed into:					
Bank borrowings repayable:					
Within one year		**390,323**	613,249	**201,500**	578,500
In the second year		**1,283,197**	318,823	**1,243,300**	130,000
In the third to fifth years, inclusive		**1,030,296**	1,215,006	**817,000**	1,166,100
		2,703,816	2,147,078	**2,261,800**	1,874,600

The Group's bank borrowings as at 31 July 2010 were secured, inter alia, by:

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

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

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

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

27. 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 2008	(707,335)	(77,505)	473	(1,156)	(785,523)
Deferred tax credited/(charged) to the consolidated income statement during the year — note 11	24,031	(4,700)	89	—	19,420
At 31 July 2009 and 1 August 2009	(683,304)	(82,205)	562	(1,156)	(766,103)
Deferred tax charged to the consolidated income statement during the year — note 11	(203,344)	(6,235)	(193)	—	(209,772)
At 31 July 2010	**(886,648)**	**(88,440)**	**369**	**(1,156)**	**(975,875)**

The Group had tax losses arising in Hong Kong of approximately HK$1,345,378,000 (2009: HK$1,311,843,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as future taxable profit may not be available to utilise such losses in the foreseeable future.

Company

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1 August 2008	(509,634)	(39,770)	(549,404)
Deferred tax credited/(charged) to the income statement during the year	20,715	(2,094)	18,621
At 31 July 2009 and 1 August 2009	(488,919)	(41,864)	(530,783)
Deferred tax charged to the income statement during the year	(129,102)	(3,598)	(132,700)
At 31 July 2010	**(618,021)**	**(45,462)**	**(663,483)**

At 31 July 2010, there was no significant unrecognised deferred tax liability (2009: 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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28. SHARE CAPITAL

	2010		2009	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 (2009: HK$0.01) each	**17,200,000**	**172,000**	17,200,000	172,000
Preference shares of HK$1.00 each	**1,200,000**	**1,200,000**	1,200,000	1,200,000
		1,372,000		1,372,000
Issued and fully paid:				
Ordinary shares of HK$0.01 (2009: HK$0.01) each	**14,162,042**	**141,620**	14,162,042	141,620

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.

28. SHARE CAPITAL (CONTINUED)

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.

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

During the year, an amount of HK$79,379,000, which represented the reversal of provision of impairment of the Company's interest in Peakflow, 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 above transfers between the reserves, the outstanding balance of the special capital reserve of the Company as at 31 July 2010 was HK$126,264,000 (2009: HK$46,885,000).

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29. SHARE OPTION SCHEME

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

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

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

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

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

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

29. SHARE OPTION SCHEME (CONTINUED)

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

The following share options were granted during the year ended 31 July 2007 and vested on the same day and were outstanding under the Share Option Scheme as at 31 July 2009 and 31 July 2010:

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

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

During the year, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme. As at 31 July 2010 and the date of approval of these financial statements, the total number of 60,000,000 share options outstanding under the Share Option Scheme represented approximately 0.42% of the Company's shares in issue at those dates.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 54 of the financial statements.

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30. RESERVES (CONTINUED)

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Special capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2008		6,974,701	6,572	1,200,000	504,136	46,885	(3,858,941)	4,873,353
Loss for the year	12	—	—	—	—	—	(99,732)	(99,732)
At 31 July 2009 and 1 August 2009		6,974,701	6,572	1,200,000	504,136	46,885	(3,958,673)	4,773,621
Profit for the year	12	—	—	—	—	—	783,259	783,259
Transfer of reserves from accumulated losses to special capital reserve	28	—	—	—	—	79,379	(79,379)	—
At 31 July 2010		**6,974,701**	**6,572**	**1,200,000**	**504,136**	**126,264**	**(3,254,793)**	**5,556,880**

31. CAPITAL COMMITMENTS

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments — contracted, but not provided for	**11,070**	3,985	**11,070**	3,985

32. CONTINGENT LIABILITIES

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to and utilised by:				
Subsidiaries	**—**	—	**354,500**	151,500
Associates	**216,608**	—	**216,608**	—
	216,608	—	**571,108**	151,500

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32. CONTINGENT LIABILITIES (CONTINUED)

(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.

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

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

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2010 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK$1,341,829,000.

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32. CONTINGENT LIABILITIES (CONTINUED)

(c) (continued)

As at 31 July 2010, 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$470,191,000 (2009: HK$452,696,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, an additional provision for the tax indemnity amount of HK$17,495,000 (2009: reversal of provision HK$11,936,000) was recognised in the income statement for the year ended 31 July 2010.

33. 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**215,510**	206,150	**157,872**	149,901
In the second to fifth years, inclusive	**156,997**	126,383	**100,429**	91,741
	372,507	332,533	**258,301**	241,642

(b) As lessee

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

At the 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**12,670**	9,077	**6,538**	7,717
In the second to fifth years, inclusive	**6,545**	11,048	**—**	6,538
	19,215	20,125	**6,538**	14,255

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

2010

Financial assets

	Group				
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Held-to-maturity debt investments HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	657,994	—	657,994
Held-to-maturity debt investments	—	—	—	180,652	180,652
Amounts due from associates	—	763,556	—	—	763,556
Trade and other debtors	—	62,404	—	—	62,404
Equity investments at fair value through profit or loss	12,552	—	—	—	12,552
Pledged bank balances and time deposits	—	99,154	—	—	99,154
Cash and cash equivalents	—	1,124,778	—	—	1,124,778
	12,552	2,049,892	657,994	180,652	2,901,090

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amounts due to associates	15,808
Trade and other creditors	110,680
Bank borrowings	2,703,816
	2,830,304

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34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

2009

Financial assets

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

Financial liabilities

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

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

	Company									
	2010					2009				
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$'000	Financial assets at fair value through profit or loss HK$'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	—	4,226,170	—	—	4,226,170	—	3,668,929	—	—	3,668,929
Amounts due from associates	—	401,598	—	—	401,598	—	402,496	—	—	402,496
Available-for-sale financial assets	—	—	101	—	101	—	—	101	—	101
Held-to-maturity debt investments	—	—	—	180,652	180,652	—	—	—	253,350	253,350
Trade and other debtors	—	7,035	—	—	7,035	—	7,620	—	—	7,620
Equity investments at fair value through profit or loss	12,552	—	—	—	12,552	—	—	—	—	—
Pledged deposits	—	99,154	—	—	99,154	—	77,547	—	—	77,547
Cash and cash equivalents	—	869,444	—	—	869,444	—	870,010	—	—	870,010
	12,552	5,603,401	101	180,652	5,796,706	—	5,026,602	101	253,350	5,280,053

Financial liabilities

	2010 Financial liabilities at amortised cost HK$'000	2009 Financial liabilities at amortised cost HK$'000
Amounts due to subsidiaries	**985,792**	997,086
Amounts due to associates	**11,503**	11,503
Trade and other creditors	**39,154**	49,212
Bank borrowings	**2,261,800**	1,874,600
	3,298,249	2,932,401

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

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35. FAIR VALUE HIERARCHY

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

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

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

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

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

Financial assets measured at fair value as at 31 July 2010

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale investments, at fair value (note 20)				
Unlisted equity and debt investments	—	641,836	—	641,836
Equity investments at fair value through profit or loss (note 24)	12,552	—	—	12,552
	12,552	641,836	—	654,388

36. 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 will, based on the Group's projected cashflow requirements, determine the types and levels of these financial assets with a view to maintaining appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial assets. 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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

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

	Group			Company	
	Increase in interest rate (in percentage)	Decrease in profit or increase in loss HK$'000	Decrease in equity HK$'000	Increase in interest rate (in percentage)	Decrease in equity HK$'000
2010	**0.5%**	**7,399**	**7,399**	**0.5%**	**6,466**
2009	0.5%	4,951	4,951	0.5%	4,635

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Foreign currency risk

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

The Group's monetary 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.

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

(iii) Credit risk

The Group maintains various credit policies for different business operations as described in note 25. In addition, trade debtors balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

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

(iv) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 24) as at 31 July 2010. 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 values of the equity investments, with all other variables held constant and before any impact on tax, of the Group's profit or loss and equity based on their carrying amounts at the end of the reporting period.

	Increase in profit or decrease in loss and increase in equity	
	2010	2009
	HK$'000	HK$'000
Investments listed in:		
Hong Kong — Held-for-trading	**628**	1,917

36. 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

			2010		
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to associates	—	—	—	15,808	15,808
Trade and other creditors	110,680	—	—	—	110,680
Bank borrowings	238,037	190,335	2,340,081	—	2,768,453
	348,717	190,335	2,340,081	15,808	2,894,941

			2009		
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to associates	—	—	—	15,747	15,747
Trade and other creditors	106,554	—	—	—	106,554
Bank borrowings	70,373	569,170	1,559,247	—	2,198,790
	176,927	569,170	1,559,247	15,747	2,321,091

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(v) Liquidity risk (continued)

Company

	2010				
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to subsidiaries	—	—	—	985,792	985,792
Amounts due to associates	—	—	—	11,503	11,503
Trade and other creditors	39,154	—	—	—	39,154
Bank borrowings	85,837	149,080	2,080,629	—	2,315,546
	124,991	149,080	2,080,629	997,295	3,351,995

	2009				
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to subsidiaries	—	—	—	997,086	997,086
Amounts due to associates	—	—	—	11,503	11,503
Trade and other creditors	49,212	—	—	—	49,212
Bank borrowings	51,810	548,743	1,316,731	—	1,917,284
	101,022	548,743	1,316,731	1,008,589	2,975,085

(vi) Capital management

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

The capital structure of the Group mainly consists of bank 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 levels of debts.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(vi) Capital management (continued)

The Group monitors its capital structure through a gearing ratio of total bank borrowings to total equity. The Group's policy is to maintain the gearing ratio at a moderate level which stands at 29% at 31 July 2010. Total equity represents equity attributable to ordinary equity holders of the Company. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Bank borrowings	**2,703,816**	2,147,078
Equity attributable to ordinary equity holders of the Company	**9,405,690**	7,093,474
Gearing ratio	**29%**	30%

37. COMPARATIVE AMOUNTS

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 5 November 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 21 December 2010 at 10:15 a.m. for the following purposes:

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

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

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

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

   "**THAT**:

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

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

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

Notice of Annual General Meeting

(d) for the purposes of this Resolution:

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

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

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

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

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

By Order of the Board
Goh Soon Khian
Company Secretary

Hong Kong, 5 November 2010

Notes:

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

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

Notice of Annual General Meeting

Notes: (continued)

3. Concerning item 2 of this Notice, Mr. Ip Shu Kwan, Stephen, Miss Leung Churk Yin, Jeanny and Madam U Po Chu retire by rotation at the forthcoming Annual General Meeting pursuant to Article 93 and Article 102 of the Company's Articles of Association and, being eligible, offer themselves for re-election. In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the aforesaid directors are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of the 2009–2010 Annual Report of the Company. For the purpose of their re-election as directors of the Company at the forthcoming Annual General Meting, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

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

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

   (i) the Chairman of the Meeting; or

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

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

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