Lai Fung Holdings

Lai Fung Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1125)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2008

RESULTS

The Board of Directors of Lai Fung Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 July 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
TURNOVER	2	**868,001**	792,420
Cost of sales		**(245,164)**	(367,111)
Gross profit		**622,837**	425,309
Other income and gains	3	**114,994**	108,559
Selling expenses		**(32,118)**	(11,812)
Administrative expenses		**(134,644)**	(105,956)
Other operating expenses, net		**(208,052)**	(24,185)
Fair value gain on investment properties		**398,515**	193,837
PROFIT FROM OPERATING ACTIVITIES	4	**761,532**	585,752
Finance costs	5	**(151,911)**	(107,542)
Share of profits of associates		**1,483**	81,706
Write-back of provision for amounts due from associates		**14,132**	12,630
PROFIT BEFORE TAX		**625,236**	572,546
Tax	6	**(376,733)**	(64,272)
PROFIT FOR THE YEAR		**248,503**	508,274
ATTRIBUTABLE TO:			
Equity holders of the Company		**206,005**	470,351
Minority interests		**42,498**	37,923
		248,503	508,274
DIVIDENDS	7		
Proposed final		**32,192**	32,192
EARNINGS PER SHARE	8		
Basic		**2.56 cents**	5.84 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 July 2008

	Notes	**2008**	2007
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**675,325**	669,668
Properties under development		**3,265,072**	2,107,681
Investment properties		**5,136,200**	3,673,600
Prepaid land lease payments		**5,928**	5,531
Goodwill		**4,561**	4,561
Interests in associates		**328,149**	1,057,982
Long term deposits	9	**-**	25,904
Pledged time deposits		**-**	118,914
Total non-current assets		**9,415,235**	7,663,841
CURRENT ASSETS			
Properties under development		**163,265**	390,209
Completed properties for sale		**507,385**	10,591
Debtors, deposits and prepayments	9	**221,756**	106,415
Pledged and restricted time deposits and bank balances		**381,075**	321,160
Cash and cash equivalents		**1,670,969**	1,931,371
Total current assets		**2,944,450**	2,759,746
CURRENT LIABILITIES			
Creditors and accruals	10	**540,122**	455,480
Deposits received and deferred income		**45,779**	17,729
Rental deposits received		**30,500**	20,700
Interest-bearing bank loans, secured		**509,417**	894,265
Tax payable		**454,275**	231,425
Total current liabilities		**1,580,093**	1,619,599
NET CURRENT ASSETS		**1,364,357**	1,140,147
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,779,592**	8,803,988

CONSOLIDATED BALANCE SHEET (continued)
As at 31 July 2008

	2008	2007
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Long term rental deposits received	**22,059**	17,101
Interest-bearing bank loans, secured	**624,430**	123,343
Promissory note	**167,000**	167,000
Advances from a substantial shareholder	**53,284**	48,273
Fixed rate senior notes	**1,518,319**	1,513,431
Derivative financial instruments	**185,462**	72,859
Deferred tax liabilities	**892,360**	593,692
Total non-current liabilities	**3,462,914**	2,535,699
	7,316,678	6,268,289
EQUITY		
Equity attributable to equity holders of the Company:		
Issued capital	**804,796**	804,796
Share premium account	**3,876,668**	3,876,668
Asset revaluation reserve	**68,959**	-
Share option reserve	**3,549**	1,842
Hedge reserve	**5,719**	(41,780)
Exchange fluctuation reserve	**1,091,720**	431,398
Capital reserve	**(457)**	(457)
Retained earnings	**1,026,076**	851,324
Proposed final dividend	**32,192**	32,192
	6,909,222	5,955,983
Minority interests	**407,456**	312,306
	7,316,678	6,268,289

Notes to Consolidated Financial Statements:
As at 31 July 2008

1. Basis of Preparation

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

2. Turnover and Segment Information

Segment information is presented by way of the Group's primary segment reporting format, by business segment.

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

(a) the property development segment engages in the development of properties in Mainland China; and

(b) the property investment segment invests in serviced apartments, as well as commercial and office buildings in Mainland China for their rental income potential.

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

2. Turnover and Segment Information (continued)

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 July 2008 and 2007:

Group

	Property development		Property investment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**613,841**	571,347	**254,160**	221,073	**868,001**	792,420
Other revenue	**886**	3,868	**58,902**	50,621	**59,788**	54,489
Total	**614,727**	575,215	**313,062**	271,694	**927,789**	846,909
Segment results	**287,447**	243,999	**570,630**	341,628	**858,077**	585,627
Unallocated gains					**55,206**	54,070
Unallocated expenses, net					**(151,751)**	(53,945)
Profit from operating activities					**761,532**	585,752
Finance costs					**(151,911)**	(107,542)
Share of profits of associates	**(193)**	-	**1,676**	81,706	**1,483**	81,706
Write-back of provision for amounts due from associates	**-**	-	**14,132**	12,630	**14,132**	12,630
Profit before tax					**625,236**	572,546
Tax					**(376,733)**	(64,272)
Profit for the year					**248,503**	508,274
Assets and liabilities						
Segment assets	**1,523,202**	1,707,890	**8,390,414**	5,217,882	**9,913,616**	6,925,772
Interests in associates	**328,149**	-	**-**	1,057,982	**328,149**	1,057,982
Unallocated assets					**2,117,920**	2,439,833
Total assets					**12,359,685**	10,423,587
Segment liabilities	**174,082**	173,273	**242,549**	159,254	**416,631**	332,527
Unallocated liabilities					**4,626,376**	3,822,771
Total liabilities					**5,043,007**	4,155,298

2. Turnover and Segment Information (continued)

Business segments (continued)

	Property development		Property investment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information						
Depreciation	**519**	822	**21,104**	20,223	**21,623**	21,045
Corporate and other unallocated amounts					**3,042**	2,908
					24,665	23,953
Capital expenditure	**655**	486	**312,862**	113,125	**313,517**	113,611
Corporate and other unallocated amounts					**1,820**	6,711
					315,337	120,322
Fair value gain on investment properties	**-**	-	**398,515**	193,837	**398,515**	193,837
Impairment recognised in the consolidated income statement	**99,561**	-	**11,934**	-	**111,495**	-

3. Other Income and Gains

The Group’s other income and gains include the following:

	2008	2007
	HK$'000	*HK$'000*
Interest income from:		
Bank deposits	**44,461**	42,653
An associate	**350**	674
Gain on disposal of available-for-sale investments	**-**	802

4. Profit from Operating Activities

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

	Notes	**2008** **HK$'000**	2007 *HK$'000*
Cost of completed properties sold		**194,275**	318,230
Outgoings in respect of rental income		**50,889**	48,881
Total cost of sales		**245,164**	367,111
Depreciation #		**24,665**	23,953
Recognition of prepaid land lease payments		**11,046**	8,003
Capitalised in properties under development		**(10,878)**	(7,847)
		168	156
Foreign exchange differences, net *		**114,639**	7,995
Excess over the cost of a business combination *	(i)	**(29,671)**	-
Net gain on disposal of interests in subsidiaries *	(ii)	**(5,930)**	-
Loss on disposal of a partial interest in a subsidiary *		**67**	-
Impairment of properties under development *		**99,561**	-
Impairment of a long term deposit *		**11,934**	-

The depreciation charge of HK$15,056,000 (2007: HK$14,732,000) for serviced apartments is included in "Other operating expenses, net" on the face of the consolidated income statement.

* These expenses/(incomes) are included in "Other operating expenses, net" on the face of the consolidated income statement. Foreign exchange differences included an exchange loss of HK$160,102,000 (2007: HK$31,079,000) arising from the cash flow hedges.

Notes:

(i) **Excess over the cost of a business combination**

On 29 October 2007, Nicetronic Investments Limited ("Nicetronic"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Pilkington Investments Limited ("Pilkington"), an independent third party, whereby Nicetronic agreed to purchase the remaining 50% of the issued share capital of and the entire shareholder's loan advanced to Hankey Development Limited ("Hankey") from Pilkington for a cash consideration of HK$424,000,000 (the "Acquisition"). Hankey indirectly holds 96.6% and 99% interests in Zhabei Plaza I (Northgate Plaza I) and Zhabei Plaza II (Northgate Plaza II), respectively, located at Tian Mu Road West in the Zhabei District of Shanghai (collectively the "Hankey Group").

Before the Acquisition, Nicetronic already held 50% of the issued share capital of Hankey. The Acquisition was completed on 16 January 2008 and Hankey became an indirect wholly-owned subsidiary of the Company. The excess over the cost of a business combination of HK$29,671,000, representing the excess of the Group’s interest in the fair value of the Hankey Group’s net identifiable assets at the date of the Acquisition over the consideration paid in relation to the Acquisition, was recognised as income and included in "Other operating expenses, net" on the face of the consolidated income statement. A circular dated 14 November 2007 was issued to the shareholders in respect of the Acquisition.

4. Profit from Operating Activities (continued)

Notes (continued):

(ii) **Net gain on disposal of interests in subsidiaries**

(a) On 22 November 2007, Lai Fung Company Limited ("LFCL"), a wholly-owned subsidiary of the Company, and Right Rich Investments Limited ("Right Rich"), an independent third party, entered into a sale and purchase agreement (the "Agreement I").

Pursuant to the Agreement I, LFCL agreed to sell to Right Rich the entire issued share capital of and to assign to Right Rich the entire shareholder's loan Perfect Mark Worldwide Limited ("Perfect Mark"), a then wholly-owned subsidiary of LFCL, owed to LFCL at a cash consideration of HK$422,000,000 (the "Disposal I").

Before the Disposal I, Perfect Mark and Right Rich held 25% and 75% of the issued share capital of Besto Investments Limited ("Besto"), respectively. Besto holds property interests in Tianhe Entertainment Plaza and Cultural Entertainment Plaza in Guangzhou. The Disposal I was completed on 18 January 2008. A loss on disposal of an interest in a subsidiary of HK$14,268,000 was recognised and included in "Other operating expenses, net" on the face of the consolidated income statement. A circular dated 12 December 2007 was issued to the shareholders in respect of the Disposal I.

(b) On 12 March 2008, Superview Group Limited ("Superview"), a wholly-owned subsidiary of the Company, and Pacific Alliance China Land Limited ("Pacific Alliance"), an independent third party, entered into two separate sale and purchase agreements (the "Agreements II").

Pursuant to the Agreements II, Superview agreed to sell to Pacific Alliance the entire issued share capital of Beagen Holdings Limited ("Beagen") and Gladtime Limited ("Gladtime"), the then wholly-owned subsidiaries of Superview, at a total cash consideration of USD2,800,000 (approximately HK$21,828,000) (the "Disposal II").

Each of Beagen and Gladtime indirectly holds a 100% interest in a limited liability company registered in the People's Republic of China (the "PRC"). The Disposal II was completed on 20 March 2008. A gain on disposal of interests in subsidiaries of HK$20,198,000 was recognised and included in "Other operating expenses, net" on the face of the consolidated income statement.

5. Finance Costs

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**72,836**	62,527
Bank loan repayable beyond five years	**899**	1,294
Promissory note	**10,557**	13,053
Fixed rate senior notes, net *	**112,028**	33,189
Amortisation of fixed rate senior notes	**4,888**	1,622
Bank charges	**4,833**	2,649
	206,041	114,334
Less: Interest capitalised in properties under development	**(54,130)**	(6,792)
Total finance costs	**151,911**	107,542

* *Net of interest saving of HK$30,322,000 (2007: HK$12,705,000) arising from the cash flow hedges.*

6. Tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2008	2007
	HK$'000	*HK$'000*
Current - Mainland China		
Corporate income tax - charge for the year	**85,509**	79,125
Land appreciation tax	**167,076**	71,693
Deferred	**124,148**	(86,546)
Total tax charge for the year	**376,733**	64,272

The 5th Session of the 10th National People's Congress approved the Corporate Income Tax Law of the PRC (the "New Corporate Income Tax Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 26 December 2007, which has been effective from 1 January 2008. According to the New Corporate Income Tax Law, the income tax rates for both domestic and foreign investment enterprises have been unified at 25% effective from 1 January 2008. The Group's subsidiaries located in Mainland China are subject to corporate income tax at a rate of 25% commencing on 1 January 2008.

Pursuant to the New Corporate Income Tax Law, withholding tax will be levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdictions of the foreign investors. On 22 February 2008, Caishui 2008 No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from the withholding tax. As at 31 July 2008, there was no material unrecognised deferred tax liability for withholding tax that would be payable on the unremitted earnings of the Group's Mainland China subsidiaries.

7. Dividends

	2008	2007
	HK$'000	*HK$'000*
Proposed final – 0.4 HK cent (2007: 0.4 HK cent) per ordinary share	**32,192**	32,192

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. Earnings Per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$206,005,000 (2007: HK$470,351,000), and the weighted average number of 8,047,956,478 (2007: 8,047,956,478) ordinary shares in issue during the year.

All share options of the Company had an anti-dilutive effect on the basic earnings per share amount for both 2008 and 2007. Therefore, the diluted earnings per share amounts for both years had not been disclosed.

9. Debtors, Deposits and Prepayments

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. Serviced apartments charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables of the Group are interest-free.

The carrying amounts of the Group’s trade receivables, other receivables, deposits and prepayments approximate to their fair values at the balance sheet date. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables, net		
Within one month	**163,312**	25,940
One to two months	**388**	5,821
Two to three months	**420**	893
Three to six months	**-**	246
	164,120	32,900
Other receivables, deposits and prepayments	**57,636**	99,419
	221,756	132,319
Portion classified as current assets	**(221,756)**	(106,415)
Non-current portion	**-**	25,904

10. Creditors and Accruals

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade payables		
Within one month	**25,400**	12,966
One to three months	**655**	934
Over three months	**-**	5,328
	26,055	19,228
Accruals and other payables	**514,067**	436,252
Financial liability - a put option	**-**	-
Total	**540,122**	455,480

Trade payables of the Group are interest-free and are settled pursuant to the terms of the relevant agreements. The carrying amounts of trade payables and other payables approximate to their fair values at the balance sheet date.

11. Post Balance Sheet Event

Subsequent to the balance sheet date, on 28 October 2008, the Company terminated the cross currency swap agreements (the "CCS") and received approximately HK$65,130,000 as proceeds from the termination (the "Termination"). Together with the reversal of fair value loss on the cash flow hedges arising from the CCS and the balance of related hedge reserve as at 31 July 2008, total gains of approximately HK$256,311,000 are expected to be recognised in the consolidated income statement for the six months ending 31 January 2009. The accounting treatments of the Termination are subject to review and confirmation by the auditors of the Group.

After the Termination, the Group does not have any derivative financial instruments or hedging instruments outstanding. Further details of the Termination are disclosed in the Company's announcement dated 28 October 2008.

FINAL DIVIDEND AND BOOK CLOSE DATES

The Board of Directors has recommended a final dividend of 0.4 HK cent per share for the year ended 31 July 2008 (2007: 0.4 HK cent per share) payable to shareholders whose names appear on the Register of Members of the Company as at the close of business on 23 December 2008. Subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, the dividend will be payable on 20 January 2009.

The Register of Members of the Company will be closed from 18 December 2008 to 23 December 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 17 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 July 2008, the Group recorded a turnover of HK$868,001,000 (2007: HK$792,420,000) and a gross profit of HK$622,837,000 (2007: HK$425,309,000), representing an increase of approximately 10% and 46% respectively from previous year. Profit from operating activities was HK$761,532,000 (2007: HK$585,752,000) and profit attributable to equity holders of the Company was HK$206,005,000 (2007: HK$470,351,000), representing an increase of approximately 30% and a decrease of approximately 56% respectively from previous year.

The increase in profit from operating activities was mainly attributable to higher turnover, higher gross profit margin and higher revaluation gain on investment properties of the Group, despite an exchange loss of HK$160,102,000 (2007: HK$31,079,000) arising from the cross currency swap on the US$200 million senior notes issued in April 2007, which has been included in other operating expenses, net. The decrease in profit attributable to equity holders of the Company was mainly due to higher finance costs which included full-year interest expenses on the US$200 million senior notes and higher provision for corporate income tax and land appreciation tax as a result of sales of Regents Park Phase II. In addition, the deferred tax for the year ended 31 July 2008 also increased as a result of increase in value of the Group's investment properties while there were certain write-back of provisions on deferred tax as a result of adjustment in the corporate income tax rate in China for the year ended 31 July 2007.

Basic earnings per share were HK2.56 cents for the year ended 31 July 2008 compared to HK5.84 cents for the previous year.

Shareholders' equity as at 31 July 2008 amounted to HK$6,909,222,000, up from HK$5,955,983,000 as at 31 July 2007. Net asset value per share attributable to equity holders of the Company was HK$0.86 as at 31 July 2008, as compared to HK$0.74 as at 31 July 2007.

Business Review

Investment properties

Property rental results

During the year ended 31 July 2008, the Group recorded turnover of HK$254,160,000 from rental income. Breakdown of turnover from rental income is as follows:

	Year ended 31 July		
	2008	2007	Change
	HK$	*HK$*	%
Shanghai			
Hong Kong Plaza	**181,437,000**	174,456,000	4
Regents Park (commercial podium)	**6,028,000**	-	n/a
Northgate Plaza I	**9,797,000**	-	n/a
Guangzhou			
May Flower Plaza	**56,898,000**	46,617,000	22
Total	**254,160,000**	221,073,000	15

Development properties

Property sales results

	Approximate contracted sales area	**Approximate average contracted selling price**	**Approximate contracted total sales amount***
	sq.m.	*HK$/sq.m.*	*HK$*
Shanghai			
Regents Park, Phase II	17,900	35,500	602,699,000
Guangzhou			
Eastern Place			11,142,000
Total			613,841,000

** After business tax*

During the year ended 31 July 2008, the Group concluded total contracted sales area of approximately 17,900 sq.m. on Regents Park Phase II. Certain remaining residential units and car parks of Eastern Place were sold in this financial year.

Market Overview and Operating Environment

The Group is principally engaged in property development for sale and property investment for rental purposes in the Mainland of China ("China"). The Group currently has property projects in Shanghai, Guangzhou and Zhongshan.

In 2008, the austerity measures implemented by the Central Government which were aimed at preventing the economy from overheating and ensuring a more stable and healthy real estate market had impacted the property prices in some regions. In addition, the snowstorm, the Sichuan earthquake and the significant adjustment in China's stock market also affected market sentiment and the volume of transactions in China's real estate market.

The fallout from U.S. subprime predictment and the credit crunch created a lot of uncertainties. The global economic outlook will continue to be unstable. While China's economic growth has shown signs of easing in the short term, its long term economic prospect remains positive and optimistic. China's property market is still at the early stage of development. Ongoing urbanization and demand for living improvement are expected to continue to hold firm. We believe that the efforts of the government to protect the real estate industry will ensure healthy development in the long term, although the global economic environment will be unstable, which may have some impact in China's economy and may affect the real estate industry in the short term.

Review of Major Property Projects

Shanghai

Shanghai Hong Kong Plaza

Hong Kong Plaza is a twin-tower prime property located at Huaihaizhong Road, Luwan District, Shanghai comprising office, shopping arcades and serviced apartments. The property is directly above Huangpi Road South Metro Station and is within walking distance of Xintiandi. Rental income for the year ended 31 July 2008 amounted to HK$181,437,000, up from HK$174,456,000 in the previous year.

The planned renovation work on the shopping arcades under the serviced apartment tower has commenced in July this year. It is expected that the renovation will be completed in the second half of 2009. The renovation of the shopping arcades under the office tower will commence as soon as the existing tenants have moved out from the premises. The Group is currently negotiating with the existing tenants in this regard. The Group is also considering to renovate the whole serviced apartment tower to upgrade the quality of the rooms and the services. In addition, the common areas of the office tower and the lift lobbies for both office tower and serviced apartment tower will be renovated. It is estimated that full renovation works of Hong Kong Plaza will be completed in 2010. The rental income of Hong Kong Plaza is expected to be substantially improved from its current level upon completion of renovation. In the meantime, the rental income will be affected during the renovation period.

Shanghai Regents Park

Regents Park is a major residential project located in the Zhongshan Park Commercial Area at the prestigious Changning District, Shanghai with a total saleable gross floor area ("GFA") of approximately 154,000 sq.m. (GFA attributable to the Group of approximately 146,000 sq.m.).

Phase II of the project comprises 6 residential towers with 455 units (GFA attributable to the Group of approximately 59,000 sq.m.). Pre-sale of 3 residential towers in Phase II started in April 2008 and a total of 142 units were sold with a contracted value of approximately HK$635 million. The Group will closely monitor the market conditions and adjust our marketing strategy.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Zhabei District in Shanghai. This project is situated near the Zhongshan Road North Metro Station. The Group has an effective 95% interest in the project.

The project has a total GFA of approximately 114,500 sq.m. (GFA attributable to the Group of approximately 109,000 sq.m.), comprising residential and office apartments and commercial spaces. In addition, there will be approximately 33,000 sq.m. for carparks and ancillary facilities. Construction work has already been commenced in October 2007 and is scheduled to be completed in 2010.

Shanghai Northgate Plaza

Northgate Plaza I is a block of office units with retail podium located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal. The Group has 96.6% interest in this property. The property has a total GFA of approximately 36,500 sq.m. including carparks.

The Group plans to develop Northgate Plaza II on the vacant site located adjacent to Phase I. The Group has 99.0% interest in Phase II.

The Phase II development will have a total GFA of approximately 28,800 sq.m. comprising serviced apartments with retail podium. In addition, there will be some areas for car parks. Construction work has been commenced earlier this year and is scheduled to be completed in 2011.

Guangzhou and Zhongshan

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, interchange station of Guangzhou Subway Lines No. 1 and 2. The Group has an effective 77.5% interest in this property.

This 13-storey complex has a total GFA of approximately 51,000 sq.m. (GFA attributable to the Group of approximately 39,000 sq.m.) comprising retail spaces, restaurants and fast food outlets, cinema and office units. The property is fully leased to various tenants that are well known corporations, consumer brands, cinemas and restaurants. Rental income from May Flower Plaza was HK$56,898,000 for the year ended 31 July 2008, representing an increase of approximately 22% from previous year.

Guangzhou Eastern Place

Eastern Place is a multi-phase project located at Dongfeng East Road, Yuexiu District, Guangzhou.

The Phase V development will have a total GFA attributable to the Group of approximately 101,000 sq.m. comprising residential blocks, serviced apartments, offices and retail spaces. Construction work has been commenced and is scheduled to be completed in 2011.

Guangzhou West Point

West Point is located at Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. The project has a total GFA of approximately 64,000 sq.m., comprising 243 residential units, serviced apartments and commercial spaces. In addition, there will be approximately 10,000 sq.m. for carparks and ancillary facilities. Pre-sale of residential units has been started in July this year and a total of 60 units were sold with a contracted value of HK$89 million as at 31 July 2008. Subsequent to 31 July 2008, additional 54 units have been sold.

Guangzhou Jinshazhou Project

Jinshazhou project is a 50:50 joint venture with CapitaLand China Holdings Pte. Ltd. This proposed development in Hengsha, Baiyuan District, Guangzhou has a total GFA of approximately 369,000 sq.m. (GFA attributable to the Group of approximately 184,500 sq.m.), comprising low-rise and high-rise residential units with ancillary facilities including carparks and shopping amenities.

The project is currently in the planning stage. According to current development schedule, the project will be completed in phases from 2010 to 2012.

Guangzhou Haizhu Plaza

Haizhu Plaza is located at Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire interest in this project.

The proposed development has a GFA of approximately 103,000 sq.m., and is intended to be developed into a grade-A office tower, a serviced apartment tower, retail podium, carparks and ancillary facilities.

The project is currently in the process of resettlement of original occupants and the development is expected to be completed in 2012.

Guangzhou Donghua Dong Road Project

The site is located at Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 10,000 sq.m. The project is currently in the planning stage and is intended to be developed into a residential tower, carparks and ancillary facilities. The project is expected to be completed in 2011.

Guangzhou Da Sha Tou Road / Yuan Jiang Dong Road Project

The site is located at the junction of Da Sha Tou Road and Yuan Jiang Dong Road in Yuexiu District. The permitted GFA is approximately 8,000 sq.m. The project is currently in the planning stage and is intended to be developed into a serviced apartment tower, carparks and ancillary facilities. The project is expected to be completed in 2011.

Guangzhou Guan Lu Road Project

The site is located at Guan Lu Road in Yuexiu District. The permitted GFA is approximately 14,000 sq.m. The project is currently in the planning stage and is intended to be developed into a residential tower, carparks and ancillary facilities. The project is expected to be completed in 2011.

Zhongshan Palm Springs

The project is located in Caihong Planning Area, West District of Zhongshan and has a total GFA of approximately 500,000 sq.m. Phase I of the project will comprise 27 blocks of residential towers with a total GFA of approximately 138,000 sq.m. Construction work has been commenced in February this year and is expected to be completed in 2010. Other phases of the project are expected to be completed from 2011 to 2013.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2008, the Group had total borrowings in the amount of HK$2,872 million (2007: HK$2,746 million), representing an increase of HK$126 million. The consolidated net assets attributable to the equity holders of the Company amounted to HK$6,909 million (2007: HK$5,956 million). The total debt to equity ratio was 42% (2007: 46%) and the total debt to total capitalisation (long-term debt + equity) ratio was 31% (2007: 35%).

Approximately 53% and 45% of the Group’s borrowings were on a fixed rate basis and floating rate basis respectively, while the remaining 2% of the Group’s borrowings were interest-free.

Apart from the senior notes, the Group’s other borrowings of HK$1,354 million were 41% denominated in Renminbi (“RMB”), 14% in Hong Kong dollars (“HKD”) and 45% in United States dollars (“USD”).

In order to match its USD exposure on the senior notes with its revenues, which are mainly denominated in RMB, the Group has hedged its USD exposure on the senior notes into RMB. Apart from this hedge, the Group does not hedge its other exposures in RMB and USD.

During the recent financial turmoil, USD has strengthened against RMB. However, we believe that this may be a short term phenomenon and RMB may continue to appreciate against USD when the financial market stabilises. In view of this, on 28 October 2008, the Company has taken the opportunity to terminate the cross currency swap agreements with financial institutions and received approximately HK$65,130,000 as proceeds. Together with the reversal of fair value loss on the cash flow hedges arising from the cross currency swap agreements and the balance of related hedge reserve as at 31 July 2008, total gains of approximately HK$256,311,000 are expected to be recognised in the consolidated income statement for the six months ending 31 January 2009. The above accounting treatments are subject to review and confirmation by the auditors of the Group. After the termination of the cross currency swap agreements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

As at 31 July 2008, the Group's bank borrowings were spread over a period of eight years, with approximately 45.0% repayable within one year, 54.4% repayable between two to five years and 0.6% repayable over five years. The term loans of the Group have amortisation throughout the tenure.

Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value of approximately HK$4,313 million, serviced apartments with carrying value of approximately HK$554 million, properties under development with carrying value of approximately HK$601 million, completed properties for sale with carrying value of approximately HK$502 million, a property with carrying value of approximately HK$44 million and bank balances of approximately HK$213 million.

Taking into account cash held as at the balance sheet date, available banking facilities and the recurring cashflow from the Group's operating activities, the Group believes it has sufficient liquidity to finance its existing property development and investment projects.

Prospects

In order to cope with the risks and uncertainties associated with the current economic environment, the Group will continue its prudent approach in acquisition strategy and in managing our business in China. In the next few months, we will focus on the sale of Regents Park Phase II in Shanghai and pre-sale of West Point in Guangzhou. We will closely monitor the market condition and adjust our marketing strategy accordingly.

The Group will also focus on the construction progress of our existing projects and the renovation work of Hong Kong Plaza. Initial discussions have already been commenced with potential tenants for Hong Kong Plaza. Marketing programme is expected to commence soon for the retail podium in West Point.

The Group is cautiously optimistic in China's real estate market in the medium to long term.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report save for the following deviations from code provisions A.4.1 and E.1.2:

Code Provision A.4.1

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

Code Provision E.1.2

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 21 December 2007.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2008 have been reviewed by the audit committee of the Company. The audit committee comprises two of the independent non-executive Directors of the Company, namely, Messrs. Wong Yee Sui, Andrew and Lam Bing Kwan and a non-executive Director of the Company, Mr. Lim Ming Yan.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 July 2008 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday, 23 December 2008. Notice of the Annual General Meeting together with the Company's Annual Report for 2007-2008 will be despatched to the shareholders in due course.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 7 November 2008

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Miss Leung Churk Yin, Jeanny, Mr. Cheung Sum, Sam and Mr. Cheng Shin How; the non-executive Director is Mr. Lim Ming Yan (alternate Director: Mr. Leow Juan Thong, Jason); and the independent non-executive Directors are Mr. Wong Yee Sui, Andrew, Mr. Lam Bing Kwan and Mr. Ku Moon Lun.