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 2009

RESULTS

The Board of Directors of Lai Fung Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 July 2009 as follows:

Consolidated Income Statement

For the year ended 31 July 2009

	Notes	**2009 HK$'000**	2008 HK$'000
TURNOVER	2	**937,380**	868,001
Cost of sales		**(304,944)**	(245,164)
Gross profit		**632,436**	622,837
Other income and gains	3	**95,495**	114,994
Selling expenses		**(31,662)**	(32,118)
Administrative expenses		**(158,733)**	(134,644)
Other operating expenses, net		**(50,343)**	(208,052)
Fair value gain on investment properties		**143,127**	398,515
Gain on termination of cross currency swaps		**256,311**	-
PROFIT FROM OPERATING ACTIVITIES	4	**886,631**	761,532
Finance costs	5	**(118,588)**	(151,911)
Share of profits/(losses) of associates		**(308)**	1,483
Write-back of provision for amounts due from associates		**-**	14,132
PROFIT BEFORE TAX		**767,735**	625,236
Tax	6	**(339,590)**	(376,733)
PROFIT FOR THE YEAR		**428,145**	248,503
ATTRIBUTABLE TO:			
Equity holders of the Company		**406,888**	206,005
Minority interests		**21,257**	42,498
		428,145	248,503
DIVIDENDS	7		
Proposed final		**40,240**	32,192
EARNINGS PER SHARE	8		
Basic		**5.06 cents**	2.56 cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**656,605**	675,325
Properties under development		**3,394,309**	3,265,072
Investment properties		**5,329,900**	5,136,200
Prepaid land lease payments		**5,717**	5,928
Goodwill		**4,561**	4,561
Interests in associates		**325,837**	328,149
Total non-current assets		**9,716,929**	9,415,235
CURRENT ASSETS			
Properties under development		**419,405**	163,265
Completed properties for sale		**372,980**	507,385
Debtors, deposits and prepayments	9	**254,626**	221,756
Tax recoverable		**17,184**	-
Pledged and restricted time deposits and bank balances		**393,732**	381,075
Cash and cash equivalents		**1,629,150**	1,670,969
Total current assets		**3,087,077**	2,944,450
CURRENT LIABILITIES			
Creditors and accruals	10	**515,857**	540,122
Deposits received and deferred income		**310,872**	45,779
Rental deposits received		**18,174**	30,500
Interest-bearing bank loans, secured		**414,616**	509,417
Promissory note		**167,000**	-
Tax payable		**664,825**	454,275
Total current liabilities		**2,091,344**	1,580,093
NET CURRENT ASSETS		**995,733**	1,364,357
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,712,662**	10,779,592
NON-CURRENT LIABILITIES			
Long term rental and other deposits received		**26,126**	22,059
Interest-bearing bank loans, secured		**624,275**	624,430
Promissory note		**-**	167,000
Advances from a substantial shareholder		**52,976**	53,284
Fixed rate senior notes		**1,415,475**	1,518,319
Derivative financial instruments		**-**	185,462
Deferred tax liabilities		**949,511**	892,360
Total non-current liabilities		**3,068,363**	3,462,914
		7,644,299	7,316,678

Consolidated Balance Sheet (continued)

As at 31 July 2009

	2009	2008
	HK$'000	HK$'000
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	**47,129**	68,959
Share option reserve	**3,544**	3,549
Hedge reserve	**-**	5,719
Exchange fluctuation reserve	**1,044,621**	1,091,720
Capital reserve	**(457)**	(457)
Retained earnings	**1,394,243**	1,026,076
Proposed final dividends	**40,240**	32,192
	7,210,784	6,909,222
Minority interests	**433,515**	407,456
	7,644,299	7,316,678

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 ("HK$") 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 2009 and 2008:

	Property development		Property investment		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Segment revenue						
Sales to external customers	**718,855**	613,841	**218,525**	254,160	**937,380**	868,001
Other revenue	**1,377**	886	**64,838**	58,902	**66,215**	59,788
Total	**720,232**	614,727	**283,363**	313,062	**1,003,595**	927,789
Segment results	**374,890**	287,447	**229,698**	570,630	**604,588**	858,077
Unallocated gains					**315,170**	55,206
Unallocated expenses, net					**(33,127)**	(151,751)
Profit from operating activities					**886,631**	761,532
Finance costs					**(118,588)**	(151,911)
Share of profits/(losses) of associates	**(308)**	(193)	-	1,676	**(308)**	1,483
Write-back of provision for amounts due from associates	-	-	-	14,132	-	14,132
Profit before tax					**767,735**	625,236
Tax					**(339,590)**	(376,733)
Profit for the year					**428,145**	248,503
Assets and liabilities						
Segment assets	**1,655,429**	1,523,202	**8,715,492**	8,390,414	**10,370,921**	9,913,616
Interests in associates	**325,837**	328,149	-	-	**325,837**	328,149
Unallocated assets					**2,107,248**	2,117,920
Total assets					**12,804,006**	12,359,685
Segment liabilities	**438,873**	174,082	**248,318**	242,549	**687,191**	416,631
Unallocated liabilities					**4,472,516**	4,626,376
Total liabilities					**5,159,707**	5,043,007

2. Turnover and Segment Information (continued)

Business segments (continued)

	Property development		Property investment		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information						
Depreciation	**506**	519	**32,484**	21,104	**32,990**	21,623
Corporate and other unallocated amounts					**3,120**	3,042
					36,110	24,665
Capital expenditure	**427**	655	**453,267**	312,862	**453,694**	313,517
Corporate and other unallocated amounts					**2,846**	1,820
					456,540	315,337
Fair value gain on investment properties	**-**	-	**143,127**	398,515	**143,127**	398,515
Impairment of properties under development	**60,680**	99,561	**-**	-	**60,680**	99,561
Impairment of a long term deposit	**-**	-	**-**	11,934	**-**	11,934

3. Other Income and Gains

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

	2009	2008
	HK$'000	HK$'000
Interest income from:		
Bank deposits	**17,095**	44,461
An associate	**-**	350

4. Profit from Operating Activities

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

	2009	2008
	HK$'000	HK$'000
Cost of completed properties sold	**249,590**	194,275
Outgoings in respect of rental income	**55,354**	50,889
Total cost of sales	**304,944**	245,164
Depreciation #	**36,110**	24,665
Amortisation of prepaid land lease payments	**11,460**	11,046
Capitalised in properties under development	**(11,283)**	(10,878)
	177	168
Foreign exchange differences, net *	**2,584**	114,639
Loss on disposal of items of property, plant and equipment	**187**	406
Impairment of properties under development *	**60,680**	99,561
Gain on repurchase of fixed rate senior notes *	**(29,579)**	-
Excess over the cost of a business combination *	**-**	(29,671)
Net gain on disposal of interests in subsidiaries *	**-**	(5,930)
Loss on disposal of a partial interest in a subsidiary *	**-**	67
Impairment of a long term deposit *	**-**	11,934

The depreciation charge of HK$15,365,000 (2008: HK$15,056,000) 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. For the year ended 31 July 2008, foreign exchange differences included an exchange loss of HK$160,102,000 arising from the cash flow hedges.*

5. Finance Costs

	Group 2009 HK$'000	Group 2008 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**45,709**	72,836
Bank loan repayable beyond five years	**533**	899
Promissory note	**8,456**	10,557
Fixed rate senior notes, net *	**134,342**	112,028
Amortisation of fixed rate senior notes	**5,559**	4,888
Bank charges	**1,326**	4,833
	195,925	206,041
Less: Interest capitalised in properties under development	**(77,030)**	(54,130)
Interest capitalised in investment properties	**(260)**	-
Interest capitalised in property, plant and equipment	**(47)**	-
Total finance costs	**118,588**	151,911

* *Net of interest saving of HK$4,248,000 (2008: HK$30,322,000) arising from the cash flow hedges.*

6. Tax

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2008: Nil). Taxes on profits assessable elsewhere had 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 2009 HK$'000	Group 2008 HK$'000
Current - Mainland China		
Corporate income tax - charge for the year	**79,922**	85,509
Land Appreciation Tax	**191,952**	167,076
Deferred	**67,716**	124,148
Total tax charge for the year	**339,590**	376,733

7. Dividends

	Group 2009 HK$'000	Group 2008 HK$'000
Proposed final – HK0.5 cent (2008: HK0.4 cent) per ordinary share	**40,240**	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 was based on the profit for the year attributable to equity holders of the Company of HK$406,888,000 (2008: HK$206,005,000), and the weighted average number of 8,047,956,478 (2008: 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 amounts for both 2009 and 2008. Therefore, the diluted earnings per share amounts for both years have 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 were interest-free.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables, net		
Within one month	**203,411**	163,312
One to two months	**274**	388
Two to three months	**219**	420
	203,904	164,120
Other receivables, deposits and prepayments	**50,722**	57,636
Total	**254,626**	221,756

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	
	2009	2008
	HK$'000	HK$'000
Trade payables		
Within one month	**55,838**	25,400
One to three months	**2,228**	655
Over three months	**204**	-
	58,270	26,055
Accruals and other payables	**457,587**	514,067
Total	**515,857**	540,122

Trade payables of the Group were interest-free and were due for settlement pursuant to the terms of the relevant agreements.

FINAL DIVIDEND AND BOOK CLOSE DATES

The Board of Directors has recommended a final dividend of HK0.5 cent per share for the year ended 31 July 2009 (2008: HK0.4 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 2009. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the dividend will be payable on 6 January 2010.

The register of members of the Company will be closed from 21 December 2009 to 23 December 2009, 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 4:30 p.m. on 18 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 July 2009, the Group recorded a turnover of HK$937,380,000 (2008: HK$868,001,000) and a gross profit of HK$632,436,000 (2008: HK$622,837,000), representing an increase of approximately 8.0% and 1.5% respectively from the previous year.

Out of the total turnover, rental income decreased by 14.0% from HK$254,160,000 to HK$218,525,000, which was mainly due to the adverse impact of renovation work on Shanghai Hong Kong Plaza. Owing to the contribution from sales of residential units of Shanghai Regents Park Phase II during the year ended 31 July 2009, turnover from sales of properties increased by 17.1% from HK$613,841,000 to HK$718,855,000. Mainly as a result of lower proportion of rental income compared to sales of development properties, gross profit margin decreased slightly to 67.5%, from 71.8% in the previous year.

During the year, the Group recorded the following major other operating income/expenses items:

— a gain of HK$256,311,000 on the termination of all the cross currency swaps in October 2008. These cross currency swaps with an aggregate notional amount of US$200,000,000 (same amount as the 7-year maturity 9.125% fixed rate senior notes issued by the Company in April 2007 (the "Senior Notes")) were intended to enable the Group to make interest and principal repayments of the Senior Notes at a fixed interest rate and at a contracted exchange rate of Renminbi ("RMB") against United States dollars ("USD");

— an exchange loss of HK$2,540,000 on a USD denominated bank loan (2008: a net exchange loss of HK$114,081,000 on a USD denominated bank loan and the cross currency swaps);

— a gain of HK$29,579,000 on repurchase of certain Senior Notes. During the year, the Group repurchased Senior Notes amounting to an aggregate principal value of US$14,253,000;

— a fair value gain on its investment properties of HK$143,127,000 (2008: HK$398,515,000); and

— an impairment loss on certain properties under development of HK$60,680,000 (2008: HK$99,561,000).

Finance costs expensed during the year reduced to HK$118,588,000 (2008: HK$151,911,000), after an amount of HK$77,030,000 (2008: HK$54,130,000) had been capitalised in properties under development during the year.

For the year ended 31 July 2009, profit from operating activities was HK$886,631,000 (2008: HK$761,532,000) and profit attributable to equity holders of the Company was HK$406,888,000 (2008: HK$206,005,000), representing an increase of approximately 16.4% and 97.5% respectively from the previous year. The increase in profit from operating activities was mainly due to lower other operating expenses, net (as detailed above). Other than the increase in profit from operating activities, profit attributable to equity holders of the Company increased partly due to lower finance costs expensed.

Basic earnings per share was HK5.06 cents for the year ended 31 July 2009 compared to HK2.56 cents for the previous year.

Shareholders' equity as at 31 July 2009 amounted to HK$7,210,784,000, up from HK$6,909,222,000 as at 31 July 2008. Net asset value per share attributable to equity holders of the Company was HK$0.90 as at 31 July 2009, as compared to HK$0.86 as at 31 July 2008.

Business Review

Investment properties

Property rental results

During the year ended 31 July 2009, the Group recorded a turnover of HK$218,525,000 from rental income. Breakdown of turnover from rental income is as follows:

	Year ended 31 July		
	2009	2008	Change
	HK$	HK$	%
Shanghai Hong Kong Plaza	128,520,000	181,437,000	(29.2)
Shanghai Regents Park (commercial podium and carparking spaces)	7,332,000	6,028,000	21.6
Shanghai Northgate Plaza I	20,811,000	9,797,000	112.4
Guangzhou May Flower Plaza	61,214,000	56,898,000	7.6
Others	648,000	-	n/a
Total	218,525,000	254,160,000	(14.0)

During the year, rental income from Shanghai Hong Kong Plaza recorded a decrease of 29.2% to HK$128,520,000, which was mainly due to closure of its shopping arcades for renovation work and a decrease in occupancy rate of the serviced apartments.

The Group's share of rental income for Shanghai Northgate Plaza I for the previous year had been recorded under "Share of profits of associates" before the Group acquired the remaining interests in January 2008.

Rental income from Guangzhou May Flower Plaza recorded an increase of 7.6% to HK$61,214,000 for the year under review.

Development properties

Contracted sales of development properties

	Contracted sales area sq.m.	Approximate average contracted selling price HK$/sq.m.	Total contracted sales amount HK$
Shanghai Regents Park, Phase II	21,592	35,100	757,088,000
Guangzhou West Point, Residential Units	15,242	15,100	230,527,000
Total	36,834		987,615,000

Sales of development properties recorded

	Recorded sales area sq.m.	Approximate average recorded selling price HK$/sq.m.	Total recorded sales amount* HK$
Shanghai Regents Park, Phase II	21,592	35,100	718,855,000

** After business tax*

During the year, the Group concluded total contracted sales area of approximately 36,834 sq.m., which are residential units of Shanghai Regents Park Phase II and Guangzhou West Point.

The Group recorded the contracted sales of residential units at Shanghai Regents Park Phase II concluded during the year ended 31 July 2009 for the year under review. Contracted pre-sales of residential units at Guangzhou West Point during the years ended 31 July 2009 and 2008 will be recorded in the next financial year ending 31 July 2010 upon substantial completion of the construction of the project.

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.

During the year under review, China's property market experienced great volatility. The austerity measures previously implemented by the Central Government in 2008 and the global financial turmoil in the fourth quarter of 2008 adversely affected market sentiment and volume of transactions of China's real estate market and of the Group's development properties available for sale in the whole 2008. In response to the unfavourable market sentiment during this period, the Group rescheduled the construction program of some of its new development projects, and adjusted its sales programme in the first half of the year ended 31 July 2009.

Since the beginning of 2009, with the implementation of massive economic stimulating packages and relaxation of credit control by the Central Government and its central bank, China's real estate market started to show strong recovery. Up to July 2009, primary transactions of residential sales at core city areas in Shanghai and Guangzhou have almost recovered to pre-financial crisis level in early 2008 in term of both transaction volume and average selling prices. Such recovery was generally stronger than most of the market expectations. Utilising such prime opportunity, the Group, since the first quarter of 2009, geared up its marketing effort for its development properties available for sale and quickly achieved impressive sales results for Shanghai Regents Park Phase II and Guangzhou West Point. Despite the slow-down in the first half of the year under review, the Group concluded the financial year ended 31 July 2009 with sales targets and turnover well exceeding expectations.

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 South Road Metro Station and is within walking distance of Xintiandi. Rental income for the year ended 31 July 2009 amounted to HK$128,520,000, down by 29.2% from HK$181,437,000 in the previous year. Such decrease in rental income was mainly due to closure of shopping arcades at Hong Kong Plaza for renovation work.

The renovation work on the shopping arcades under the serviced apartment tower commenced in July 2008. The renovation of the shopping arcades under the office tower also commenced in March 2009. The Group is now negotiating with various potential tenants for the renovated shopping arcades, and expects to re-open both shopping arcades in mid-2010. Upon completion, Hong Kong Plaza's shopping arcades will be one of the most visible high-end retail venues for global luxury brands in Huaihaizhong Road area.

Common areas and lift lobbies of the office tower were being renovated during the year and such renovation will be completed by the end of 2009. In addition, the serviced apartment portion of Hong Kong Plaza under the Group was vacated for full renovation at the end of July 2009 to upgrade the quality of the rooms and the services. The Group has engaged the Ascott Group to manage the serviced apartment portion, and hopes this will enable the Group to leverage on the Ascott Group's extensive experience and expertise in operating serviced apartments and to establish a high-end brand image. Soft-opening of the re-branded serviced apartments of Hong Kong Plaza is expected to take place in mid-2010.

The rental income of Hong Kong Plaza is expected to be substantially improved from its current level upon completion of renovation. However, before its completion, rental income will be further affected by the renovation for the next financial year ending 31 July 2010.

Shanghai Regents Park Phase II

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 square metres ("sq.m.") (GFA attributable to the Group of approximately 146,000 sq.m.). The Group has an effective 95% interest in the project.

Phase II of the project comprises 6 residential towers with 455 units (total saleable GFA of approximately 62,845 sq.m. and GFA attributable to the Group of approximately 59,700 sq.m.). Phase II was completed in December 2008.

Pre-sale of the Phase II residential units was launched in April 2008. Up to 31 July 2009, the Group sold a total of 299 units with a total saleable GFA of 39,547 sq.m. at an average price of RMB31,700 per sq.m. As such, the Group recorded the relevant consideration (after business tax) of approximately HK$718,855,000 (2008: HK$602,699,000) as turnover for the year ended 31 July 2009.

Since July 2009 and up to 31 October 2009, the Group further sold 129 units with a total saleable GFA of 17,013 sq.m. at an average price of RMB38,000 per sq.m. Such consideration (after business tax) of approximately HK$696,991,000 will be recognised as turnover in the next financial year ending 31 July 2010.

As at 31 October 2009, the Group only has 27 units with a total saleable GFA of 6,285 sq.m. remaining in this project. The Group targets to maximise the sales proceeds for the remaining units.

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 commenced in October 2007 and is scheduled for completion in the mid-2011. Pre-sale of the residential units is expected to start by the third quarter of 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. Northgate Plaza I has a total GFA of approximately 36,500 sq.m. including carparks.

The Group plans to develop Northgate Plaza II on the vacant site adjacent to Phase I. The Group has a 99.0% interest in Phase II. Phase II development will have a total GFA of approximately 28,800 sq.m. comprising serviced apartments with retail podium and carparking spaces. Foundation work was substantially completed in August 2009.

The Group is adjusting the design of Northgate Plaza II and will re-submit the new development plan for government approval. Superstructure work is expected to commence in 2010.

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, the 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 let to various tenants that are well known corporations, consumer brands, cinemas and restaurants. Rental income from Guangzhou May Flower Plaza was HK$61,214,000 for the year ended 31 July 2009, representing an increase of approximately 7.6% from the previous year.

Guangzhou Eastern Place

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

The current Phase V development will have a total GFA attributable to the Group of approximately 101,000 sq.m. comprising residential blocks, a block of office or serviced apartments, and ancillary retail spaces. Construction work has commenced. Residential blocks are scheduled to be completed by the end of 2011 and the office/serviced apartment block is scheduled to be completed by the middle of 2012. Pre-sale of the residential units is now expected to start at the end of 2010 or in early 2011.

Guangzhou West Point

West Point is located on 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, 244 office units and commercial spaces. In addition, there will be approximately 10,000 sq.m. for carparks and ancillary facilities. The project is scheduled for completion by the end of 2009.

Pre-sale of residential units was started in July 2008. Up to 31 July 2009, the Group sold a total of 214 units with a total saleable GFA of 21,413 sq.m. at an average price of RMB13,200 per sq.m. As such, the Group will record the relevant consideration (after business tax) of approximately HK$303,196,000 as turnover in the next financial year ending 31 July 2010. As at 31 October 2009, the Group only has 25 residential units with a total saleable GFA of 2,278 sq.m. remaining in this project. The Group targets to sell the remaining units after completion of the project.

Pre-sale of office units was started in September 2009. Since the launch of the pre-sale and up to 31 October 2009, the Group sold 35 office units with a total saleable GFA of 2,524 sq.m. at an average price of RMB12,700 per sq.m. Such consideration (after business tax) of approximately HK$34,490,000 will be recognised as turnover in the next financial year ending 31 July 2010.

Pre-leasing of the commercial spaces in this project progressed well during the year and a number of anchor tenants including retail brands and restaurants have committed to establish outlets in West Point.

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 development plan of the project has been finalised. The project will be divided into four phases of similar sizes for development. It is now expected that construction of Phase I will commence in the second quarter of 2010 and pre-sale of Phase I residential units will commence by mid-2011. Completion of Phase I is expected to take place around or at the end of 2012.

Guangzhou Haizhu Plaza

Haizhu Plaza is located on 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 work of original occupants, which is expected to be completed next year.

Guangzhou Donghua Dong Road Project

The site is located in Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 10,000 sq.m. The project is currently at the planning stage and is intended to be developed into a residential tower, carparks and ancillary facilities. The project is now expected to be completed in 2012.

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 at the planning stage and is intended to be developed into a serviced apartment tower, carparks and ancillary facilities. The project is now expected to be completed in 2012.

Guangzhou Guan Lu Road Project

The site is located in Guan Lu Road in Yuexiu District. The permitted GFA is approximately 14,000 sq.m. The project is currently at the planning stage and is intended to be developed into a residential tower, carparks and ancillary facilities. The project is now expected to be completed in 2012.

Zhongshan Palm Springs

The project is located in Caihong Planning Area, West District of Zhongshan. Having taken into account the prevailing market condition after late 2008 and the expected supply from other developers in this area, the Group has revised the development plan and reduced the total GFA of Palm Springs project to approximately 406,000 sq.m. The Group believes that the lower density of the revised development plan will enhance the competitiveness of the products in Zhongshan's current property market.

It is now planned that Phase I of the project will comprise high-rise residential towers with a total saleable GFA of approximately 44,000 sq.m., commercial areas with a total GFA of approximately 16,000 sq.m. and low-rise townhouses and semi-detached villas with a total saleable GFA of approximately 27,000 sq.m. Construction of Phase I development is expected to commence in the first quarter of 2010 and is expected to complete by the first half of 2012. Pre-sale of residential units will start in early 2011.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2009, the Group had total borrowings in the amount of HK$2,674 million (2008: HK$2,872 million), representing a decrease of HK$198 million. The consolidated net assets attributable to the equity holders of the Company amounted to HK$7,211 million (2008: HK$6,909 million). The total debt to equity ratio was 37% (2008: 42%) and the total debt to total capitalisation (long-term debt + equity) ratio was 29% (2008: 31%). The maturity profile of the Group's borrowings of HK$2,674 million was spread with HK$582 million repayable within 1 year, HK$70 million repayable in the second year, HK$2,018 million repayable in the third to fifth years and HK$4 million repayable beyond 5 years.

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

Apart from the Senior Notes, the Group's other borrowings of HK$1,259 million were 37% denominated in RMB, 15% in Hong Kong dollars ("HKD") and 48% in USD. The Group's cash and bank balances of HK$2,023 million were 44% denominated in RMB, 21% in HKD and 35% in USD.

The Group's reporting currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are in RMB.

In October 2008, the Group terminated the cross currency swap agreements and recorded a gain of HK$256,311,000. After the termination of the cross currency swap agreements, the Group does not have any derivative financial instruments or hedging instruments outstanding. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value of approximately HK$4,515 million, serviced apartments with carrying value of approximately HK$540 million, properties under development with carrying value of approximately HK$153 million, a property with carrying value of approximately HK$43 million and bank balances of approximately HK$190 million.

Under a litigation in a district court in China, the Group, as the claimant, claimed for a total of RMB17 million from one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group pledged certain leasehold building with a carrying value of approximately HK$46 million to the court as collateral.

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

Prospects

In the past years, the real estate industry in China has been characterised by strong growth in housing demand and fluctuating government policies. In 2007, China's property market experienced rapid development nationwide. In late 2007 and 2008, austerity measures by the Central Government triggered corrections of the overall property markets in China. In late 2008, the global financial turmoil further deteriorated the sentiment of China's property market. In early 2009, abundant funds at a reasonable bank lending rate, plus the relaxation of control measures, encouraged the resurfacing of housing demand. Starting in the second quarter of 2009, there has been a broad-based market rebound with significant increase in property transaction volume and selling prices across China.

The faster-than-expected market recovery in the second quarter of 2009 induced supply shortage in certain cities, especially the first-tier cities in China. As the new supply could not keep pace with the fast growing demand, in the short-term, it is widely expected that there will be a contraction in property transaction volume but steady price increase.

In the medium- and long-term, ongoing urbanisation and demand for living improvement will foster healthy growth of the real estate market in China. Since the outbreak of the global financial turmoil in 2008, the Central Government has placed significant emphasis on domestic consumption to fuel economic growth. Real estate as an important segment of domestic consumption will be a key beneficiary. It is widely expected that the Central Government would not easily make a drastic shift from its current favourable policies towards real estate. However, there would be adjustment policies to pace the property market and economic rhythm. By then, this could cause short-term fluctuation in the property market in China.

Overall, the Group is cautiously optimistic about China's property market and believes that we are well positioned for growth in the coming years. The Group's net gearing level was low by industry standard. Owing to its strong sales performance for Shanghai Regents Park Phase II and Guangzhou West Point, the Group has locked in substantial sales revenue for the next financial year. In addition, the Group has re-accelerated the construction schedules of other development projects to fuel growth in turnover and profits for the financial years beyond next year.

With the macro-economic condition as mentioned above, the Group will monitor the market closely and expand its landbank at the appropriate time. Furthermore, the Group will continue to grow its recurrent income base through upgrading of existing rental properties and addition of new ones upon completion of commercial property portions of the new development projects.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares. During this period, the Company repurchased US$14,253,000 in nominal value of the 9.125% senior notes due 2014, which are listed on Singapore Exchange Securities Trading Limited, for an aggregate consideration (with accrued interest) of US$10,311,359.68 (equivalent to HK$80,428,605.50) through private arrangement.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to 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 23 December 2008.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2009 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. Law Kin Ho and Lam Bing Kwan and a non-executive director of the Company, Mr. Lim Ming Yan (alternate director: Mr. Leow Juan Thong, Jason).

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 2009 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 Wednesday, 23 December 2009. Notice of the annual general meeting together with the Company's annual report for 2008-2009 will be despatched to the shareholders in due course.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 6 November 2009

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 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. Lam Bing Kwan, Mr. Ku Moon Lun and Mr. Law Kin Ho.