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 2011

RESULTS

The board of directors (the "Board") 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 2011 together with the comparative figures for the previous year as follows:

Consolidated Income Statement
For the year ended 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
TURNOVER	3	**647,183**	1,514,214
Cost of sales		**(264,909)**	(738,769)
Gross profit		**382,274**	775,445
Other income and gains		**119,024**	101,603
Selling and marketing expenses		**(38,280)**	(42,306)
Administrative expenses		**(207,190)**	(152,324)
Other operating expenses, net		**(9,966)**	(64,877)
Fair value gains on investment properties		**605,006**	284,835
PROFIT FROM OPERATING ACTIVITIES	4	**850,868**	902,376
Finance costs	5	**(76,143)**	(84,806)
Share of losses of associates		**(2,762)**	(10)
PROFIT BEFORE TAX		**771,963**	817,560
Tax	6	**(193,663)**	(454,297)
PROFIT FOR THE YEAR		**578,300**	363,263
ATTRIBUTABLE TO:			
Owners of the Company		**530,112**	322,106
Non-controlling interests		**48,188**	41,157
		578,300	363,263
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Basic and diluted	8	**HK6.59 cents**	HK4.00 cents

Details of the dividend payable and proposed for the year are disclosed in note 7 to the financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2011

	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR	**578,300**	363,263
OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX		
Exchange realignments:		
Subsidiaries	**496,383**	69,844
Associates	**17,662**	3,391
Reversal of impairment/(impairment) of investment properties under construction	**16,488**	(29,857)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**530,533**	43,378
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,108,833**	406,641
ATTRIBUTABLE TO:		
Owners of the Company	**1,029,571**	359,451
Non-controlling interests	**79,262**	47,190
	1,108,833	406,641

Consolidated Statement of Financial Position

As at 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**931,774**	791,907
Properties under development		**1,122,284**	1,055,751
Investment properties		**9,295,785**	7,921,429
Prepaid land lease payments		**5,717**	5,598
Goodwill		**4,561**	4,561
Interests in associates		**350,289**	329,247
Total non-current assets		**11,710,410**	10,108,493
CURRENT ASSETS			
Properties under development		**1,231,503**	621,800
Completed properties for sale		**193,649**	354,886
Debtors, deposits and prepayments	9	**160,525**	91,186
Tax recoverable		**39,472**	21,708
Pledged and restricted time deposits and bank balances		**712,456**	321,877
Cash and cash equivalents		**887,300**	1,391,295
Total current assets		**3,224,905**	2,802,752
CURRENT LIABILITIES			
Creditors and accruals	10	**590,206**	496,186
Deposits received and deferred income		**567,815**	51,625
Interest-bearing bank loans, secured		**118,154**	131,584
Tax payable		**265,451**	711,721
Total current liabilities		**1,541,626**	1,391,116
NET CURRENT ASSETS		**1,683,279**	1,411,636
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,393,689**	11,520,129

Consolidated Statement of Financial Position (continued)
As at 31 July 2011

	2011	2010
	HK$'000	HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**13,393,689**	11,520,129
NON-CURRENT LIABILITIES		
Long term deposits received	**81,692**	52,161
Interest-bearing bank loans, secured	**1,471,241**	949,702
Advances from a former substantial shareholder	**56,474**	53,535
Fixed rate senior notes	**1,427,850**	1,421,368
Deferred tax liabilities	**1,283,303**	1,038,827
Total non-current liabilities	**4,320,560**	3,515,593
	9,073,129	8,004,536
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**804,796**	804,796
Share premium account	**3,876,668**	3,876,668
Asset revaluation reserve	**33,894**	17,571
Share option reserve	**-**	1,680
Exchange fluctuation reserve	**1,594,660**	1,111,524
Capital reserve	**(5,445)**	(5,445)
Retained earnings	**2,169,645**	1,678,093
Proposed final dividend	**40,240**	40,240
	8,514,458	7,525,127
Non-controlling interests	**558,671**	479,409
	9,073,129	8,004,536

Notes to Consolidated Financial Statements
As at 31 July 2011

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, 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 completed investment properties and certain investment properties under construction, 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. 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 2009	*Amendments to HKAS 7, HKAS 17, HKAS 36 and HKFRS 8 as part of Improvements to HKFRSs 2009*
Improvements to HKFRSs 2010	*Amendments to HKAS 27 and HKFRS 3 as part of Improvements to HKFRSs 2010*
HK Interpretation 4 Amendments	*Amendments to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5 ("HK-Int 5")	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK-Int 5 requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("repayment on demand clause") shall be classified in total by the borrower as current in the statement of financial position. The Group has applied HK-Int 5 for the first time in the current year. HK-Int 5 requires retrospective application.

Prior to the adoption of HK-Int 5, the Group's term loans were classified in the consolidated statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of HK-Int 5, term loans with a repayment on demand clause are classified entirely as current liabilities.

As at 31 July 2011, a bank loan repayable after one year from the end of the reporting period but includes a repayment on demand clause under the relevant loan agreement with a carrying amount of HK$24,184,000 has been classified as current liability in the Group's consolidated statement of financial position. The adoption of HK-Int 5 has had no impact on the Group's consolidated statement of financial position as at 1 August 2009 and 31 July 2010 as the Group did not have bank loans that include a repayment on demand clause as at those dates. Also, its adoption has had no impact on the consolidated income statement and net assets of the Group for the current or prior years.

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

2. IMPACT OF NEW AND REVISED HKFRSs (continued)

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

Improvements to HKFRSs 2010[1]	*Amendments to HKAS 1, HKAS 34 and HKFRS 7 as part of Improvements to HKFRSs 2010*
HKAS 1 (Revised) Amendments[4]	*Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 12 Amendments[3]	*Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKAS 24 (Revised)[1]	*Related Party Disclosures*
HKAS 27 (2011)[5]	*Separate Financial Statements*
HKAS 28 (2011)[5]	*Investments in Associates and Joint Ventures*
HKFRS 7 Amendments[2]	*Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets*
HKFRS 9[5]	*Financial Instruments*
HKFRS 10[5]	*Consolidated Financial Statements*
HKFRS 11[5]	*Joint Arrangements*
HKFRS 12[5]	*Disclosure of Interests in Other Entities*
HKFRS 13[5]	*Fair Value Measurement*

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2013

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

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

3. OPERATING SEGMENT INFORMATION

	Property development		Property investment		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**258,387**	1,320,908	**388,796**	193,306	**647,183**	1,514,214
Other revenue	**200**	1,070	**86,974**	67,858	**87,174**	68,928
Total	**258,587**	1,321,978	**475,770**	261,164	**734,357**	1,583,142
Segment results	**12,302**	531,585	**846,518**	379,488	**858,820**	911,073
Unallocated gains					**31,850**	32,675
Unallocated expenses, net					**(39,802)**	(41,372)
Profit from operating activities					**850,868**	902,376
Finance costs					**(76,143)**	(84,806)
Share of losses of associates	**(2,762)**	(10)	**-**	-	**(2,762)**	(10)
Profit before tax					**771,963**	817,560
Tax					**(193,663)**	(454,297)
Profit for the year					**578,300**	363,263
Segment assets/liabilities:						
Segment assets	**2,613,121**	2,082,940	**10,240,000**	8,712,275	**12,853,121**	10,795,215
Interests in associates	**350,289**	329,247	**-**	-	**350,289**	329,247
Unallocated assets					**1,731,905**	1,786,783
Total assets					**14,935,315**	12,911,245
Segment liabilities	**709,852**	120,325	**375,765**	313,435	**1,085,617**	433,760
Unallocated liabilities					**4,776,569**	4,472,949
Total liabilities					**5,862,186**	4,906,709
Other segment information:						
Depreciation	**1,421**	837	**35,459**	21,852	**36,880**	22,689
Corporate and other unallocated amounts					**6,626**	3,751
					43,506	26,440
Capital expenditure	**1,267**	519	**405,786**	473,743	**407,053**	474,262
Corporate and other unallocated amounts					**2,289**	1,264
					409,342	475,526
Fair value gains on investment properties	-	-	**605,006**	284,835	**605,006**	284,835
Reversal of impairment/ (impairment) of properties under development/investment properties under construction*	**(22,037)**	(56,281)	**21,985**	(39,809)	**(52)**	(96,090)

** Impairment of HK$22,037,000 (2010: HK$56,281,000) and reversal of impairment of HK$21,985,000 (2010: impairment of HK$39,809,000) were recognised in profit or loss and in other comprehensive income, respectively.*

4. PROFIT FROM OPERATING ACTIVITIES

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

	2011 HK$'000	2010 HK$'000
Interest income from bank deposits	**(15,681)**	(17,275)
Cost of completed properties sold	**183,012**	702,669
Outgoings in respect of rental income	**81,897**	36,100
Total cost of sales	**264,909**	738,769
Depreciation#	**43,506**	26,440
Amortisation of prepaid land lease payments	**9,715**	10,748
Capitalised in properties under development	**(9,532)**	(10,571)
	183	177
Foreign exchange differences, net*	**(28,626)**	(3,872)
Impairment of properties under development*	**22,037**	56,281
Loss on disposal of items of property, plant and equipment	**86**	305

\# *The depreciation charge of HK$17,880,000 (2010: HK$17,635,000) for serviced apartments is included in "Other operating expenses, net" on the face of the consolidated income statement.*

* *These items of expenses/(income) are included in "Other operating expenses, net" on the face of the consolidated income statement.*

5. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**46,416**	35,349
Bank loans repayable beyond five years	**-**	448
Fixed rate senior notes, net	**132,221**	132,221
Promissory note	**-**	6,886
Amortisation of fixed rate senior notes	**6,482**	5,893
Bank financing charges	**2,179**	893
	187,298	181,690
Less: Capitalised in properties under development	**(78,799)**	(68,672)
Capitalised in investment properties	**(27,092)**	(25,809)
Capitalised in property, plant and equipment	**(5,264)**	(2,403)
	(111,155)	(96,884)
Total finance costs	**76,143**	84,806

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 (2010: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	2011	2010
	HK$'000	HK$'000
Current - Mainland China		
Corporate income tax		
Charge for the year	**46,606**	150,767
Overprovision in prior years	**(10,725)**	-
	35,881	150,767
Land appreciation tax		
Charge for the year	**54,870**	210,180
Overprovision in prior years	**(69,615)**	-
	(14,745)	210,180
Deferred	**172,527**	93,350
Total tax charge for the year	**193,663**	454,297

7. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Proposed final – HK0.5 cent (2010: HK0.5 cent) per ordinary share	**40,240**	40,240

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 OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts was based on the profit for the year attributable to owners of the Company of HK$530,112,000 (2010: HK$322,106,000), and the weighted average number of ordinary shares of 8,047,956,478 (2010: 8,047,956,478) in issue during the year.

No adjustment had been made to the basic earnings per share amounts presented for the years ended 31 July 2011 and 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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.

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

	2011	2010
	HK$'000	HK$'000
Trade receivables, net:		
Within one month	**59,269**	46,559
One to three months	**890**	1,176
Over three months	**-**	31
	60,159	47,766
Other receivables, deposits and prepayments	**100,366**	43,420
Total	**160,525**	91,186

10. CREDITORS AND ACCRUALS

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

	2011	2010
	HK$'000	HK$'000
Trade payables:		
Within one month	**83,740**	27,051
One to three months	**2,252**	1,804
	85,992	28,855
Accruals and other payables	**504,214**	467,331
Total	**590,206**	496,186

FINAL DIVIDEND AND BOOK CLOSE DATES

The Board has recommended a final dividend of HK0.5 cent per share for the year ended 31 July 2011 (2010: HK0.5 cent per share) payable to shareholders whose names appear on the Hong Kong Branch Register of Members of the Company ("Register of Members") at the close of business on Wednesday, 4 January 2012. Subject to the approval of shareholders at the forthcoming annual general meeting ("AGM") of the Company, the proposed final dividend, amounting to a total of about HK$40,240,000 (2010: HK$40,240,000), will be payable on Friday, 13 January 2012.

The Register of Members will be closed on Tuesday, 3 January 2012 and Wednesday, 4 January 2012, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Company's branch share registrars 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 Friday, 30 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Final Results

For the year ended 31 July 2011, the Group recorded a turnover of HK$647,183,000 (2010: HK$1,514,214,000) and a gross profit of HK$382,274,000 (2010: HK$775,445,000), representing a decrease of approximately 57.3% and 50.7% respectively from the previous year.

Out of the total turnover, rental income increased by 101.1% to HK$388,796,000 (2010: HK$193,306,000), which was mainly due to the re-opening of the shopping arcades and gradual re-launching of the renovated serviced apartments of Shanghai Hong Kong Plaza during the year. However, turnover from sale of properties decreased by 80.4% to HK$258,387,000 (2010: HK$1,320,908,000). The business review section will set out more information on the composition of the property sales during the year. Rental income accounted for 60.1% of the total turnover for the year ended 31 July 2011 compared to 12.8% for the previous year. Rental operations on average achieved a higher gross profit margin when compared to the sales of property units. As a result, overall gross profit margin was 59.1%, compared to 51.2% in the previous year.

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

— provision for impairment loss on certain properties under development of HK$22,037,000 (2010: a provision of HK$56,281,000); and

— fair value gain on its investment properties of HK$605,006,000 (2010: gain of HK$284,835,000).

Finance costs expensed during the year reduced to HK$76,143,000 (2010: HK$84,806,000), after capitalising finance costs of HK$111,155,000 (2010: HK$96,884,000) for properties under development, investment properties and property, plant and equipment during the year.

For the year ended 31 July 2011, profit from operating activities was HK$850,868,000 (2010: HK$902,376,000), representing a decrease of approximately 5.7% from the previous year. Tax charge reduced to HK$193,663,000 (2010: HK$454,297,000) mainly due to a decrease in property development profit as compared to the previous year. For the year ended 31 July 2011, profit attributable to owners of the Company was HK$530,112,000 (2010: HK$322,106,000), representing an increase of 64.6% from the previous year.

Basic earnings per share was HK6.59 cents for the year ended 31 July 2011 compared to HK4.00 cents for the previous year.

Shareholders' equity as at 31 July 2011 amounted to HK$8,514,458,000, up from HK$7,525,127,000 as at 31 July 2010. Net asset value per share attributable to owners of the Company was HK$1.06 as at 31 July 2011, as compared to HK$0.94 as at 31 July 2010.

Business Review

Investment properties

Property rental results

During the year ended 31 July 2011, the Group recorded a turnover of HK$388,796,000 from rental income. Breakdown of turnover from rental income is as follows:

	Year ended 31 July		
	2011	2010	Change
	HK$	HK$	%
Shanghai Hong Kong Plaza	**279,087,000**	100,969,000	176.4
Shanghai Regents Park (commercial podium and car-parking spaces)	**8,350,000**	7,116,000	17.3
Shanghai Northgate Plaza I	**17,448,000**	19,470,000	-10.4
Guangzhou May Flower Plaza	**72,362,000**	64,687,000	11.9
Guangzhou West Point (commercial podium and car-parking spaces)	**11,489,000**	-	n/a
Others	**60,000**	1,064,000	-94.4
Total	**388,796,000**	193,306,000	101.1

During the year, rental income from Shanghai Hong Kong Plaza increased substantially due to completion of the renovation of its retail podiums and serviced apartments. As the Group is now considering a comprehensive redevelopment of Shanghai Northgate Plaza I and II, rental income for this property recorded negative growth as some of the previous tenants chose to move out of the property.

During the year, rental income from Guangzhou May Flower Plaza recorded a healthy growth and Guangzhou West Point commercial podium started to generate rental income.

Development properties

Contracted sales of development properties

	During the year ended 31 July 2011		
	Contracted sales area sq.m.	**Approximate average contracted selling price# HK$/sq.m.**	**Total contracted sales amount# HK$**
Shanghai May Flower Plaza			
Residential Units	14,628	43,400	634,940,000
Shanghai Regents Park			
Phase II, Residential Units	1,091	51,000	55,674,000
Guangzhou West Point			
Residential Units	173	29,900	5,167,000
Office Units	9,801	18,900	185,718,000
Guangzhou Eastern Place			
Phase II, Residential Unit	91	27,200	2,472,000
Sub-total	25,784		883,971,000
Guangzhou Eastern Place			
Car-parking Spaces			24,306,000
Total			908,277,000
Guangzhou Dolce Vita			
Residential Units*	15,309	17,900	274,590,000

\# *Before business tax*

* *Guangzhou Dolce Vita was a 50/50 joint venture project with CapitaLand China Holdings Pte. Ltd.. Please note that the reported contracted sales of HK$274,590,000 is attributable to the full project. The Group's attributable share of profit from the sale of these residential units is expected to be recognised upon completion of the project after mid-2012.*

The contracted sales at Shanghai Regents Park, Guangzhou West Point and Guangzhou Eastern Place shown above were recorded as turnover for the year under review. The contracted sales at Shanghai May Flower Plaza are expected to be recognised as turnover in the fourth quarter of 2011.

Sales of development properties recorded

	During the year ended 31 July 2011		
	Recorded sales area sq.m.	**Approximate average recorded selling price# HK$/sq.m.**	**Total recorded sales amount* HK$**
Shanghai Regents Park			
Phase II, Residential Units	1,091	51,000	52,541,000
Guangzhou Eastern Place			
Phase II, Residential Unit	91	27,200	2,331,000
Guangzhou West Point			
Residential Units	173	29,900	4,873,000
Office Units	9,801	18,900	175,719,000
Sub-total	11,156		235,464,000
Guangzhou Eastern Place			
Car-parking Spaces			22,923,000
Total			258,387,000

Before business tax
* *After business tax*

Joint Investment in and Development of the Creative Culture City Project in Hengqin

On 16 September 2011, the Company and eSun Holdings Limited ("eSun") entered into a Co-operation Agreement with the Hengqin New District Management Committee (the "Co-operation Agreement"), pursuant to which the Company and eSun shall jointly invest in and develop the project in Hengqin Cultural and Creative Zone (the "Project"), Zhuhai, Guangdong Province. In addition, the Company and eSun entered into a strategic banking co-operation framework agreement with the China Construction Bank Corporations Guangdong Branch ("CCB") on 15 September 2011 and a banking co-operation agreement with Industrial Bank Co. Limited Guangzhou Branch ("Industrial Bank") on 25 July 2011 (collectively the "Banking Agreements") whereby both CCB and Industrial Bank have agreed to provide indicative credit facilities to support development of the Project.

The co-operation under the Co-operation Agreement and the Banking Agreements is at a preliminary stage. The parties will further negotiate on the detailed terms of the co-operation and further updates will be made from time to time.

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, the operating environment for the property market in China went from robust to challenging. Since April 2010, the soaring property prices and transaction volumes have led the central and local city governments in China to introduce several rounds of austerity measures aimed at suppressing the non-end-user demand and preventing a bubble developing in the property market. Since September 2010, the control measures have turned more drastic, and included raising lending rates and bank's required reserve ratios, increasing down-payment requirement on mortgage loans, imposing more limits to developers for domestic bank financing and restrictions on new purchases by local and non-local residents. Recently, the policy driven market has turned to increased construction and availability of affordable housing, which has the effect of increasing supply and at the same time suppressing property price increases. As a result, there had been an obvious drop in transaction volume, a softening of property prices and a gradual increase in inventory. It is apparent that the Central Government aims to maintain a stable property market by controlling speculative buying. To this end, the Group has turned more cautious towards the China property market and will continue to implement and adjust its business plan according to market developments.

Review of Major Property Projects

Shanghai

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower prime property located on both the North and South side of the street at Huaihaizhong Road, Luwan District, Shanghai; the twin-towers are connected by a footbridge. The property comprises of an office tower, shopping arcades and a serviced apartments tower. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. Rental income for the year ended 31 July 2011 amounted to HK$279,087,000, up substantially by 176% from HK$100,969,000 in the previous year. Such increase in rental income was primarily due to the gradual re-opening of its shopping arcades and serviced apartments after renovation.

Shanghai Hong Kong Plaza's shopping arcades were re-opened in October 2010. Since its re-opening, Shanghai Hong Kong Plaza's shopping arcades have been one of the most visible high-end retail venues for global luxury brands in the Huaihaizhong Road area. As at 31 July 2011, 99% of the arcades' leasable areas have been leased. The arcades have successfully secured The Apple Store, Cartier, Coach, GAP and Tiffany as anchor tenants and their flagship stores were opened since the second half of 2010. Other tenants include international renowned luxury brands and high-end restaurants.

Shanghai Hong Kong Plaza's serviced apartments are now managed by the Ascott Group. The Group can now leverage on the Ascott Group's extensive experience and expertise in operating serviced apartments to help position the serviced apartments as a high-end product.

Due to completion of the renovation work at the shopping arcades and serviced apartments during the year under review, occupancy at the office tower of Shanghai Hong Kong Plaza has also improved. As at 31 July 2011, the office tower was about 98% leased.

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 gross floor area ("GFA") of approximately 111,000 square metres ("sq.m.") (GFA attributable to the Group of approximately 105,000 sq.m.), comprising residential, office apartments and commercial spaces. The total saleable area of residential and office apartment units is approximately 80,000 sq.m.. The Group expects to obtain the completion certificate of this project in the fourth quarter of 2011.

The residential portion of Shanghai May Flower Plaza is now branded "The Mid-town" which comprises 628 residential units. The Group started the pre-sale of this project in November 2010. Up to 31 July 2011, the Group had obtained contracted sales for 136 units with a total saleable GFA of 14,628 sq.m. at an average price of RMB36,900 per sq.m..

Shanghai Regents Park Phase II

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

Up to 31 July 2011, the Group sold a total of 450 units with a total saleable GFA of 61,131 sq.m. at an average price of RMB34,300 per sq.m.. As at 31 July 2011, the Group had 5 units remaining with a total saleable GFA of 1,714 sq.m.. The commercial podium was about 98% leased.

Shanghai Northgate Plaza

Shanghai Northgate Plaza I currently comprises office units, a retail podium and car-parking spaces. Located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal, this property has a total GFA of approximately 36,500 sq.m. including car-parking spaces.

Shanghai Northgate Plaza II is a vacant site adjacent to Plaza I. The site area of Plaza II is approximately 4,115 sq.m. and its buildable above ground GFA is approximately 25,000 sq.m.. The Group has an effective 99% interest of Northgate Plaza II.

The Group plans to redevelop Shanghai Northgate Plaza I and II together under a comprehensive redevelopment plan. The redeveloped project will include an office tower, a shopping arcade and underground car-parking spaces.

The Group is currently discussing the feasibility of the redevelopment proposal with professional consultants.

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, and office units. The property is fully leased to tenants that are well-known corporations, consumer brands and restaurants. The property also houses a multiplex cinema. Rental income from Guangzhou May Flower Plaza was HK$72,362,000 for the year ended 31 July 2011, representing an increase of approximately 11.9% from the previous year.

Guangzhou Eastern Place

Guangzhou Eastern Place is a multi-phase project located on 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, an office block and ancillary retail spaces. Construction work has commenced and is expected to be completed between 2012 and 2013. Pre-sale of the residential units is expected to start in the second quarter of 2012.

During the year under review, the Group sold 36 car-parking spaces at an average price of RMB573,600 per space.

Guangzhou West Point

Guangzhou 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 are approximately 10,000 sq.m. for carparks and ancillary facilities.

Residential blocks were completed in February 2010 and the office and commercial blocks were completed in June 2010. Up to 31 July 2011, the Group sold a total of 219 residential units with a total saleable GFA of 22,160 sq.m. at an average price of RMB13,300 per sq.m., and the Group also sold a total of 235 office units with a total saleable GFA of 20,276 sq.m. at an average price of RMB14,700 per sq.m..

The commercial portion of Guangzhou West Point held a grand-opening ceremony in December 2010. Up to 31 July 2011, 98% of the retail spaces available were leased. Tenants in Guangzhou West Point include renowned restaurants and retail brands. During the year, the rental income from the commercial portion of Guangzhou West Point was approximately HK$11.5 million.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita was a 50/50 joint venture project with CapitaLand China Holdings Pte. Ltd. This proposed development in Jinshazhou, Hengsha, Baiyuan District, Guangzhou will have a total GFA of approximately 369,000 sq.m. (GFA attributable to the Group of approximately 184,500 sq.m.), comprising approximately 3,400 low-rise and high-rise residential units with ancillary facilities including car-parking spaces and shopping amenities. It is conveniently located near the business center of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway line 6 and other transport modes. Touted as the metropolis of Guangzhou and Foshan, Jinshazhou is located in north-west Guangzhou.

The project will be divided into four phases of similar sizes for development. Construction of Phase I commenced in the second quarter of 2010 and completion is expected to take place around the end of 2012. The Group started to pre-sale phase one of this project in the second quarter of 2011. Up to 31 July 2011, the project had obtained contracted sales for 149 units with a total saleable GFA of 15,309 sq.m. at an average price of RMB15,200 per sq.m..

Guangzhou Haizhu Plaza

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

The proposed development has a GFA of approximately 103,000 sq.m., and is intended to be developed into an office and commercial complex. The Group has completed substantially most of the resettlement work of the original occupants. However, due to recent changes in government planning of the site, the Group is now in the process of negotiating a land exchange with the city government.

Guangzhou King's Park

The site is located on Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 10,000 sq.m.. The project is intended to be developed into a residential block with car-parking spaces and ancillary facilities. Construction work commenced in December 2010 and completion is expected to take place around mid-2012.

Guangzhou Paramount Centre

The site is located at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The permitted GFA is approximately 8,000 sq.m.. This project is intended to be developed into an office block with car-parking spaces and ancillary facilities. Construction work commenced in December 2010 and is expected to complete around the end of 2012.

Guangzhou Guan Lu Road Project

The site is located on Guan Lu Road in Yuexiu District. The permitted GFA is approximately 14,000 sq.m.. The project is intended to be developed into a residential block with car-parking spaces and ancillary facilities. Construction work is expected to commence later this year and completion is expected to take place around the end of 2013.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 504,000 sq.m..

Phase I of the project will comprise high-rise residential towers with a total saleable GFA of approximately 47,000 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 has commenced and is now expected to be completed around mid-2012. Pre-sale of residential units commenced in September 2011.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2011, the Group had total borrowings in the amount of HK$3,074 million (2010: HK$2,556 million), representing an increase of HK$518 million. The consolidated net assets attributable to the owners of the Company amounted to HK$8,514 million (2010: HK$7,525 million). The total debt to equity ratio (total borrowings to consolidated net assets) was 36% (2010: 34%). The total debt to total capitalisation (long-term debt + equity) ratio was 27% (2010: 26%). The net debt (total borrowings less cash and bank balances) to total equity plus net debt was 15% (2010: 10%). The maturity profile of the Group's borrowings of HK$3,074 million was spread with HK$118 million repayable within 1 year, HK$1,521 million repayable in the second year and HK$1,435 million repayable in the third to fifth years.

Approximately 46% and 52% 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 fixed rate senior notes which were denominated in United States Dollars ("USD"), the Group's other borrowings of HK$1,646 million were 63% denominated in Renminbi ("RMB"), 36% in USD and 1% in Hong Kong dollars ("HKD"). The Group's cash and bank balances of HK$1,600 million were 88% denominated in RMB, 7% in HKD and 5% in USD.

The Group's presentation currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, 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 predominantly in RMB.

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying value of approximately HK$6,248 million, properties under development with a total carrying value of approximately HK$1,197 million, serviced apartments and related properties with a total carrying value of approximately HK$819 million, a property with carrying value of approximately HK$41 million and bank balances of approximately HK$127 million.

Under a litigation being processed in a district court in China, the Group, as the claimant, is claiming for a sum 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 was required to pledge a leasehold property with a carrying value of approximately HK$46 million to the court as collateral.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cashflows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing property development and investment projects.

Prospects

The current macro-economic situation in China is subject to complicated domestic and external influence. Europe is finding it very difficult to control its own unwieldy situation, especially with regard to maintaining confidence in the Euro. The threat of recession in the United States is the other substantial risk to the global economy. In the near term, we expect the China property market will continue to be influenced by government macro-economic policies as well as fiscal policies of the West.

From a domestic perspective, ongoing urbanization and demand for living improvement should pave the way for growth in the real estate market in China. Overall, the Group is still cautiously optimistic about the China property market and believes that we are well positioned to take advantage of the situation in the coming years. The Group's net gearing level is low by industry standard and will continue with its development plans to fuel growth in turnover and profits for the coming year. It will also continue to replenish its land bank should the right opportunities surface. Furthermore, as encouraged by the Group's success in revitalizing the Shanghai Hong Kong Plaza property, the Group will continue to improve upon its recurrent income base through upgrading existing rental properties and adding new venues from the commercial property portions of new development projects. The Group expects its investment properties to generate a healthy record income in the next few years.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2011, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or its 9.125% Senior Notes due 2014 listed and traded on Singapore Exchange Securities Trading Limited. In addition, the Company or any of its subsidiaries did not purchase or sell any of such shares or Senior Notes during the year.

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 (the "CG Code") throughout the year ended 31 July 2011 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 (including the independent non-executive directors) of the Company is appointed for a specific term. However, all directors of the Company (the "Directors") are subject to the retirement provisions of the articles of association of the Company (the "Articles") which require that the Directors for the time being shall retire from office by rotation once every three years since their last election and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including non-executive Director) will hold office only until the next AGM of the Company and will then be eligible for re-election. Further, Directors appointed to fill a causal vacancy will be subject to election by shareholders at the first general meeting after his/her appointment in line with the relevant code provision of the CG Code. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

Code Provision E.1.2

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended to by him, the Chairman was not present at the AGM of the Company held on 21 December 2010. However, Mr. Lam Hau Yin, Lester, an executive director and the Chief Executive Officer who was present at the AGM was elected chairman of the AGM pursuant to the Articles to ensure an effective communication with shareholders of the Company at the AGM.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises two of the independent non-executive Directors, namely Mr. Law Kin Ho and Mr. Lam Bing Kwan, and a non-executive Director, Mr. Leow Juan Thong, Jason (alternate director: Mr. Lucas Ignatius Loh Jen Yuh). Such committee has reviewed the consolidated results (including the consolidated financial statements) of the Company for the year ended 31 July 2011.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 July 2011 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Ernst & Young, to the amounts set out in the Company'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 this preliminary announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, 21 December 2011. Notice of such AGM together with the Company's Annual Report for 2010-2011 will be published on the respective websites of the Stock Exchange and the Company and despatched to shareholders in about late November 2011.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 28 October 2011

As at the date of this announcement, the Board comprises ten executive Directors, namely Dr. Lam Kin Ngok, Peter (Chairman), Dr. Lam Kin Ming (Deputy Chairman), Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman), Mr. Lam Hau Yin, Lester (Chief Executive Officer), Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Mr. Cheng Shin How, Mr. Lui Siu Tsuen, Richard and Mr. Cheung Sum, Sam; two non-executive Directors, namely Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh (also alternate to Mr. Leow Juan Thong, Jason); and three independent non-executive Directors, namely Messrs. Lam Bing Kwan, Ku Moon Lun and Law Kin Ho.