LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2011

RESULTS

The board of directors (the "Board") of Lai Sun Development Company 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 of 2010 as follows:

Consolidated Income Statement
For the year ended 31 July 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
TURNOVER	*3*	**1,192,914**	729,254
Cost of sales		**(581,278)**	(254,273)
Gross profit		**611,636**	474,981
Other revenue and gain	*4*	**54,330**	46,579
Selling and marketing expenses		**(37,784)**	(11,964)
Administrative expenses		**(295,898)**	(270,721)
Other operating expenses, net		**(33,261)**	(41,765)
Fair value gains on investment properties		**1,074,933**	1,232,615
Provision for tax indemnity	5	**(48,379)**	(17,495)
PROFIT FROM OPERATING ACTIVITIES	*6*	**1,325,577**	1,412,230
Finance costs	7	**(47,076)**	(41,777)
Share of profits and losses of associates	*10*	**1,335,581**	982,364
Loss on deemed disposal of interest in an associate		**(3,552)**	-
PROFIT BEFORE TAX		**2,610,530**	2,352,817
Tax	*8*	**(217,230)**	(244,756)
PROFIT FOR THE YEAR		**2,393,300**	2,108,061
Attributable to:			
Ordinary equity holders of the Company		**2,343,707**	2,064,562
Non-controlling interests		**49,593**	43,499
		2,393,300	2,108,061
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK 16.55 cents**	HK 14.58 cents
Diluted		**N/A**	N/A

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

	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR	**2,393,300**	2,108,061
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	**224,441**	216,350
Exchange realignments:		
Subsidiaries	**370**	5
Associate	**70,856**	(6,526)
Share of investment revaluation reserve of an associate	**8,338**	33,041
Share of an associate's release of reserves to income statement upon disposal of its interest in an associate	**(99,279)**	-
Share of other reserve of an associate	**-**	3,734
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**204,726**	246,604
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,598,026**	2,354,665
Attributable to:		
Ordinary equity holders of the Company	**2,548,291**	2,311,166
Non-controlling interests	**49,735**	43,499
	2,598,026	2,354,665

Consolidated Statement of Financial Position

As at 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**356,226**	368,231
Prepaid land lease payments		**26,038**	27,066
Investment properties		**7,756,931**	6,444,930
Properties under development for sale		**1,098,195**	900,378
Interests in associates	10	**5,048,312**	3,725,761
Available-for-sale financial assets		**883,183**	657,994
Held-to-maturity debt investments		**-**	35,840
Pledged bank balances and time deposits		**99,591**	99,154
Deposit paid for acquisition of interest in an associate		**90,000**	-
Total non-current assets		**15,358,476**	12,259,354
CURRENT ASSETS			
Completed properties for sale		**147,197**	465,085
Equity investments at fair value through profit or loss		**10,158**	12,552
Inventories		**5,878**	4,780
Debtors and deposits paid	11(a)	**124,827**	121,315
Held-to-maturity debt investments		**33,963**	144,812
Cash and cash equivalents		**1,002,805**	1,124,778
Total current assets		**1,324,828**	1,873,322
CURRENT LIABILITIES			
Creditors, deposits received and accruals	11(b)	**222,099**	216,621
Tax payable		**62,896**	51,829
Bank borrowings		**217,097**	390,323
Total current liabilities		**502,092**	658,773
NET CURRENT ASSETS		**822,736**	1,214,549
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,181,212**	13,473,903
NON-CURRENT LIABILITIES			
Bank borrowings		**(2,199,440)**	(2,313,493)
Deferred tax		**(1,160,297)**	(975,875)
Provision for tax indemnity	5	**(518,570)**	(470,191)
Long term rental deposits received		**(55,930)**	(47,523)
Total non-current liabilities		**(3,934,237)**	(3,807,082)
		12,246,975	9,666,821
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	12	**141,620**	141,620
Share premium account		**6,974,701**	6,974,701
Investment revaluation reserve		**833,856**	699,769
Share option reserve		**1,092**	12,417
Capital redemption reserve		**1,200,000**	1,200,000
General reserve	12	**504,136**	504,136
Other reserve		**7,565**	3,734
Special capital reserve	12	**126,264**	126,264
Exchange fluctuation reserve		**112,379**	35,058
Retained profits/(accumulated losses)		**2,057,428**	(292,009)
		11,959,041	9,405,690
Non-controlling interests		**287,934**	261,131
		12,246,975	9,666,821

Notes to Consolidated Financial Statements

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through profit or loss and certain available-for-sale financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

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	
Improvements to HKFRSs 2010[1]	
HK Interpretation 4 Amendment	Amendments to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

[1] The amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 27 are included in these improvements, which became effective or early adopted in the current financial period.

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

Impact of issued but not yet effective HKFRSs

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

Improvements to HKFRSs 2010[1]	
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[5]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[5]
HKFRS 7 Amendments	Financial Instruments: Disclosures – Transfers of Financial Assets[6]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]

[1] The amendments to HKAS 34 and HKFRS 7 included in these improvements are effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013
[6] Effective for annual periods beginning on or after 1 July 2011

2. IMPACT OF NEW AND REVISED HKFRSs (continued)

Impact of issued but not yet effective HKFRSs (continued)

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 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

Segment revenue and results

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**414,521**	34,578	**367,455**	341,103	**389,419**	334,843	**21,519**	18,730	**-**	-	**1,192,914**	729,254
Intersegment sales	**-**	-	**7,670**	8,537	**-**	-	**24,916**	26,144	**(32,586)**	(34,681)	**-**	-
Other revenue	**6,099**	883	**507**	542	**-**	1	**-**	-	**-**	-	**6,606**	1,426
Total	**420,620**	35,461	**375,632**	350,182	**389,419**	334,844	**46,435**	44,874	**(32,586)**	(34,681)	**1,199,520**	730,680
Segment results	**60,036**	(4,020)	**283,523**	265,462	**85,816**	76,159	**1,119**	367	**-**	-	**430,494**	337,968
Interest income and unallocated gains											**47,724**	45,153
Fair value gains on investment properties	-	-	**1,074,933**	1,232,615	-	-	-	-	-	-	**1,074,933**	1,232,615
Unallocated expenses											**(179,195)**	(186,011)
Provision for tax indemnity											**(48,379)**	(17,495)
Profit from operating activities											**1,325,577**	1,412,230
Finance costs											**(47,076)**	(41,777)
Share of profits and losses of associates	**436,507**	(4,246)	**462,918**	859,299	**785**	155	-	-	-	-	**900,210**	855,208
Share of profits and losses of associates - unallocated											**435,371**	127,156
Loss on deemed disposal of interest in an associate											**(3,552)**	-
Profit before tax											**2,610,530**	2,352,817
Tax											**(217,230)**	(244,756)
Profit for the year											**2,393,300**	2,108,061

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**1,258,813**	1,409,304	**7,794,466**	6,465,206	**557,901**	528,001	**55,143**	56,497	**9,666,323**	8,459,008
Interests in associates	**721,432**	279,531	**1,847,124**	1,384,180	**4,975**	4,174	**-**	-	**2,573,531**	1,667,885
Interests in associates - unallocated									**2,474,781**	2,057,876
Unallocated assets									**1,968,669**	1,947,907
Total assets									**16,683,304**	14,132,676
Segment liabilities	**33,382**	21,496	**106,291**	96,806	**47,743**	48,462	**14,690**	16,129	**202,106**	182,893
Bank borrowings									**2,416,537**	2,703,816
Other unallocated liabilities									**1,817,686**	1,579,146
Total liabilities									**4,436,329**	4,465,855

Other segment information

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Amortisation of prepaid land lease payments	**-**	-	**-**	-	**1,028**	1,028	-	-	**1,028**	1,028
Depreciation	**124**	124	**29**	28	**17,044**	15,215	**135**	212	**17,332**	15,579
Depreciation - unallocated									**6,137**	11,228
									23,469	26,807
Capital expenditure	**197,816**	665,638	**237,068**	19,515	**11,183**	10,843	**21**	40	**446,088**	696,036
Capital expenditure - unallocated									**780**	4,965
									446,868	701,001

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

The following table presents revenue and assets by geographical location of the assets for the years ended 31 July 2011 and 2010:

	Hong Kong		Vietnam		Others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Sales to external customers	**843,028**	436,390	**324,622**	292,864	**25,264**	-	**1,192,914**	729,254
Other revenue	**6,606**	1,426	**-**	-	**-**	-	**6,606**	1,426
Total	**849,634**	437,816	**324,622**	292,864	**25,264**	-	**1,199,520**	730,680
Segment assets								
Non-current assets	**8,648,940**	7,358,638	**294,418**	303,466	**220,889**	-	**9,164,247**	7,662,104
Current assets	**256,952**	597,362	**220,722**	199,542	**24,402**	-	**502,076**	796,904
Total	**8,905,892**	7,956,000	**515,140**	503,008	**245,291**	-	**9,666,323**	8,459,008

Information about major customers

For both the years ended 31 July 2011 and 31 July 2010, there was no revenue derived from a single customer which contributed for more than 10% of the Group's revenue for respective years.

4. OTHER REVENUE AND GAIN

	2011	2010
	HK$'000	*HK$'000*
Interest income from bank deposits	**3,002**	1,774
Interest income from held-to-maturity debt investments	**2,175**	5,433
Other interest income	**737**	1,079
Gain on disposal of an available-for-sale financial asset	**27,795**	-
Dividend income from equity investments at fair value through profit or loss	**113**	46
Dividend income from unlisted available-for-sale equity investments	**3,926**	20,748
Project management fee income received from an associate	**3,600**	9,000
Others	**12,982**	8,499
	54,330	46,579

5. PROVISION FOR TAX INDEMNITY

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

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

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2011 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK$1,336,996,000 (2010: HK$1,341,829,000).

As at 31 July 2011, the directors of the Company, after taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, considered it is probable that an estimated amount of HK$518,570,000 (2010: HK$470,191,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, an additional provision for the tax indemnity amount of HK$48,379,000 (2010: HK$17,495,000) was recognised in the income statement for the year ended 31 July 2011.

6. PROFIT FROM OPERATING ACTIVITIES

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

	2011	2010
	HK$'000	*HK$'000*
Depreciation #	**23,469**	26,807
Amortisation of prepaid land lease payments *	**1,028**	1,028
Loss on disposal of property, plant and equipment*	**30**	327
Loss on disposal of equity investments at fair value through profit or loss*	**782**	19,804
Fair value loss/(gain) on equity investments at fair value through profit or loss*	**7,215**	(121)

Depreciation charge of HK$21,321,000 (2010: HK$19,451,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the consolidated income statement.

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

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**40,889**	33,892
Bank financing charges	**9,979**	9,149
	50,868	43,041
Less : Amount capitalised in properties under development for sale	**(3,792)**	(1,264)
	47,076	41,777

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2011	2010
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**16,776**	17,148
Overseas	**16,248**	13,557
	33,024	30,705
Deferred tax	**184,422**	209,772
Prior years' under/(over) provision – Hong Kong	**(216)**	4,279
Tax charge for the year	**217,230**	244,756

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$2,343,707,000 (2010: HK$2,064,562,000) and the weighted average number of 14,162,042,000 (2010:14,162,042,000) ordinary shares in issue during the year.

The diluted earnings per share amounts for the years ended 31 July 2011 and 2010 have not been disclosed as no diluting events existed during both years.

10. INTERESTS IN ASSOCIATES/SHARE OF PROFITS AND LOSSES OF ASSOCIATES

eSun Holdings Limited ("eSun") and its subsidiaries (collectively the "eSun Group")

(a) Included in the Group's interests in associates at 31 July 2011 and share of profits and losses of associates for the year ended 31 July 2011 was the Group's share of net assets and profit of the eSun Group of HK$2,461,426,000 (2010: HK$2,044,631,000) and HK$435,372,000 (2010: HK$127,152,000), respectively.

(b) **Reorganisation involving shares in the capital of Lai Fung and the Company**

Up to 30 September 2010, a cross-holding position existed between the eSun Group and the Company that the Group's interest in eSun was 36.08% and the eSun Group held 36.72% of the issued share capital of the Company.

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

(i) LSG agreed to transfer or procure the transfer of, and eSun agreed to accept the transfer of, LSG's direct and indirect interests in 3,265,688,037 shares in the capital of Lai Fung (the "Lai Fung Transaction"), representing approximately 40.58% of the then existing issued share capital of Lai Fung and LSG's entire shareholding interest in Lai Fung. The consideration was satisfied by (i) the transfer to LSG of eSun's entire shareholding interest in the Company; and (ii) cash consideration of HK$178.4 million paid by eSun to LSG (HK$100 million paid on the date of completion of the Shares Swap Transactions (see definition below), and approximately HK$78.4 million paid, without interest, six months after the date of completion); and

(ii) eSun agreed to procure the transfer of, and LSG agreed to accept the transfer of, eSun's indirect interest in 5,200,000,000 shares in the capital of the Company (the "LSD Transaction", together with the Lai Fung Transaction collectively referred to as the "Shares Swap Transactions"), representing approximately 36.72% of the then existing issued share capital of the Company and eSun's entire shareholding interest in the Company. The consideration was satisfied by the transfer to eSun of LSG's entire shareholding interest in Lai Fung less the cash consideration of approximately HK$178.4 million received by LSG from eSun.

Further details of the Shares Swap Transactions were set out in the joint announcement of LSG and eSun dated 26 July 2010 and the circulars of LSG and eSun both dated 30 August 2010. Resolutions approving the shares swap agreement were duly passed at an extraordinary general meeting of LSG and a special general meeting of eSun on 20 September 2010. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Shares Swap Transactions took place on 30 September 2010.

Upon completion of the Shares Swap Transactions, eSun no longer holds any interest in the Company but the Company continues to hold a 36.08% equity interest in eSun. Accordingly, the cross-holding relationship between eSun and the Company was dismantled.

Included in the share of results of the eSun Group above were (i) the eSun Group's gain on disposal of 36.72% interest in the Company shared by the Group of HK$215,505,000 (including the eSun Group's release of reserves to the income statement shared by the Group of HK$99,279,000); and (ii) the eSun Group's discount on acquisition of 40.58% interest in Lai Fung shared by the Group of HK$1,861,000.

(c) In April 2011, certain share options granted by eSun under its share option scheme were exercised to subscribe for 2,480,000 ordinary shares of HK$0.50 each of eSun at a subscription price of HK$1.40 per share. Accordingly, the Group's interest in eSun was diluted from 36.08% to 36.00%.

10. INTERESTS IN ASSOCIATES/SHARE OF PROFITS AND LOSSES OF ASSOCIATES *(continued)*

Diamond String Limited ("Diamond String")

Included in the Group's interests in associates as at 31 July 2011 and share of profits and losses of associates for the year ended 31 July 2011 was the Group's share of net assets and profits of Diamond String, a 50%-owned associate of HK$1,847,124,000 (2010: HK$1,384,180,000) and HK$462,918,000 (2010: HK$859,299,000), respectively.

During the year ended 31 July 2010, the Group adopted the amendments to HKAS 40 which became effective in the Group's accounting period beginning 1 August 2009. Under the amendments, investment property under construction is included within the scope of HKAS 40. Investment property under construction could be carried at fair value when its fair value is reliably determinable. Any difference between the fair value and the carrying book value of the property shall be recognised as gain or loss in the income statement for the period of initial adoption of this amendment. Prior to the amendments, investment property under construction was carried at cost until the construction had been completed. The Group, through Diamond String, holds a property (the "Property") situated at 3 Connaught Road Central, Hong Kong (formerly operating as "The Ritz-Carlton Hong Kong") which is being re-developed into a grade-A office tower for investment purpose. The Property is stated at cost less accumulated depreciation and any impairment losses in Diamond String's financial statements. When the Group accounts for its interest in Diamond String under equity method in its consolidated financial statements, the Property is measured at fair value for the purpose of conforming to the Group's accounting policies. As a result, a 50% share of fair value gain arising from valuation of the Property of HK$859,582,000 (net of the related deferred tax and goodwill) was recorded in the Group's share of results of associates for the year ended 31 July 2010. In the current year, the Group's share of profits of Diamond String was mainly attributable to the Group's share of the fair value gain for the current year arising from the Property of HK$463,235,000 (net of the related deferred tax).

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

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

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

	2011	2010
	HK$'000	*HK$'000*
Trade debtors:		
Not yet due or less than 30 days past due	**7,252**	23,363
31 – 60 days past due	**2,143**	1,458
61 – 90 days past due	**385**	270
Over 90 days past due	**2,559**	2,282
	12,339	27,373
Other debtors and deposits paid	**112,488**	93,942
	124,827	121,315

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

	2011	2010
	HK$'000	*HK$'000*
Trade creditors:		
Not yet due or less than 30 days past due	**7,004**	6,973
31 – 60 days past due	**1,273**	173
61 – 90 days past due	**374**	1
Over 90 days past due	**481**	-
	9,132	7,147
Other creditors, deposits received and accruals	**212,967**	209,474
	222,099	216,621

12. SHARE CAPITAL

	2011		2010	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**17,200,000**	**172,000**	17,200,000	172,000
Preference shares of HK$1.00 each	**1,200,000**	**1,200,000**	1,200,000	1,200,000
		1,372,000		1,372,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**14,162,042**	**141,620**	14,162,042	141,620

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

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

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

(1) 50% investment in Fortune Sign Venture Inc. ("Fortune Sign"), up to an aggregate amount of HK$1,556,000,000;

(2) 10% investment in Bayshore Development Group Limited ("Bayshore"), up to an aggregate amount of HK$2,923,000,000; and/or

(3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK$1,140,000,000

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

12. SHARE CAPITAL *(continued)*

The undertaking is subject to the following provisos:

(i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserve of the Company and the same shall become available for distribution;

(ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets being the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and

(iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

In prior years, an aggregate amount of HK$630,400,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow Profits Limited ("Peakflow"), a wholly-owned subsidiary of the Company which holds a 10% equity interest in Bayshore, to the extent of HK$372,072,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company. During the year ended 31 July 2011, there was no movement of transfer between retained profits/(accumulated losses) and special capital reserve.

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

As a result of the above transfers between the reserves, the outstanding balance of the special capital reserve of the Company as at 31 July 2011 was HK$126,264,000 (2010: HK$126,264,000).

DIVIDEND

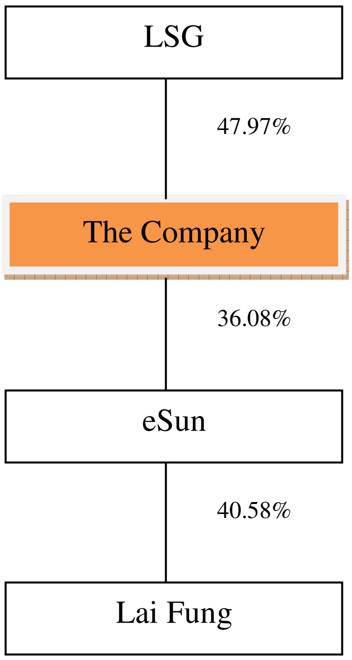
As at 31 July 2011, the Company did not have any reserves available for distribution in accordance with provisions of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Board of the Company has resolved not to declare the payment of an ordinary dividend for the financial year ended 31 July 2011. No ordinary dividend was declared in respect of the last corresponding year.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP REORGANISATION

On 30 September 2010, Lai Sun Garment (International) Limited ("LSG") and eSun Holdings Limited ("eSun") completed a group reorganisation (the "Group Reorganisation"). Pursuant to the Group Reorganisation, LSG transferred its entire shareholding interest in Lai Fung Holdings Limited ("Lai Fung") (approximately 40.58% of the issued share capital of Lai Fung) to eSun to be settled by (i) the transfer to LSG of eSun's entire shareholding interest in the Company (approximately 36.72% of the issued share capital of the Company) and (ii) cash balance of approximately HK$178.4 million.

Immediately following the completion of the Group Reorganisation, the group structure involving LSG, the Company, eSun and Lai Fung has become as follows:



As a result of the Group Reorganisation, the cross-shareholding between the Company and eSun that existed since 2004 was dismantled. The Group Reorganisation simplified the ownership structure of the Company and eSun, and eliminated the circular effect of the accounting treatment of the cross shareholdings. The magnifying effect of the cross-held interests were eliminated through the Group Reorganisation. More importantly, the directors of the Company (the "Director") believe that the simplified shareholding structure provides greater clarity to shareholders and the market with regard to the core business of each of the above companies.

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

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2011, the Group recorded a turnover of HK$1,192,914,000 (2010: HK$729,254,000) and a gross profit of HK$611,636,000 (2010: HK$474,981,000), representing an increase of approximately 63.6% and 28.8% respectively from the previous corresponding year. The increase in turnover and gross profit was mainly attributable to the sales of residential units at Emerald 28, Tai Po Road, Kowloon, Hong Kong.

During the year under review, the Group recorded a fair value gain on completed investment properties of HK$1,074,933,000 (2010: HK$1,232,615,000). In addition, the Group recorded an additional provision for tax indemnity of approximately HK$48,379,000 (2010: a provision of HK$17,495,000). Such provision was made in respect of certain tax indemnity granted by the Group to Lai Fung at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in November 1997 (details of the tax indemnity and the provisions thereof are set out in Note 5 above). Taking into account of the above exceptional items, the Group recorded a profit from operating activities of HK$1,325,577,000 during the year ended 31 July 2011 (2010: HK$1,412,230,000).

During the year under review, the Group's share of profits from associates was HK$1,335,581,000 (2010: HK$982,364,000). Movements of main items of the Group's share of profits from associates during the year under review are as follows:

1. The Group owns a 50% interest in a joint venture company set up between the Group and Invesco Management Group, Inc. (formerly known as AIG Global Real Estate Investment (Asia) LLC.) which in turn owns a residential/commercial development project named The Oakhill, Wood Road, Hong Kong. The occupation permit for The Oakhill was issued in June 2011. Following the issue of the occupation permit, the joint venture company was able to recognise and book the sale of units at The Oakhill during the year under review. Accordingly, the Group's share of the net profit of the joint venture company as recorded in the Group's consolidated income statement amounted to approximately HK$436,400,000.

2. The Group owns a 50% interest in Diamond String Limited ("DSL"), a joint venture company formed between the Group and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB") for the redevelopment of the property site situated at 3 Connaught Road Central, Hong Kong. During the year under review, the Group's share of the fair value gain from DSL's investment property under development as recorded in the Group's consolidated income statement (net of the related deferred tax) amounted to approximately HK$463,300,000 (2010: HK$859,582,000).

3. Prior to the Group Reorganisation, the Group held a 36.08% shareholding interest in eSun, which in turn held a 36.72% shareholding interest in the Group. Following completion of the Group Reorganisation on 30 September 2010, (i) the Group continues to hold a 36.08% shareholding interest in eSun, and (ii) eSun holds a 40.58% shareholding interest in Lai Fung. The Group's interest in eSun was subsequently reduced from 36.08% to 36.00% as eSun issued additional ordinary shares upon exercise of certain share options by a grantee under eSun's share option scheme. The Group's share of profits of eSun during the year under review was mainly attributable to (i) the share of eSun's operating profit (excluding eSun's share of the results of LSD and Lai Fung) of HK$102,500,000 (2010: share of eSun's operating loss of HK$168,700,000) which was mainly attributable to a gain recognised by eSun in relation to the disposal of its shareholding interests in the Macao Studio City project during the year; (ii) share of eSun's share of the Company's profits due to the cross-shareholding structure that was in place during the period from 1 August 2010 to 30 September 2010 of HK$52,000,000 (2010: HK$295,900,000); (iii) share of eSun's gain on the Group Reorganisation of HK$217,400,000; and (iv) share of eSun's share of Lai Fung's results from 1 October 2010 to 31 July 2011 of HK$63,400,000.

Finance costs during the year amounted to HK$47,076,000 (2010: HK$41,777,000).

For the year ended 31 July 2011, the Group recorded a consolidated net profit attributable to ordinary equity holders of the Company of HK$2,343,707,000 (2010: HK$2,064,562,000).

Shareholders' equity as at 31 July 2011 amounted to HK$11,959,041,000, up from HK$9,405,690,000 as at 31 July 2010. Net asset value per share as at 31 July 2011 was HK$0.844, as compared to HK$0.664 as at 31 July 2010.

BUSINESS REVIEW

Investment Properties

The Group wholly owns three major investment properties in Hong Kong. They include Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre.

In February 2011, the Group acquired an office building with a total floor area of 41,680 square feet at 36 Queen Street, London, the United Kingdom at a consideration of GBP16,880,000 (equivalent to approximately HK$213,532,000). This acquisition represents an opportunity to own a piece of prime investment property in the core financial district of central London that has the potential of generating good cashflow and rental yield.

For the year ended 31 July 2011, aggregate gross rental income from the Group's investment properties amounted to approximately HK$367,455,000 (2010: HK$341,103,000), representing an increase of 7.7% over the last corresponding year. Overall average occupancy of the Group's investment properties for the year under review remained at about 98%.

Development Properties

The Group holds the following property development projects in Hong Kong:

3 Connaught Road Central

This is the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This redevelopment project is a 50:50 joint venture between the Group and a wholly-owned subsidiary of CCB. The buildable gross floor area is approximately 225,000 square feet. The redeveloped project will be an office tower that is expected to become a landmark property in Central featuring underground access to the MTR station in Central. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations. Total construction cost of the project is estimated to be approximately HK$1,100,000,000.

Superstructure work commenced in April 2010. The building is expected to be completed in the third quarter of 2012.

The Oakhill, Wood Road, Wanchai

This joint residential development project is a 50:50 joint venture between the Group and Invesco Management Group, Inc. (formerly known as AIG Global Real Estate Investment (Asia) LLC). The project's total development cost is approximately HK$1,300,000,000. The project comprises a total of 130 residential units with a total gross floor area of 154,713 square feet, street level retail shops with a total gross floor area of 7,880 square feet and 62 car-parking spaces.

Pre-sale of the residential units commenced in July 2010 and the project was completed in June 2011. To date, 124 residential units with an aggregate gross floor area of 142,525 square feet were pre-sold at an average selling price of approximately HK$15,000 per square foot. Most of the income from the sale of the residential units was recognised in the Group's share of results of associates in the year under review.

Emerald 28, Tai Po Road, Kowloon

The Group wholly owns this development project. The project's estimated total development cost is approximately HK$500,000,000. The project comprises a total of 53 residential units with a total gross floor area of 60,686 square feet and retail units with a total gross floor area of 10,186 square feet. During the year ended 31 July 2011, the Group recorded the sale of 42 residential units (2010: 3 residential units) with an aggregate gross floor area of 47,920 square feet (2010: 3,694 square feet) at an average selling price of HK$8,650 per square foot (2010: HK$9,361 per square foot) and on a turnover of HK$414,521,000 (2010: HK$34,578,000).

Yau Tong Project

The Group wholly owns this development project located at No. 4 Shung Shun Street, Yau Tong, Kowloon. The Group intends to develop the site into a residential-cum-commercial property with a total gross floor area of about 110,000 square feet. The estimated total development cost (including land cost and lease modification premium) is about HK$700 million.

Superstructure work started in February 2011 and the building is expected to be completed in the third quarter of 2012. The Group plans to commence pre-sale of the residential units in the second quarter of 2012.

Tai Hang Road Project

The Group wholly owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group intends to develop the site into a luxury residential property. During the year, the Group also completed the lease modification of the site. The total gross floor area of the development is about 30,000 square feet. The total development cost (including land cost and lease modification premium) is estimated to be about HK$650 million.

Foundation work started in October 2010 and the building is expected to be completed in the second quarter of 2013.

Observatory Road Project

On 12 July 2011, the Group announced the acquisition of a 50% interest as well as an option to acquire an additional 10% interest in parcels of ground at Observatory Road, Kowloon with the buildings currently erected there known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon.

The Group plans to redevelop the site into a multi-storey commercial building with a total gross floor area of approximately 165,000 square feet. The total development cost is estimated to be about HK$2.3 billion (including the land cost). The building is expected to be completed in 2014.

Resolutions approving the acquisition, the option and the financial assistance to be provided by the Group for the redevelopment of the land were duly passed at the extraordinary general meeting of the Company on 22 October 2011. Completion of the acquisition is expected to take place on or around mid of November 2011.

Hotel and Restaurant Operation

For the year ended 31 July 2011, hotel and restaurant operations contributed HK$389,419,000 to the Group's turnover (2010: HK$334,843,000), up approximately 16.3% from the previous year. The increase in turnover was partly contributed by an existing restaurant and a new restaurant which commenced business in the second half of 2010. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of Caravelle Hotel in Ho Chi Minh City, Vietnam. For the year ended 31 July 2011, Caravelle Hotel achieved an average occupancy of 68% (2010: 59%) and average daily room rate of US$146 (2010: US$148). Caravelle Hotel will undergo a comprehensive renovation and upgrade program in the first quarter of 2012 and the renovation is expected to be completed in the fourth quarter of 2013.

PROSPECTS

Hong Kong Property Development

In 2011, Hong Kong's economy and property market continues to benefit from the global low interest rate environment and the relatively strong performance of Mainland China's domestic economy. As a favoured investment destination for Mainland Chinese investors, Hong Kong's property market continues to perform well despite challenging times in other global economies.

With improvement of its operations and with the timely disposal of assets in the past few years, the Group has a healthy balance sheet with reasonable leverage. Under the current circumstances, the Group has been looking and will continue to look for suitable high yielding investment opportunities to expand and grow its businesses in both Hong Kong and overseas.

Investment Properties

Rent levels for office and commercial properties in prime locations in Hong Kong have remained strong in 2010 and 2011. The operating conditions for most retail, consumption and commercial sectors in Hong Kong have performed favorably given the strong retail spending from Mainland visitors. The demand for high quality commercial properties in traditional commercial districts is strong given the lack of new supply coming on stream and this has resulted in an uptick of rental rates. Improved local consumption expenditure and strong retail spending by the Mainland visitors provide further impetus to the retail property market.

In the coming year, the Group will continue to upgrade its commercial investment properties as well as tenant mix so that it can continue to maintain high occupancy rates and strong rental cashflow.

Development Properties

The continued economic growth, a low interest rate environment, ample liquid funds and a tight market supply of residential units have extended the bullish sentiment towards Hong Kong's residential properties since early 2010. As pre-cautionary measures against the rising risks of inflation and the development of a property bubble, the Hong Kong Government and the Hong Kong Monetary Authority in November 2010 introduced a series of tightening measures, including the levy of a special stamp duty on short-term property transactions and the direction to mortgage lenders to lower the loan-to-value ratio for mortgage loans to ease property speculation. Between November 2010 and early 2011, the market experienced a short-term consolidation, evidenced by a sharp drop in the transaction volume. Starting from early 2011, the market gradually stabilised as transaction volume and prices of residential properties edged up modestly. The recovery has reinforced market sentiment and re-opened the window for the primary sale of residential projects. The low interest rate environment and a tight supply of new residential units in urban areas are expected to contribute towards a steady development of the residential market in Hong Kong.

The Group currently owns a number of residential projects under development in Hong Kong. In 2010, the Group has managed to capture the strong growth in the Hong Kong residential property market by achieving satisfactory sales performances for The Oakhill and Emerald 28 projects that it owns 50% and 100% respectively. In 2011, the Group intends to sell the remaining units at The Oakhill and Emerald 28 and start the preparation work for the pre-sale of the residential development project in Yau Tong.

New Investments

Encouraged by strong retail and consumption demand by Mainland visitors and locals alike, the Group continues to seek opportunities in the retail and commercial properties sector.

On 12 July 2011, the Group announced the acquisition of a 50% interest as well as an option to acquire an additional 10% interest in parcels of ground at Observatory Road, Kowloon, Hong Kong with the buildings currently erected there known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon, Hong Kong.

The Group plans to redevelop the site into a multi-storey commercial building with total gross floor area of approximately 165,000 square feet. The total development cost is estimated to be about HK$2.3 billion. The building is expected to be completed in 2014.

With the Hong Kong Government committed to increasing land supply in the long run as a measure to stabilise local property prices, the Group will continue to monitor the prices achieved at Government land auctions in Hong Kong and will participate in the auction if and when suitable investment opportunities arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2011, the Group had consolidated net assets of approximately HK$11,959 million (as at 31 July 2010: HK$9,406 million).

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

As at 31 July 2011, the Group had secured bank facilities (excluding amounts repaid and cancelled pursuant to the respective terms of the facilities) of approximately HK$2,650 million. The amount of outstanding borrowings under these secured banking facilities was approximately HK$2,417 million (as at 31 July 2010: HK$2,704 million). The debt to equity ratio expressed as a percentage of the total outstanding borrowings to consolidated net assets was approximately 20%. As at 31 July 2011, the maturity profile of the bank borrowings of HK$2,417 million was spread over a period of less than 5 years with HK$217 million repayable within 1 year, HK$1,094 million repayable in the second year and HK$1,106 million repayable in the third to fifth years. As at 31 July 2011, all the Group's borrowings carried interest on a floating rate basis.

As at 31 July 2011, certain investment properties with carrying amounts of approximately HK$7,743 million, certain property, plant and equipment with carrying amounts of approximately HK$243 million, prepaid land lease payments of approximately HK$26 million, certain properties under development of approximately HK$482 million, and certain bank balances and time deposits with banks of approximately HK$100 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares in an associate held by the Group were pledged to a bank to secure a loan facility granted to an associate of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars or United State dollars. Considering that Hong Kong dollars are pegged against US dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United State dollars is nominal. During the year, the Group had made a new investment in United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK$86 million which only accounted for a small portion of the consolidated net assets of the Group as at 31 July 2011. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure.

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 nor did the Company or any of its subsidiaries purchase or sell any of such shares.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 July 2011 save for the deviation from code provisions A.4.1 and E.1.2.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election.

None of the existing non-executive directors (including the independent non-executive directors) of the Company is appointed for a specific term. However, all 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 a non-executive Director) will hold office only until the next annual general meeting (the "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.

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. Lau Shu Yan, Julius, an executive Director and the Chief Executive Officer who was present at that AGM was elected chairman of that AGM pursuant to the Articles to ensure an effective communication with shareholders of the Company at that AGM.

REVIEW OF ANNUAL RESULTS

The audit committee comprises two independent non-executive Directors of the Company, namely Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan, and a non-executive Director, Mr. Wan Yee Hwa, Edward. 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 ANNOUNCEMENT OF RESULTS 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 meeting 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 the following members:

Executive Directors:	*Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Lau Shu Yan, Julius (Chief Executive Officer), Tam Kin Man, Kraven, Cheung Wing Sum, Ambrose, Lui Siu Tsuen, Richard and Cheung Sum, Sam;*
Non-Executive Directors:	*Dr. Lam Kin Ming, Madam U Po Chu and Mr. Wan Yee Hwa, Edward; and*
Independent Non-Executive Directors:	*Messrs. Lam Bing Kwan, Leung Shu Yin, William and Ip Shu Kwan, Stephen.*