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 2012

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 2012 together with the comparative figures for the previous year as follows:

Consolidated Income Statement

For the year ended 31 July 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
TURNOVER	3	**1,394,034**	647,183
Cost of sales		**(580,680)**	(264,909)
Gross profit		**813,354**	382,274
Other income and gains		**129,672**	119,024
Selling and marketing expenses		**(62,865)**	(38,280)
Administrative expenses		**(244,581)**	(207,190)
Other operating expenses, net		**(104,495)**	(9,966)
Fair value gains on investment properties		**965,674**	605,006
PROFIT FROM OPERATING ACTIVITIES	4	**1,496,759**	850,868
Finance costs	5	**(111,295)**	(76,143)
Share of losses of joint ventures		**(11,327)**	(2,762)
PROFIT BEFORE TAX		**1,374,137**	771,963
Tax	6	**(494,358)**	(193,663)
PROFIT FOR THE YEAR		**879,779**	578,300
ATTRIBUTABLE TO:			
Owners of the Company		**812,758**	530,112
Non-controlling interests		**67,021**	48,188
		879,779	578,300
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	8		*(Adjusted)*
Basic		**HK$0.085**	HK$0.063
Diluted		**HK$0.085**	N/A

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

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2012

	2012 HK$'000	2011 HK$'000
PROFIT FOR THE YEAR	**879,779**	578,300
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Reversal of impairment of investment properties under construction	**2,580**	16,488
Exchange differences arising on translation to presentation currency	**121,385**	496,383
Share of other comprehensive income of joint ventures	**36,150**	17,662
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**160,115**	530,533
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,039,894**	1,108,833
ATTRIBUTABLE TO:		
Owners of the Company	**966,226**	1,029,571
Non-controlling interests	**73,668**	79,262
	1,039,894	1,108,833

Consolidated Statement of Financial Position

As at 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**841,164**	931,774
Prepaid land lease payments		**5,600**	5,717
Investment properties		**10,289,369**	9,295,785
Properties under development		**925,588**	1,122,284
Investments in joint ventures		**319,861**	350,289
Goodwill		**3,400**	4,561
Total non-current assets		**12,384,982**	11,710,410
CURRENT ASSETS			
Properties under development		**500,587**	1,231,503
Completed properties for sale		**1,785,003**	193,649
Debtors, deposits and prepayments	9	**135,120**	160,525
Prepaid tax		**49,513**	39,472
Pledged and restricted time deposits and bank balances		**943,135**	712,456
Cash and cash equivalents		**1,695,551**	887,300
Total current assets		**5,108,909**	3,224,905
CURRENT LIABILITIES			
Creditors and accruals	10	**687,195**	590,206
Deposits received and deferred income		**355,974**	567,815
Interest-bearing bank loans, secured		**1,559,357**	118,154
Tax payable		**343,117**	265,451
Total current liabilities		**2,945,643**	1,541,626
NET CURRENT ASSETS		**2,163,266**	1,683,279
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,548,248**	13,393,689

Consolidated Statement of Financial Position (continued)
As at 31 July 2012

	Note	2012 HK$'000	2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,548,248**	13,393,689
NON-CURRENT LIABILITIES			
Long term deposits received		**68,045**	81,692
Interest-bearing bank loans, secured		**358,342**	1,471,241
Advances from a former substantial shareholder		**57,200**	56,474
Fixed rate senior notes		**1,427,253**	1,427,850
Deferred tax liabilities		**1,566,958**	1,283,303
Total non-current liabilities		**3,477,798**	4,320,560
		11,070,450	9,073,129
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	**1,609,591**	804,796
Share premium account		**4,065,862**	3,876,668
Asset revaluation reserve		**36,448**	33,894
Share option reserve		**3,678**	-
Exchange fluctuation reserve		**1,714,155**	1,594,660
Capital reserve		**25,974**	(5,445)
Retained earnings		**2,937,334**	2,169,645
Proposed final dividend		**45,069**	40,240
		10,438,111	8,514,458
Non-controlling interests		**632,339**	558,671
		11,070,450	9,073,129

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 (the "HKICPA"), 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.

2.1 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:

HKAS 24 (Revised)	Related Party Disclosures
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in 2010

The accounting policy for related parties has been revised and the related party disclosures have been revised retrospectively as a result of the adoption of HKAS 24 (Revised).

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

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time for the current year's financial statements:

HKAS 12 (Amendments)	Income Taxes – Deferred Tax: Recovery of Underlying Assets
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

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

The principal changes in accounting policies are as follows:

(a) HKAS 12 (AMENDMENTS) "INCOME TAXES – DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS"

HKAS 12 (Amendments) clarifies the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred taxation on investment property at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use. HKAS 12 (Amendments) are effective for annual periods beginning on or after 1 January 2012. The aforesaid presumption is rebutted in relation to all of the Group's investment properties measured at fair value and the early adoption of this amendment has no significant impact on the results or financial position of the Group.

(b) NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The HKICPA has issued a package of five standards on consolidation, joint arrangements, associates and disclosures including HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosures of Interests in Other Entities", HKAS 27 (2011) "Separate Financial Statements" and HKAS 28 (2011) "Investments in Associates and Joint Ventures" which are effective for annual periods beginning on or after 1 January 2013.

The major impact of the adoption of these standards is set out below.

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 replaces the portion of HKAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

(b) NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURE OF INTERESTS IN OTHER ENTITIES (continued)

HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of shareholdings of the other vote holders.

The early adoption of this HKFRS has no significant impact on the results or financial position of the Group.

HKFRS 12 "Disclosure of Interests in Other Entities"

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 "Consolidated and Separate Financial Statements", HKAS 31 "Interests in Joint Ventures" and HKAS 28 "Investments in Associates". It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group has early adopted HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 in the current year's financial statements.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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

HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income[1]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Amendments to HKFRS 1	Government Loans[2]
Annual Improvements Project	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HKFRS 7 Amendments	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9 Amendments and HKFRS 7 Amendments	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

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

3. OPERATING SEGMENT INFORMATION

	Property development		Property investment		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**919,584**	258,387	**474,450**	388,796	**1,394,034**	647,183
Other revenue	**389**	200	**99,102**	86,974	**99,491**	87,174
Total	**919,973**	258,587	**573,552**	475,770	**1,493,525**	734,357
Segment results	**374,360**	12,302	**1,168,143**	846,518	**1,542,503**	858,820
Unallocated gains					**30,770**	31,850
Unallocated expenses, net					**(76,514)**	(39,802)
Profit from operating activities					**1,496,759**	850,868
Finance costs					**(111,295)**	(76,143)
Share of losses of joint ventures	**(11,327)**	(2,762)	**-**	-	**(11,327)**	(2,762)
Profit before tax					**1,374,137**	771,963
Tax					**(494,358)**	(193,663)
Profit for the year					**879,779**	578,300
Segment assets/liabilities:						
Segment assets	**3,266,645**	2,613,121	**11,099,847**	10,240,000	**14,366,492**	12,853,121
Investments in joint ventures	**319,861**	350,289	**-**	-	**319,861**	350,289
Unallocated assets					**2,807,538**	1,731,905
Total assets					**17,493,891**	14,935,315
Segment liabilities	**597,188**	709,852	**366,323**	375,765	**963,511**	1,085,617
Unallocated liabilities					**5,459,930**	4,776,569
Total liabilities					**6,423,441**	5,862,186

3. OPERATING SEGMENT INFORMATION (continued)

	Property development		Property investment		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:						
Depreciation	**1,839**	1,421	**50,099**	35,459	**51,938**	36,880
Corporate and other unallocated depreciation					**7,507**	6,626
					59,445	43,506
Capital expenditure	**3,963**	1,267	**199,558**	405,786	**203,521**	407,053
Corporate and other unallocated capital expenditure					**1,465**	2,289
					204,986	409,342
Fair value gains on investment properties	**-**	-	**965,674**	605,006	**965,674**	605,006
Reversal of impairment/ (impairment) of properties under development/investment properties under construction*	**1,585**	(22,037)	**3,441**	21,985	**5,026**	(52)
Loss on disposal of items of property, plant and equipment	**5**	50	**54,577**	36	**54,582**	86

* *Reversal of impairment of HK$1,585,000 (2011: impairment of HK$22,037,000) and reversal of impairment of HK$3,441,000 (2011: reversal of impairment of HK$21,985,000) 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):

	2012 HK$'000	2011 HK$'000
Interest income from bank deposits	**(11,570)**	(15,681)
Cost of completed properties sold	**474,804**	183,012
Outgoings in respect of rental income	**105,876**	81,897
Total cost of sales	**580,680**	264,909
Depreciation#	**59,445**	43,506
Amortisation of prepaid land lease payments	**10,038**	9,715
Capitalised in properties under development	**(9,847)**	(9,532)
	191	183
Foreign exchange differences, net*	**(6,271)**	(28,626)
Impairment/(reversal of impairment) of properties under development*	**(1,585)**	22,037
Loss on disposal of items of property, plant and equipment#	**54,582**	86
Gain on repurchase of fixed rate senior notes*	**(589)**	-

The depreciation charge of HK$46,332,000 (2011: HK$17,880,000) for serviced apartments and related leasehold improvements and the loss on disposal of items of property, plant and equipment of HK$54,582,000 (2011: Nil) are 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

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**77,754**	46,416
Fixed rate senior notes, net	**131,620**	132,221
Amortisation of fixed rate senior notes	**7,090**	6,482
Bank financing charges	**1,369**	2,179
	217,833	187,298
Less: Capitalised in properties under development	**(75,993)**	(78,799)
Capitalised in investment properties	**(30,545)**	(27,092)
Capitalised in property, plant and equipment	**-**	(5,264)
	(106,538)	(111,155)
Total finance costs	**111,295**	76,143

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 (2011: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	2012	2011
	HK$'000	HK$'000
Current - Mainland China		
Corporate income tax		
Charge for the year	**75,265**	46,606
Overprovision in prior years	**-**	(10,725)
	75,265	35,881
Land appreciation tax		
Charge for the year	**151,406**	54,870
Overprovision in prior years	**-**	(69,615)
	151,406	(14,745)
Deferred	**267,687**	172,527
Total tax charge for the year	**494,358**	193,663

7. DIVIDEND

	2012	2011
	HK$'000	HK$'000
Proposed final – HK$0.0028 (2011: HK$0.0050) per ordinary share	**45,069**	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$812,758,000 (2011: HK$530,112,000), and the weighted average number of ordinary shares of 9,562,656,988 (2011: adjusted as 8,357,493,266) in issue during the year, as adjusted to reflect the bonus element inherent in the open offer during the year ended 31 July 2012.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2012 **HK$'000**
Earnings	
Profit attributable to owners of the Company used in the basic earnings per share calculation	**812,758**

	Number of shares **2012**
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**9,562,656,988**
Effect of dilution – weighted average number of ordinary shares:	
Share options	**631,150**
	9,563,288,138

No adjustment had been made to the basic earnings per share amount presented for the year ended 31 July 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount 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. Trade receivables of the Group were interest-free.

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

	2012	2011
	HK$'000	HK$'000
Trade receivables, net:		
Within one month	**62,651**	59,269
One to three months	**3,214**	890
	65,865	60,159
Other receivables, deposits and prepayments	**69,255**	100,366
Total	**135,120**	160,525

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:

	2012	2011
	HK$'000	HK$'000
Trade payables:		
Within one month	**40,101**	83,740
One to three months	**3,676**	2,252
Over three months	**895**	-
	44,672	85,992
Accruals and other payables	**642,523**	504,214
Total	**687,195**	590,206

11. SHARE CAPITAL

	2012 **HK$'000**	2011 HK$'000
Authorised:		
20,000,000,000 (2011: 12,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	1,200,000
Issued and fully paid:		
16,095,912,956 (2011: 8,047,956,478) ordinary shares of HK$0.10 each	**1,609,591**	804,796

The movements in authorised and issued capital of the Company during the year were as follows:

	Number of authorised shares	Number of issued shares	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
As at 1 August 2010, 31 July 2011 and 1 August 2011	12,000,000,000	8,047,956,478	804,796	3,876,668	4,681,464
Increase in authorised shares (Note (a))	8,000,000,000	-	-	-	-
Open offer (Note (b))	-	8,047,956,478	804,795	201,199	1,005,994
Open offer expenses (Note (b))	-	-	-	(12,005)	(12,005)
As at 31 July 2012	20,000,000,000	16,095,912,956	1,609,591	4,065,862	5,675,453

Note:

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company on 11 May 2012, the authorised ordinary share capital of the Company was increased from HK$1,200,000,000 divided into 12,000,000,000 shares with par value of HK$0.10 each to HK$2,000,000,000 divided into 20,000,000,000 shares by creation of additional 8,000,000,000 shares.

(b) During the year, an open offer was made in the proportion of 1 offer share of HK$0.10 each for every 1 ordinary share of HK$0.10 each held by the members on the register of members on 18 May 2012 at a subscription price of HK$0.125 per offer share. As a result of the open offer, 8,047,956,478 additional ordinary shares of HK$0.10 each were issued and the net proceeds of HK$993,989,000, after deduction of the related expenses of HK$12,005,000, was received during the year.

FINAL DIVIDEND AND BOOK CLOSE DATES

The Board has recommended a final dividend of HK$0.0028 per share for the year ended 31 July 2012 (2011: HK$0.0050 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 Thursday, 3 January 2013. 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$45,069,000 (2011: HK$40,240,000), will be payable on Friday, 11 January 2013.

The Register of Members will be closed on Wednesday, 2 January 2013 and Thursday, 3 January 2013, 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 Monday, 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Final Results

For the year ended 31 July 2012, the Group recorded a turnover of HK$1,394.0 million (2011: HK$647.2 million) and a gross profit of HK$813.4 million (2011: HK$382.3 million), representing an increase of approximately 115% and 113%, respectively from the previous years. Net profit attributable to shareholders was approximately HK$812.8 million (2011: HK$530.1 million), representing an increase of approximately 53%.

Basic earnings per share was HK$0.085 (2011: HK$0.063). Excluding the effect of property revaluations, net profit attributable to shareholders was approximately HK$134.6 million (2011: HK$106.8 million), representing an increase of approximately 26%. Basic earnings per share excluding the revaluation effect correspondingly increased to HK$0.014 (2011: HK$0.013).

Shareholders' equity as at 31 July 2012 amounted to HK$10,438.1 million, up from HK$8,514.5 million as at 31 July 2011. Net asset value per share attributable to shareholders of the Company decreased to HK$0.648 per share as at 31 July 2012 from HK$1.058 per share as at 31 July 2011.

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by a sound foundation of rental income from investment properties of the Group.

As at 31 July 2012, the Group maintained a property portfolio (excluding carparks) comprising of completed investment properties with attributable GFA of approximately 2.355 million square feet, properties under development of approximately 10.071 million square feet, and properties held for sale of approximately 1.304 million square feet. The Group will build on this sound asset base with a view to delivering long-term value to its shareholders.

<u>Property Portfolio Composition</u>

Approximate attributable GFA in'000 square feet as at 31 July 2012

	Commercial / Retail	Office	Serviced Apartments	Residential	Total (excluding carpark & ancillary facilities)	No. of carparks
Investment properties[1]	1,432	548	368	6	2,355	537
Properties Under Development[2]	1,190	1,706	484	6,692	10,071	6,877
Properties Held for Sale[3]	186	9	290	819	1,304	1,691
Total GFA	**2,808**	**2,263**	**1,142**	**7,517**	**13,730**	**9,105**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale/lease*

<u>Property Investment</u>

Rental Income

During the year under review, the Group's rental operations recorded a turnover of HK$474.4 million (2011: HK$388.8 million), representing a 22% increase over the same period in 2011. Breakdown of rental turnover by major investment properties is as follows:

	Year ended 31 July			Year end
	2012 HK$ million	2011 HK$ million	% Change	occupancy (%)
Shanghai Hong Kong Plaza	349.6	279.1	25	Retail: 99 Office: 97 Serviced Apartments: 91
Shanghai Regents Park (commercial podium and car-parking spaces)	10.2	8.4	21	98
Shanghai Northgate Plaza I	7.8	17.4	-55	90
Shanghai May Flower Plaza (commercial podium and car-parking spaces)	2.1	-	N/A	84
Guangzhou May Flower Plaza	88.8	72.4	23	Retail: 99 Office: 100
Guangzhou West Point (commercial podium and car-parking spaces)	15.9	11.5	38	98
Total	**474.4**	**388.8**	22	

Rental income achieved a good increase as a whole with almost full occupancy in major investment properties. The strong performance from Shanghai Hong Kong Plaza was underpinned by a full year's contribution from existing leases and an increase in revenue from the serviced apartments due to a substantial increase in average available rooms to over 304 rooms (2011: 162) after completion of renovations, as well as a general improvement in tenant mix. As the Group is considering a comprehensive redevelopment of Shanghai Northgate Plaza I and II, rental income for this property recorded negative growth as the retail podium was closed for the year under review.

Rental income from Guangzhou May Flower Plaza recorded a healthy increase driven by good rent increases and tenant mix upgrades. Guangzhou West Point demonstrated strong growth as a result of improved occupancy and increased rent on lease renewals.

Pre-lease for the Shanghai May Flower Plaza is substantially completed after the year end and is expected to contribute at close to full occupany rentals from financial year 2013 onwards.

Review of major investment properties

Shanghai Hong Kong Plaza
Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge. Total GFA is approximately 1,180,169 square feet excluding 350 car-parking spaces. The property comprises 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. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP and Tiffany and internationally renowned luxury brands and high-end restaurants. The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group’s extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

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 retained a 95% interest in the retail podium which has approximately 320,311 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility with Lotte Mart as the anchor tenant.

Shanghai Northgate Plaza
Shanghai Northgate Plaza I comprises office units, a retail podium (now closed) 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 322,584 square feet excluding car-parking spaces and ancillary area. Shanghai Northgate Plaza II is a vacant site adjacent to Plaza I. The site area of Plaza II is approximately 44,293 square feet and its buildable GFA is approximately 375,007 square feet. 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 redevelopment proposal with professional consultants and local authorities.

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. This 13-storey complex has a total GFA of approximately 436,852 square feet excluding 136 car-parking areas. The building comprises of retail spaces, restaurants, office units and carparks. The property is fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

Guangzhou West Point
Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed use property where the Group has effectively sold all the residential and office units and retained a commercial podium with GFA of approximately 182,341 square feet excluding 141 car-parking spaces. Tenants of the retail podium include renowned restaurants and local retail brands.

Property Development

Recognised Sales

During the year under review, the Group's property development operations recorded a turnover of HK$919.6 million (2011: HK$258.4 million) from sale of properties, representing a 256% increase in value and 98% increase in GFA over the same period in 2011. The increase in recognised sales was due to an increase in volume as well as a change in geographical and product mix, which led to a higher average selling price. Total recognised sales was primarily driven by the sales performance of Shanghai May Flower Plaza of which approximately 210,943 square feet of residential GFA was sold.

During the year under review, average selling price recognised as a whole increased by 97% to approximately HK$4,080 per square feet (2011: HK$2,074 per square feet).

Breakdown of turnover for the year from property sales is as follows:

		Year ended 31 July 2012	
Recognised basis	**GFA** (approximately)	**Average Selling Price#**	**Turnover***
	square feet	HK$ / square feet	HK$ million
Shanghai May Flower Plaza			
Residential Units	210,943	4,203	836.6
Shanghai Regents Park Phase II			
Residential Units	7,106	4,657	31.2
Guangzhou West Point			
Residential Units	16,612	2,586	40.5
Office Units	3,691	2,630	9.2
Sub-total	**238,352**	**4,080**	**917.5**
Guangzhou Eastern Place			
Car-parking Spaces			2.1
Total			**919.6**

 # Before business tax
** After business tax*

Contracted Sales

During the year under review, the Group's property development operations recorded contracted sales of HK$843.0 million (2011: HK$908.3 million) from sale of properties, representing a 7% decrease in value and 35% increase in GFA over the same period in 2011.

Breakdown of contracted sales for the year is as follows:

		Year ended 31 July 2012	
Contracted basis	**GFA** (approximately)	**Average Selling Price#**	**Turnover#**
	square feet	HK$ / square feet	HK$ million
Shanghai May Flower Plaza			
Residential Units	126,096	3,986	502.7
Office Apartment Units	23,148	2,886	66.8
Shanghai Regents Park Phase II			
Residential Units	18,451	4,782	88.2
Guangzhou West Point			
Residential Units	20,323	2,580	52.4
Office Units	6,354	2,542	16.2
Zhongshan Palm Spring			
Residential High-rise Units	166,891	570	95.1
Residential House Units	12,729	1,514	19.3
Sub-total	**373,992**	**2,248**	**840.7**
Guangzhou Eastern Place			
Car-parking Spaces			2.3
Total			**843.0**
Contracted sales from joint venture project			
Guangzhou Dolce Vita Residential Units**	550,737	1,791	986.2

 # Before business tax

***Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd., in which the Group has an effective 47.5% interest. Please note that the reported contracted sales of HK$986.2 million is attributable to the full project.*

Review of major projects completed for sale and under development

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 and situated near the Zhongshan Road North Metro Station.

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,511 square feet of GFA. Up to 31 July 2012, contracted sales amounted to 250 units, representing approximately 283,556 square feet of GFA sold, at an average selling price of approximately HK$4,012 per square feet. The office apartments portion being sold comprised of 335 units with a total GFA of approximately 201,332 square feet. Pre-sales commenced in February 2012 and up to 31 July 2012, contracted sales amounted to 39 units, representing approximately 23,148 square feet in terms of GFA, at an average selling price of approximately HK$2,886 per square feet. For the year under review, the total contracted sales was HK$569.5 million, representing approximately 149,244 square feet of GFA.

Guangzhou Eastern Place Phase V
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 914,577 square feet, comprising two residential blocks (GFA 320,291 square feet approximately), an office block and ancillary retail spaces (GFA 594,286 square feet approximately). Construction work is expected to be completed in 2013 and pre-sale of the residential units is expected to start in the second calendar quarter of 2013. The office block and ancillary retail spaces will be kept as investment properties when fully leased in 2014.

Guangzhou Dolce Vita
The Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd in which the Group has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou will have a total project GFA of approximately 4.857 million square feet. The project will comprise of approximately 3,400 low-rise and high-rise residential units and shopping amenities totaling 3.814 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in north-west Guangzhou.

The project is divided into four phases of similar sizes for development. Phase I comprises 935 units and approximately 1.397 million square feet in terms of residential and retail GFA. Completion is expected to take place around the end of 2012. Pre-sale of Phase I of this project commenced in the second quarter of 2011. Up to 31 July 2012, the project had obtained contracted sales for 638 residential units, representing a total GFA of approximately 715,526 square feet, at an average selling price of approximately HK$1,762 per square feet. For the year under review, the total contracted sales was HK$986.2 million, representing approximately 550,737 square feet of GFA.

Guangzhou King's Park
The site is located on Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 95,799 square feet excluding 58 car-parking spaces and ancillary facilities. The project is intended to be developed into a high-end residential block with car-parking spaces and ancillary facilities. Construction work is expected to complete in 2013 and pre-sales will commence after the Company's financial year end.

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 total project GFA of approximately 1.381 million square feet originally 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 the buildable area for the site with the city government.

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 80,320 square feet excluding 46 car-parking spaces and ancillary facilities. This project is intended to be developed into a serviced apartment and will be added to the investment property portfolio of the Group. The Group is in discussion with Lai Sun Development Company Limited to manage the operations of the serviced apartments. Construction work is expected to complete before the end of the next financial year.

Guangzhou Guan Lu Road Project
The site is located on Guan Lu Road in Yuexiu District. The permitted residential and retail GFA is approximately 142,579 square feet excluding 95 car-parking spaces and ancillary facilities. The project is intended to be developed into a residential block with car-parking spaces and ancillary facilities. Construction work is expected to commence once resettlement is completed.

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 8.794 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and 2 commercial podium totaling 6.346 million square feet. Phase I of the project will comprise high-rise residential towers with a total saleable GFA of approximately 405,271 square feet, one serviced apartment tower with a total GFA of approximately 98,554 square feet, commercial areas with a total GFA of approximately 186,399 square feet and low-rise townhouses and semi-detached villas with a total saleable GFA of approximately 298,775 square feet. Construction of Phase I completed in the third quarter of 2012.

Up to 31 July 2012, the project had obtained contracted sales for 164 units with a total saleable GFA of approximately 179,620 square feet at an average selling price of approximately HK$637 per square feet. For the year under review, the total contracted sales was HK$114.4 million, representing approximately 179,620 square feet of GFA.

Market Outlook

The protracted softening of major global economies exacerbated by macro issues such as the lingering concerns over possible long term solutions to the euro-zone sovereign debt crisis and the presidential election in the United States has led to a new round of monetary policy support by the United States Federal Reserve and the European Central Bank's commitment in supporting the Eurozone. China's economic growth was inevitably impacted where GDP growth has slowed with weakening external demand and falling fixed asset investment growth. The policy direction has modified to create a soft landing whilst taming inflation with a view to delivering a balanced economic growth. The Central government maintained its prudent macro policies and various tightening measures on the property market throughout the year under review to rein back a property bubble. With the continuing enforcement of the tight credit policy and restrictions on home purchases throughout 2011, the China property market inevitably slowed down towards the end of 2011, particularly in the residential property market. The contraction in transaction volume persisted in the first few months of 2012 where the broad policy direction on continuing to curb the property market remained unchanged.

Whilst some of the fiscal policies such as Home Purchase Restrictions are expected to say in the long run, the Group is seeing the positive effects of the easing on the monetary side, such as measures in assisting first time buyers in purchasing properties. The Group's prudent yet flexible approach to adapt to these changing market conditions have begun to bear fruit and led to an encouraging set of results underpinned by a robust portfolio of investment properties for the year under review.

Strategy and Prospects

Notwithstanding the fiscal and monetary stimuli from the major governments and central banks, the international financial and economic conditions are expected to remain challenging in the near future without meaningful structural reform. The Group expects the Central Government to monitor and manage the property sector actively with a view of addressing underlying demand and curbing speculation. The Group strongly believe in the long-term prospects of the property market in China, underpinned by sustainable long-term economic growth, continuous urbanisation, strong underlying demand and a high savings ratio.

The Group will continue its strategy of prudent expansion. Going forward, the Group intends to retain any sizeable commercial and retail elements to grow its investment property portfolio thus increasing the recurrent income rental base whilst residential projects will be built primarily for sale. The successful revitalisation of Shanghai Hong Kong Plaza bears testimony to the Group's expertise in enhancing the value of its investment properties. The Group will continue to improve the recurring income base through upgrading existing rental properties and adding new commercial properties from development projects, such as the retail podium of the Shanghai May Flower Plaza, with approximate gross floor area ("GFA") of 355,097 square feet, and the upcoming Eastern Place Phase V office and retail tower providing another approximately 583,081 square feet of rental GFA attributable to the Group. Phase 1 of the Palm Spring project in Zhongshan will add approximately another approximately 186,399 square feet of rental GFA when it is fully developed. In addition, the Group will add three serviced apartments in the next year with a total attributable GFA of approximately 315,520 square feet in Shanghai, Guangzhou and Zhongshan. This will provide a solid foundation to mitigate the revenue volatility from development projects. The Group will continue to strengthen its businesses in China focusing on core cities such as Shanghai, Guangzhou and Zhongshan whilst leveraging those operational hubs to explore opportunities in the nearby cities and areas. With some of the projects due for completion in the next couple of years, the Group will also continue to replenish its land bank should the right opportunities arise. The key for the Group is to remain nimble and retain sufficient financial flexibility to adapt its growth plans according to market conditions in different areas with a view to delivering long-term value to shareholders.

Rental Properties under construction

Location	Group interest	Expected Completion Date	Use	Attributable Area (approximately)
Shanghai: May Flower Plaza, Sujiaxiang, Zhabei District	95%	2013	Serviced apartments	136,646 sq.ft.
Guangzhou: Paramount Centre, Da Sha Tou Road, Yuexiu District	100%	2013	Serviced apartments	80,320 sq.ft.
Zhongshan: Palm Spring, Caihong Planning Area, Western District	100%	2013	Serviced apartments	98,554 sq.ft.
Guangzhou: Eastern Place Phase V, 787 Dongfeng East Road, Yuexiu District	100%	2014	Office/ Retail	Office: 526,527 sq.ft. Retail: 56,554 sq.ft. Total: 583,081 sq.ft.
Zhongshan: Rainbow Mall Palm Spring, Caihong Planning Area, Western District	100%	2013	Shopping arcades	186,399 sq.ft.
			Total	**1,085,000 sq.ft.**

Leveraging the expertise of the Lai Sun group

As part of the listing of its Shares by the Company in 1997 in the midst of the Asian financial crisis, customary non-compete undertakings were given by the then controlling shareholders in favour of the Company which effectively allow only the Company to conduct property development and investment business activities in the PRC. In light of the present shareholding structure of the Group and the other Lai Sun group companies after the re-organisation in 2010, the rapid pace of development in the PRC which favours large scale participation in property projects by conglomerates and the private sector and the PRC government's recent austerity measures which have restricted bank financing in the PRC, the Board has agreed to put forward to the independent shareholders of the Company to consider at the general meeting a conditional waiver of the non-compete undertakings ("**Deed of Conditional Waiver**") so that the Company could jointly participate with other Lai Sun group companies in property development and investment projects to meet the Group's present expectations and goals.

The Deed of Conditional Waiver allows the Company to invite other Lai Sun entities to co-invest in PRC property projects at its option and would broaden the opportunities available to the Company, diversify risks, leverage on the diverse resources and expertise of the other Lai Sun group companies particularly for large scale projects which might otherwise be challenging for the Company to conduct solely and thereby strengthening its market competitiveness and future growth prospects; whilst retaining a leadership role in joint development projects solely for the Company without relinquishing the control it enjoys under the existing arrangements.

An independent Board Committee has been formed to advise independent shareholders and an independent financial advisor has been appointed to advise on the Deed of Conditional Waiver to be proposed at the general meeting for independent shareholders to consider and vote.

<u>Stable Financial Position</u>

During the year, the Company completed an open offer and raised approximately HK$994.0 million of net proceeds. In line with its prudent financing strategy, the Group have HK$2,638.7 million of cash on hand with a net debt to equity ratio of 7% as at 31 July 2012 which was strengthened by the successful closure of the open offer. In light of the stabilising operating environment, the Group is considering optimising the funding structure of the Group through better utilisation of its growing portfolio of investment properties to position itself in capturing further growth opportunities together with the expected cashflows from development and investment projects.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2012, the Group had total borrowings in the amount of HK$3,402.2 million (2011: HK$3,073.7 million), representing an increase of HK$328.5 million from 2011. The consolidated net assets attributable to the owners of the Company amounted to HK$10,438.1 million (2011: HK$8,514.5 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to total equity was 7% (2011: 17%). The maturity profile of the Group's borrowings of HK$3,402.2 million was spread with HK$1,559.4 million repayable within 1 year, HK$1,691.5 million repayable in the second year and HK$151.3 million repayable in the third to fifth years.

Approximately 42% and 56% 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$1,974.9 million were 70% denominated in Renminbi ("**RMB**"), 29% in USD and 1% in Hong Kong dollars ("**HKD**"). The Group's cash and bank balances of HK$2,638.7 million were 58% denominated in RMB, 40% in HKD and 2% 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 amount of approximately HK$7,922.1 million, completed properties for sale with a total carrying amount of approximately HK$1,107.6 million, properties under development with a total carrying amount of approximately HK$549.0 million, serviced apartments and related properties with a total carrying amount of approximately HK$729.6 million, a property with carrying amount of approximately HK$40.6 million and bank balances of approximately HK$197.4 million.

Under a litigation being processed in a district court in China, the Group, as the claimant, is claiming for a sum of RMB17.2 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$44.3 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, expected renewal of certain bank loans 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2012, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") nor did the Company or any of its subsidiaries purchase or sell any of such shares.

During the year ended 31 July 2012, the Company repurchased a principal amount of US$1,000,000 of its 9.125% Senior Notes due 2014, which are listed and traded on Singapore Exchange Securities Trading Limited, for an aggregate consideration (with accrued interest) of US$953,850.69 (equivalent to approximately HK$7,440,035.38) through private arrangement.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange under Appendix 14 (the Code on Corporate Governance Practices ("**former CG Code**") which was amended as the Corporate Governance Code ("**CG Code**") with most of the amended provisions becoming effective on 1 April 2012).

The Company has complied with all the code provisions respectively set out in (a) the former CG Code for the period from 1 August 2011 to 31 March 2012 and (b) the CG Code for the period from 1 April 2012 to 31 July 2012 save for the deviation from code provisions A.4.1 and E.1.2 of the former CG Code and the CG Code as well as A.5.1 and A.6.7 of the CG Code.

Under code provision A.4.1 of the former CG Code and the CG Code, 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 ("**INEDs**")) of the Company is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**"), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by the shareholders of the Company ("**Shareholders**") 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 ("**NED**")) will hold office only until the next annual general meeting of the Company ("**AGM**") and will then be eligible for re-election. Further, in line with the relevant code provision of the former CG Code and the CG Code, each of the Directors appointed to fill a casual vacancy would/will be subject to election by the Shareholders at the first general meeting after his/her appointment. 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, Dr. Lam Kin Ngok, Peter, the Chairman, was not present at the AGM of the Company held on 21 December 2011. However, Mr. Lam Hau Yin, Lester, an executive Director ("**ED**") and the Chief Executive Officer present at the AGM was elected chairman thereof pursuant to the Articles of Association to ensure an effective communication with the Shareholders thereat.

Under code provision A.5.1 of the CG Code, a nomination committee comprising a majority of the INEDs should be established and chaired by the chairman of the board or an INED.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the EDs. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

Under code provision A.6.7 of the CG Code, INEDs and other NEDs should attend general meetings and develop a balanced understanding of the views of the shareholders of the company.

Due to other pre-arranged business commitments which must be attended to by him, Mr. Ku Moon Lun, an INED, was not present at the extraordinary general meeting of the Company ("**EGM**") held on 11 May 2012 whereat resolutions relating to the open offer of the shares of the Company were considered and passed by the Shareholders.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises two of the INEDs, namely Mr. Law Kin Ho and Mr. Lam Bing Kwan, and a NED, Mr. Leow Juan Thong, Jason (alternate: Mr. Lucas Ignatius Loh Jen Yuh). The committee has reviewed the consolidated results (including the consolidated financial statements) of the Company for the year ended 31 July 2012.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 July 2012 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Ernst & Young, Certified Public Accountants of Hong Kong ("**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 results announcement.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 18 December 2012. Notice of such AGM together with the Company's Annual Report for the year ended 31 July 2012 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in about mid November 2012.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 30 October 2012

As at the date of this announcement, the Board comprises nine 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. Cheng Shin How, Mr. Lui Siu Tsuen, Richard and Mr. Chew Fook Aun; 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.