LAI FUNG HOLDINGS

LAI FUNG HOLDINGS LIMITED

(Stock code: 1125)

Annual Report 2009-2010

Contents

Lai Fung Holdings Limited
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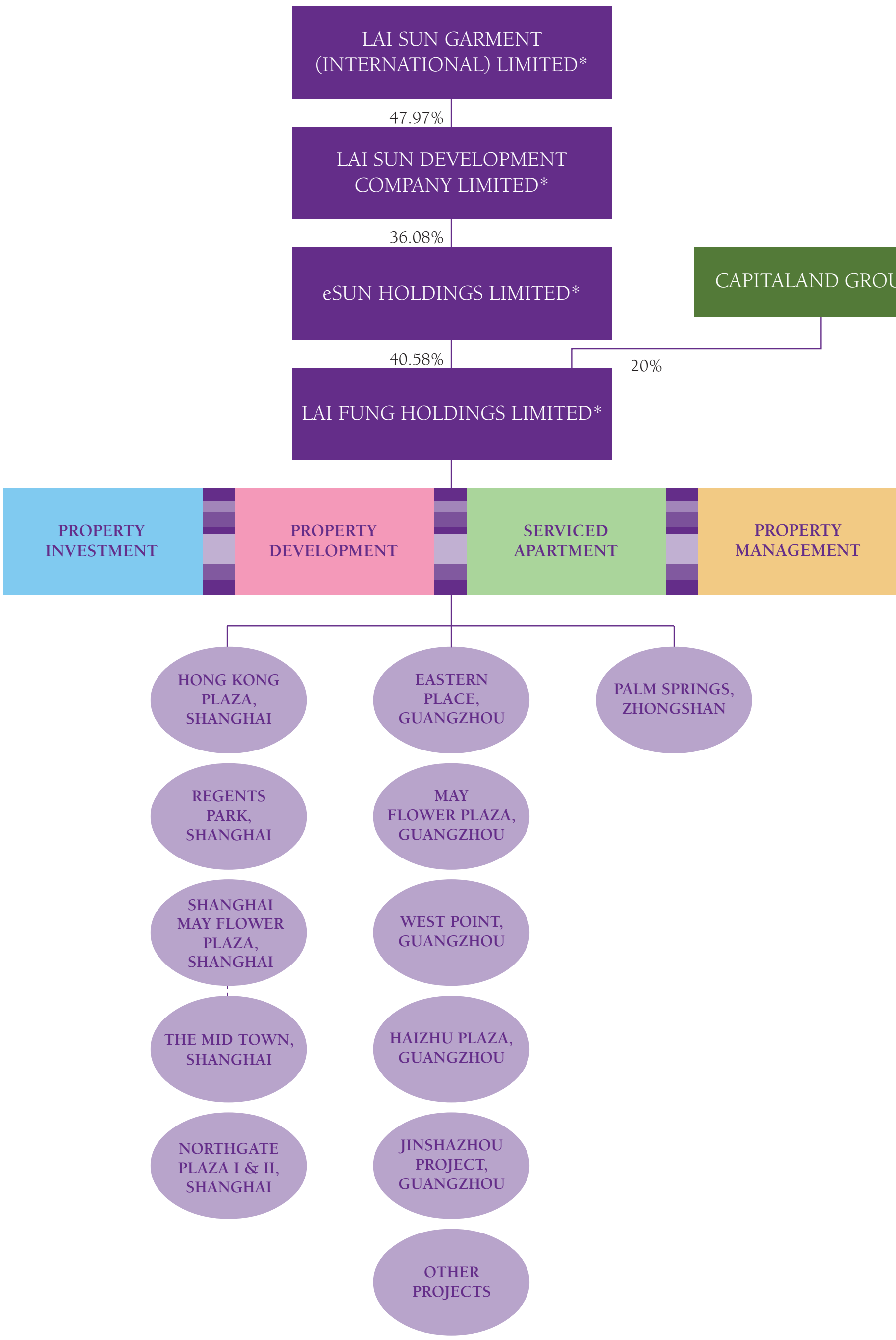
E-mail ir@laisun.com

Stock code on Hong Kong Stock Exchange: 1125

Corporate Profile

Lai Fung Holdings Limited ("Lai Fung") is a member of the Lai Sun Group and was listed on The Stock Exchange of Hong Kong Limited in November 1997. Lai Fung is the property development and investment arm of the Lai Sun Group in the Mainland of China ("China").

Lai Fung's core businesses include the investment and development of serviced apartments, residential, office and commercial properties in prime locations in major gateway cities in China, in particular Shanghai and Guangzhou, with excellent accessibility and infrastructure. With over ten years of extensive experience in and in-depth knowledge of property development in China, Lai Fung is well poised to benefit from the growing demand for quality properties in China.



* *Listed on the Main Board of The Stock Exchange of Hong Kong Limited*

Note:

The chart above represents the corporate structure of Lai Sun Group following the completion of the reorganisation exercise on 30 September 2010.

Corporate Information

Place of Incorporation
Cayman Islands

Directors
Lam Kin Ngok, Peter *(Chairman)*
Lam Kin Ming *(Deputy Chairman)*
Lam Kin Hong, Matthew
(Executive Deputy Chairman)
Lam Hau Yin, Lester *(Chief Executive Officer)*
U Po Chu
Lau Shu Yan, Julius
Tam Kin Man, Kraven
Leung Churk Yin, Jeanny
Cheng Shin How
Leow Juan Thong, Jason
Lucas Ignatius Loh Jen Yuh
(also alternate director to
Leow Juan Thong, Jason)
Lam Bing Kwan*
Ku Moon Lun*
Law Kin Ho*

* *Independent non-executive director*

Registered Office
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman, Cayman Islands

Secretary and Principal Place of Business in Hong Kong
Goh Soon Khian
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Share Registrars in Hong Kong
Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

Auditors
Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

Solicitors
As to Hong Kong law:
Vincent T.K. Cheung, Yap & Co.
11th Floor, Central Building
1-3 Pedder Street
Central, Hong Kong

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

Iu, Lai & Li
20th Floor, Gloucestor Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Linklaters
10th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

As to Cayman Islands law:
Maples and Calder Asia
53rd Floor, The Center
99 Queen's Road Central
Central, Hong Kong

Principal Bankers
Bank of China Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
CITIC Bank International Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

Chairman's Statement

Chairman LAM Kin Ngok, Peter

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2010, the Group recorded a turnover of HK$1,514,214,000 (2009: HK$937,380,000) and a gross profit of HK$775,445,000 (2009: HK$632,436,000), representing an increase of approximately 61.5% and 22.6% respectively from the previous year.

Out of the total turnover, rental income decreased by 11.5% to HK$193,306,000 (2009: HK$218,525,000), which was mainly due to closure and renovation of the shopping arcades and serviced apartments portions of Shanghai Hong Kong Plaza during most of the year. Owing to further contribution from the sales of residential units of Shanghai Regents Park Phase II during the year ended 31 July 2010 and recognition of income from sales of residential and office units of Guangzhou West Point, turnover from sales of properties increased by 83.8% to HK$1,320,908,000 (2009: HK$718,855,000).

Sales of units at Shanghai Regents Park Phase II achieved higher gross profit margin compared to sales of units at Guangzhou West Point. Property development turnover recognised in the year was made up of sales of units at both Shanghai Regents Park Phase II and Guangzhou West Point, while property development turnover in the previous year was entirely made up of sales of units at Shanghai Regents Park Phase II. As a result, overall gross profit margin was 51.2%, compared to 67.5% in the previous year.

Chairman's Statement

OVERVIEW OF FINAL RESULTS (continued)

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

— a provision for impairment loss on certain properties under development of HK$56,281,000 (2009: a provision of HK$60,680,000);

— a fair value gain on its completed investment properties of HK$198,098,000 (2009: a gain of HK$143,127,000); and

— a fair value gain on its investment properties under construction of HK$86,737,000 (2009: Nil) due to the Group's adoption of HKAS 40 Amendments. Prior to the adoption of Amendments to HKAS 40, the Group's investment properties under construction was carried at cost until the construction is completed, at which time it will be fair valued. As a result of the HKAS 40 Amendments, such investment properties under construction will be carried at fair value when the fair value first becomes reliably measurable. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value.

During the previous year ended 31 July 2009, the Group recorded a gain of HK$256,311,000 on the termination of all cross currency swaps. As these cross currency swaps were fully terminated during the previous year, no such gain was recorded again during the year ended 31 July 2010.

Finance costs expensed during the year reduced to HK$84,806,000 (2009: HK$118,588,000), after finance costs of HK$96,884,000 (2009: HK$77,337,000) had been capitalised in properties under development, investment properties and property, plant and equipment during the year.

For the year ended 31 July 2010, profit from operating activities was HK$902,376,000 (2009: HK$886,631,000), representing an increase of approximately 1.8% from the previous year. For the year ended 31 July 2010, profit attributable to owners of the Company was HK$322,106,000 (2009: HK$406,888,000), representing a decrease of 20.8% from the previous year.

Basic earnings per share was HK4.00 cents for the year ended 31 July 2010 compared to HK5.06 cents for the previous year.

Chairman's Statement

OVERVIEW OF FINAL RESULTS (continued)

Shareholders' equity as at 31 July 2010 amounted to HK$7,525,127,000, up from HK$7,210,784,000 as at 31 July 2009. Net asset value per share attributable to owners of the Company was HK$0.94 as at 31 July 2010, as compared to HK$0.90 as at 31 July 2009.

FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK0.5 cent per share for the year ended 31 July 2010 (2009: HK0.5 cent per share) payable to shareholders whose names appear on the register of members of the Company as at the close of business on 21 December 2010. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the dividend will be payable on 6 January 2011.

BUSINESS REVIEW

Investment properties

Property rental results

During the year ended 31 July 2010, the Group recorded a turnover of HK$193,306,000 from rental income. Breakdown of turnover from rental income is as follows:

	Year ended 31 July		
	2010	2009	Change
	HK$	HK$	%
Shanghai Hong Kong Plaza	**100,969,000**	128,520,000	(21.4)
Shanghai Regents Park (commercial podium and carparking spaces)	**7,116,000**	7,332,000	(2.9)
Shanghai Northgate Plaza I	**19,470,000**	20,811,000	(6.4)
Guangzhou May Flower Plaza	**64,687,000**	61,214,000	5.7
Others	**1,064,000**	648,000	64.2
Total	**193,306,000**	218,525,000	(11.5)

Chairman's Statement

BUSINESS REVIEW (continued)

Investment properties (continued)

Property rental results (continued)

During the year, the decrease in rental income from Shanghai Hong Kong Plaza was mainly due to closure in most of the year of certain portions of its shopping arcades and serviced apartments for renovation work. As the Group is now considering renovation plan and new trade-mix for Shanghai Northgate Plaza I, rental income for this property also recorded negative growth as some of the previous tenants opted to move out of the property.

On the other hand, rental income from Guangzhou May Flower Plaza recorded a healthy growth during the year.

Development properties

Contracted sales of development properties

	During the year ended 31 July 2010		
	Contracted sales area sq.m.	Approximate average contracted selling price HK$/sq.m.	Total contracted sales amount# HK$
Shanghai Regents Park Phase II, Residential Units	20,494	44,000	901,455,000
Guangzhou West Point			
Residential Units	574	17,500	10,024,000
Office Units	10,474	15,200	158,988,000
Total	31,542		1,070,467,000

\# *Before business tax*

All of the above contracted sales were recorded as turnover in the year ended 31 July 2010.

Chairman's Statement

BUSINESS REVIEW (continued)

Development properties (continued)

Sales of development properties recorded

	During the year ended 31 July 2010		
	Recorded sales area sq.m.	Approximate average recorded selling price HK$/sq.m.	Total recorded sales amount* HK$
Shanghai Regents Park Phase II, Residential Units	20,494	44,000	855,932,000
Guangzhou West Point			
Residential Units	21,986	15,000	313,938,000
Office Units	10,474	15,200	151,038,000
Total	52,954		1,320,908,000

* *After business tax*

MARKET OVERVIEW AND OPERATING ENVIRONMENT

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

During the year under review, the property market in China had entered a turning point in the first half of 2010. Before April 2010, China property market has experienced rapid surges in transaction volume and total investment in residential units, due to strong flow of investment demand and public expectation on insufficient supply and price hike. Since April 2010, the Central Government launched a series of administrative control measures to curb the soaring property prices and suppress speculative demand. The Central Government's actions were substantially echoed by the implementation measures adopted by various local city governments. These control measures include bank credit control on purchasers, temporary limit on number of new purchase by each individual, possible implementation of new property-related tax, speeding up of policy housing and strengthening property market regulatory forces. As a result, there have been gradual drop in transaction volume and softening of property prices since the second quarter of 2010.

Chairman's Statement

MARKET OVERVIEW AND OPERATING ENVIRONMENT (continued)

Overall, the Group believes the intention of the government policies on the property is consistent, which is to stabilize the property price and curb speculative demand in order to achieve steady development of the property market. To this end, the Group is cautiously optimistic about the China property market and will continue to implement its business plan according to market developments.

REVIEW OF MAJOR PROPERTY PROJECTS

Shanghai

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower prime property located at Huaihaizhong Road, Luwan District, Shanghai comprising office, shopping arcades and serviced apartments. The property is directly above Huangpi South Road Metro Station and is within walking distance of Xintiandi. Rental income for the year ended 31 July 2010 amounted to HK$100,969,000, down by 21.4% from HK$128,520,000 in the previous year. Such decrease in rental income was mainly due to closure in most of the year of certain portions of its shopping arcades and serviced apartments for renovation work.

Renovation work on the shopping arcades under both towers was completed in the first quarter of 2010 and leased units were handed over to the tenants for their renovation since then. At present, about 96% of the leasable areas of the shopping arcades portion have been leased. The premises has successfully secured The Apple Store, Cartier, Coach, GAP and Tiffany as anchor tenants and their flagship stores were opened since the middle of 2010. Other tenants include international renowned luxury brands and high-end restaurants. Shanghai Hong Kong Plaza's shopping arcades were grand-opened in October 2010. After its re-opening, Shanghai Hong Kong Plaza's shopping arcades are one of the most visible high-end retail venues for global luxury brands in Huaihaizhong Road area.

Chairman's Statement

REVIEW OF MAJOR PROPERTY PROJECTS (continued)

Shanghai (continued)

Shanghai Hong Kong Plaza (continued)

The serviced apartments portion of Shanghai Hong Kong Plaza under the Group was vacated for full renovation since August 2009 to upgrade the quality of the rooms and the services. The Group has engaged the Ascott Group to manage the serviced apartments portion, and hopes this will enable the Group to leverage on the Ascott Group's extensive experience and expertise in operating serviced apartments and to establish a high-end brand image. Certain floors of renovated and re-branded serviced apartments of Shanghai Hong Kong Plaza were soft-opened for business in May 2010. Rest of the serviced apartment floors will be re-opened by the end of 2010.

Renovation of common areas and lift lobbies of the office tower was completed at the end of 2009. As at 31 July 2010, the office tower was about 84% leased.

The rental income of Hong Kong Plaza is expected to be substantially improved from its current level upon its re-opening after the renovation.

Shanghai Regents Park Phase II

Regents Park is a major residential project located in the Zhongshan Park Commercial Area of the prestigious Changning District, Shanghai with a total saleable gross floor area ("GFA") of approximately 154,000 square metres ("sq.m.") (GFA attributable to the Group of approximately 146,000 sq.m.). The Group has an effective 95% interest in the project.

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

Up to 31 July 2010, the Group sold a total of 447 units with a total saleable GFA of 60,040 sq.m. at an average price of RMB34,100 per sq.m. As at 31 July 2010, the Group only had 8 units with a total saleable GFA of 2,805 sq.m. remaining in this project.

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza

Shanghai May Flower Plaza

Guangzhou Jinshazhou Project

Shanghai Regents Park Phase II

Chairman's Statement

REVIEW OF MAJOR PROPERTY PROJECTS (continued)

Shanghai (continued)

Shanghai May Flower Plaza

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

The project has a total GFA of approximately 114,500 sq.m. (GFA attributable to the Group of approximately 109,000 sq.m.), comprising residential and office apartments, and commercial spaces. In addition, there will be approximately 33,000 sq.m. for carparks and ancillary facilities. Total saleable area of residential and serviced apartment units is approximately 77,450 sq.m. Construction work is scheduled for completion in mid-2011.

The residential portion of Shanghai May Flower Plaza is now branded "The Mid-town" which offers 628 residential units. The Group is now in the process of applying for pre-sale permit for the residential units and will commence pre-sale after obtaining the approval.

Shanghai Northgate Plaza

Shanghai Northgate Plaza I is a block of office units with retail podium located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal. Shanghai Northgate Plaza I has a total GFA of approximately 36,500 sq.m. including carparks. The Group is now considering renovation plan and new trade-mix for Shanghai Northgate Plaza I.

The Group plans to develop Shanghai Northgate Plaza II on the vacant site located adjacent to Phase I. The Group has 99% interest in Phase II. Phase II development will have a total GFA of approximately 28,800 sq.m. comprising serviced apartments with retail podium and carparking spaces. Foundation work was completed in August 2009.

The Group has re-submitted the design of Shanghai Northgate Plaza II for government approval and is now awaiting relevant approval.

Guangzhou May Flower Plaza

Guangzhou Eastern Place Phase V

Guangzhou West Point

Zhongshan Palm Springs

Zhongshan Palm Springs

Chairman's Statement

REVIEW OF MAJOR PROPERTY PROJECTS (continued)

Guangzhou and Zhongshan

Guangzhou May Flower Plaza

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

This 13-storey complex has a total GFA of approximately 51,000 sq.m. (GFA attributable to the Group of approximately 39,000 sq.m.) comprising retail spaces, restaurants and fast food outlets, cinema and office units. The property is fully leased to various tenants that are well-known corporations, consumer brands, cinemas and restaurants. Rental income from Guangzhou May Flower Plaza was HK$64,687,000 for the year ended 31 July 2010, representing a growth of approximately 5.7% from the previous year.

Guangzhou Eastern Place

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

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

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. The project has a total GFA of approximately 64,000 sq.m., comprising 243 residential units, 244 office units and commercial spaces. In addition, there will be approximately 10,000 sq.m. for carparks and ancillary facilities.

Residential blocks were completed in February 2010 and the office and commercial blocks were completed in June 2010. Up to 31 July 2010, the Group sold a total of 218 residential units with a total saleable GFA of 21,986 sq.m. at an average price of RMB13,200 per sq.m., and the Group sold a total of 129 office units with a total saleable GFA of 10,474 sq.m. at an average price of RMB13,300 per sq.m.

Chairman's Statement

REVIEW OF MAJOR PROPERTY PROJECTS (continued)

Guangzhou and Zhongshan (continued)

Guangzhou West Point (continued)

The retail portion of Guangzhou West Point was soft-opened in August 2010. Up to 31 October 2010, around 76% of the retail spaces available were leased. Tenants in Guangzhou West Point include renowned restaurants and retail brands.

Guangzhou Jinshazhou Project

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

The project will be divided into four phases of similar sizes for development. Construction of Phase I commenced in the second quarter of 2010 and completion is expected to take place around the end of 2012. Pre-sale of Phase I residential units will commence by mid-2011.

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 interest in this project.

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

Chairman's Statement

REVIEW OF MAJOR PROPERTY PROJECTS (continued)

Guangzhou and Zhongshan (continued)

Guangzhou Donghua Dong Road Project

The site is located on Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 10,000 sq.m. The project is intended to be developed into a residential tower, carparks and ancillary facilities. Construction is expected to start this year.

Guangzhou Da Sha Tou Road/Yuan Jiang Dong Road Project

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

Guangzhou Guan Lu Road Project

The site is located on Guan Lu Road in Yuexiu District. The permitted GFA is approximately 14,000 sq.m. The project is intended to be developed into a residential tower, carparks and ancillary facilities. Construction is expected to start in 2011.

Zhongshan Palm Springs

The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 406,000 sq.m.

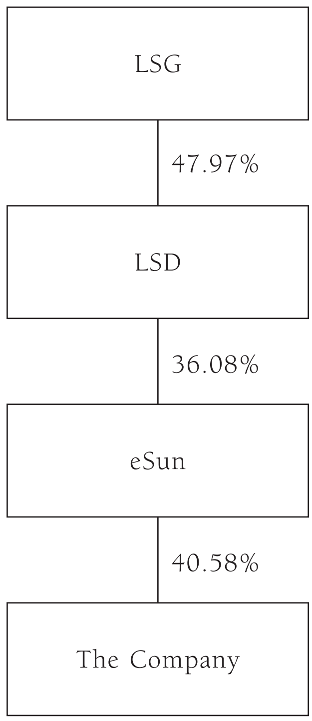
Phase I of the project will comprise high-rise residential towers with a total saleable GFA of approximately 44,000 sq.m., commercial areas with a total GFA of approximately 16,000 sq.m. and low-rise townhouses and semi-detached villas with a total saleable GFA of approximately 27,000 sq.m. Construction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

Chairman's Statement

SUBSEQUENT EVENT — GROUP REORGANISATION

On 30 September 2010, Lai Sun Garment (International) Limited ("LSG") and eSun Holdings Limited ("eSun") completed a group reorganisation ("Group Reorganisation"). Pursuant to the Group Reorganisation, LSG transferred its entire interest in the Company (approximately 40.58% of the issued share capital of the Company) to eSun; whereby eSun transferred its entire interest in Lai Sun Development Company Limited ("LSD") (approximately 36.72% of the issued share capital of LSD) to LSG.

Immediately following the completion of the Group Reorganisation, the ownership structure involving the Company became:



Chairman's Statement

CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE

As at 31 July 2010, the Group had total borrowings in the amount of HK$2,556 million (2009: HK$2,674 million), representing a decrease of HK$118 million. The consolidated net assets attributable to the owners of the Company amounted to HK$7,525 million (2009: HK$7,211 million). The total debt to equity ratio was 34% (2009: 37%) and the total debt to total capitalisation (long-term debt + equity) ratio was 26% (2009: 29%). The maturity profile of the Group's borrowings of HK$2,556 million was spread with HK$132 million repayable within 1 year, HK$184 million repayable in the second year, HK$2,239 million repayable in the third to fifth years and HK$1 million repayable beyond 5 years.

Approximately 56% and 42% 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 is denominated in United States Dollars ("USD"), the Group's other borrowings of HK$1,135 million were 46% denominated in Renminbi ("RMB"), 1% in Hong Kong Dollars ("HKD") and 53% in USD. The Group's cash and bank balances of HK$1,713 million were 73% denominated in RMB, 13% in HKD and 14% in USD.

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

Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value of approximately HK$5,434 million, properties under development with carrying value of approximately HK$920 million, serviced apartments with carrying value of approximately HK$614 million, a property with carrying value of approximately HK$42 million and bank balances of approximately HK$171 million.

Chairman's Statement

CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE (continued)

Under a litigation in a district court in China, the Group, as the claimant, claimed for a total of RMB17 million from one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group pledged a leasehold building with a carrying value of approximately HK$45 million to the court as collateral.

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 33 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2010, the Group employed a total of around 1,200 staff. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels, whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to certain employees on a merit basis and in accordance with industry practice. Other staff benefits include share option scheme, mandatory provident fund scheme for all eligible employees, free hospitalisation insurance plan, subsidised medical care and subsidies for external education and training programmes.

Chairman's Statement

PROSPECTS

China has now become the second largest economy in the world. In the meantime, the current macro-economic development of China is still subject to complicated domestic and external environments. The global economic outlook is still uncertain. Within China's domestic economy, there are still many conflicts and challenges ahead to overcome. In the short term, the development of China property market will continue to be influenced by government control measures and macro-economic policies.

In the medium and long term, ongoing urbanisation and demand for living improvement will foster healthy growth of the real estate market in China. Overall, the Group is still cautiously optimistic about the China property market and believes that we are well positioned for growth in the coming years. The Group's net gearing level was low by industry standard. In addition, the Group will continue its construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. Furthermore, as encouraged by the Group's success in revitalizing the Shanghai Hong Kong Plaza property, the Group will continue to grow its recurrent income base through upgrade of existing rental properties and addition of new venues through completion of commercial property portions of the new development projects. The Group expects its rental income will increase substantially in the next few years. With the macro-economic condition as mentioned above, the Group will monitor the market closely and evaluate new investment opportunities.

MANAGEMENT AND STAFF

On behalf of the Board, I would like to thank the management and staff of the Company for their hard work and dedication during the year. I would also like to express our gratitude to our shareholders and business partners for their valuable support.

Lam Kin Ngok, Peter
Chairman

Hong Kong
5 November 2010

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 July 2010.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding.

The Group's principal activities have not changed during the year and consisted of property development for sale and property investment for rental purposes.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 July 2010 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 50 to 123.

The directors have recommended a final dividend of HK0.5 cent per ordinary share for the year ended 31 July 2010 (2009: HK0.5 cent per ordinary share). No interim dividend has been declared or paid by the Company for the year (2009: Nil).

DIRECTORS

The directors of the Company who were in office during the year and those as at the date of this report are as follows:

Executive directors:

Lam Kin Ngok, Peter *(Chairman)*	
Lam Kin Ming *(Deputy Chairman)*	
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*	
Lam Hau Yin, Lester *(Chief Executive Officer)*	
U Po Chu	
Lau Shu Yan, Julius	
Tam Kin Man, Kraven	
Leung Churk Yin, Jeanny	
Cheng Shin How	
Cheung Sum, Sam	*(resigned with effect from 5 October 2009)*

Non-executive directors:

Leow Juan Thong, Jason	*(ceased to act as alternate director to Lim Ming Yan and appointed director with effect from 5 March 2010)*
Lucas Ignatius Loh Jen Yuh#	*(appointed as alternate director to Leow Juan Thong, Jason with effect from 5 March 2010 and appointed director with effect from 1 July 2010)*
Lam Bing Kwan*	
Ku Moon Lun*	
Law Kin Ho*	
Lim Ming Yan	*(resigned with effect from 5 March 2010)*

also alternate director to Leow Juan Thong, Jason
* *Independent non-executive director*

Report of the Directors

DIRECTORS (continued)

In accordance with Article 99 of the Company's Articles of Association, Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 116 of the Company's Articles of Association, Mr. Lam Kin Hong, Matthew, Miss Leung Churk Yin, Jeanny, Mr. Cheng Shin How and Mr. Lam Bing Kwan retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the aforesaid directors required under Rule 13.51(2) had been included in the "Biographical Details of Directors and Senior Management" section of this report. All retiring directors have confirmed that there is no other information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders of the Company.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 37(a) to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. Lam Kin Ngok, Peter, Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Miss Leung Churk Yin, Jeanny, Mr. Cheng Shin How, Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong and China.

As the board of directors of the Company (the "Board") is independent from the boards of directors of the aforesaid companies and none of the above directors of the Company can control the Board, the Group is capable of carrying on its business independent of, and at arm's length from, the businesses of such companies.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:

Mr. Lam Kin Ngok, Peter, Chairman, aged 53, was appointed a director of the Company in November 1993. Mr. Lam is also the chairman of Lai Sun Development Company Limited ("LSD") and Media Asia Entertainment Group Limited, the deputy chairman of Lai Sun Garment (International) Limited ("LSG"), and an executive director of eSun Holdings Limited ("eSun") and Crocodile Garments Limited. With effect from 30 September 2010, eSun is a substantial shareholder of the Company, while LSD is a substantial shareholder of eSun and LSG is a substantial shareholder of LSD. Mr. Lam has extensive experience in property development and investment business, hospitality and media and entertainment business. Mr. Lam is currently a director of the Real Estate Developers Association of Hong Kong. He is Chairman of the Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association Limited, Vice Chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. Mr. Lam is also a Trustee of the Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. Mr. Lam is a son of Madam U Po Chu and is the younger brother of Dr. Lam Kin Ming.

Dr. Lam Kin Ming, Deputy Chairman, aged 73, was appointed a director of the Company in September 1997. Dr. Lam is the chairman and chief executive officer of Crocodile Garments Limited, the chairman of Lai Sun Garment (International) Limited ("LSG") and a non-executive director of Lai Sun Development Company Limited ("LSD"). With effect from 30 September 2010, eSun Holdings Limited ("eSun") is a substantial shareholder of the Company, while LSD is a substantial shareholder of eSun and LSG is a substantial shareholder of LSD. Dr. Lam received an honorary doctoral degree from the International American University in 2009. He has extensive experience in property development and investment and garment businesses, and has been involved in the day-to-day management of the garment business since 1958. Dr. Lam is the elder brother of Mr. Lam Kin Ngok, Peter.

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 42, was appointed a director of the Company in December 2001. He is also an executive director of Lai Sun Garment (International) Limited ("LSG") and Crocodile Garments Limited ("CGL"). Both LSG and CGL are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. With effect from 30 September 2010, eSun Holdings Limited ("eSun") is a substantial shareholder of the Company, while Lai Sun Development Company Limited ("LSD") is a substantial shareholder of eSun and LSG is a substantial shareholder of LSD. He attained a Bachelor of Science Degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. He is a member of the Law Society of Hong Kong and the Law Society of England and Wales. Mr. Lam has considerable experience in property development and corporate finance in Hong Kong and China. Mr. Lam does not have any interest in the listed shares and debentures of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Lam is the younger brother of Mr. Lam Kin Ngok, Peter and Dr. Lam Kin Ming. Mr. Lam has a service contract with the Company with no fixed term of services but he will be subject to retirement by rotation once every three years since his last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Lam is entitled to receive such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to Financial Statements (Note 8) of this Annual Report.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Lam Hau Yin, Lester, Chief Executive Officer, aged 29, was appointed a director of the Company in April 2005. He is also an executive director of Lai Sun Garment (International) Limited ("LSG"), an alternate director to Madam U Po Chu, a non-executive director of LSG, and a vice president of Lai Sun Development Company Limited ("LSD"). With effect from 30 September 2010, eSun Holdings Limited ("eSun") is a substantial shareholder of the Company, while LSD is a substantial shareholder of eSun and LSG is a substantial shareholder of LSD. He holds a Bachelor of Science in Business Administration degree from Northeastern University, Boston, USA. He has attained working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products and entertainment. He is a son of Mr. Lam Kin Ngok, Peter.

Madam U Po Chu, aged 85, was appointed a director of the Company in February 2003. She is also a non-executive director of Lai Sun Garment (International) Limited ("LSG"), Lai Sun Development Company Limited ("LSD") and eSun Holdings Limited ("eSun"). With effect from 30 September 2010, eSun is a substantial shareholder of the Company, while LSD is a substantial shareholder of eSun and LSG is a substantial shareholder of LSD. Madam U has over 55 years of experience in the garment manufacturing business and had been involved in the printing business in the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing and became involved in property development and investment in the late 1980's. Madam U is Mr. Lam Kin Ngok, Peter's mother.

Mr. Lau Shu Yan, Julius, aged 54, was appointed a director of the Company in April 2005. He is also the chief executive officer of Lai Sun Development Company Limited ("LSD"), having joined the board of LSD in July 1991. With effect from 30 September 2010, eSun Holdings Limited ("eSun") is a substantial shareholder of the Company while LSD is a substantial shareholder of eSun. Mr. Lau has over 20 years of experience in the property and securities industries holding senior management positions. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of Real Estate Developers Association of Hong Kong. He is also a director of a number of subsidiaries of the Company.

Mr. Tam Kin Man, Kraven, aged 62, joined the Lai Sun Group in 1989 and was appointed a director of the Company in April 2005. He is also a director of Lai Sun Development Company Limited ("LSD") and Lai Sun Garment (International) Limited ("LSG"). With effect from 30 September 2010, eSun Holdings Limited ("eSun") is a substantial shareholder of the Company, while LSD is a substantial shareholder of eSun and LSG is a substantial shareholder of LSD. He is currently a director of Furama Hotel Enterprises Limited and a number of subsidiaries of the Company. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has close to 30 years of experience in property development, investment and management. He also has close to 20 years of experience in the hospitality business covering hotels, restaurants and clubs in Asia and North America. He was a director and chief executive officer of the Company from May 1996 to June 1999.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Miss Leung Churk Yin, Jeanny, aged 45, was appointed a director of the Company in September 2007. She has over 20 years of corporate finance experience in Hong Kong, China and Taiwan. Miss Leung is an executive director of both Lai Sun Garment (International) Limited ("LSG") and Lai Sun Development Company Limited ("LSD"), an executive director and the chief executive officer of eSun Holdings Limited ("eSun"), and an independent non-executive director of Top Form International Limited ("Top Form"). With effect from 30 September 2010, eSun is a substantial shareholder of the Company, while LSD is a substantial shareholder of eSun and LSG is a substantial shareholder of LSD. LSG, LSD, eSun and Top Form are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. Miss Leung does not have any interest in the listed shares and debentures of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, Miss Leung does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. She does not have a service contract with the Company but she will be subject to retirement by rotation once every three years since her last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Miss Leung is entitled to receive such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of her emoluments is set out in the Notes to Financial Statements (Note 8) of this Annual Report.

Mr. Cheng Shin How, aged 44, was appointed a director of the Company in June 2007. Prior to joining the Company, he was the Regional Director of the Hong Kong and Macau office of CapitaLand Limited (a substantial shareholder of the Company). Mr. Cheng joined CapitaLand Group in 1999 and has been involved in CapitaLand Group's real estate investment in Hong Kong, Macau and China. Prior to joining CapitaLand Limited, Mr. Cheng was with CB Richard Ellis, an international property consultancy firm where he was involved in property valuation, development and investment consultancy. Mr. Cheng has been involved in the China business since 1993. Mr. Cheng graduated with an Honours Degree in Land Management from University of Reading, United Kingdom. He is also a Licensed Appraiser in Singapore. Mr. Cheng does not have any interest in the listed shares and debentures of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, he does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Cheng has a service contract with the Company with no fixed term of services but he will be subject to retirement by rotation once every three years since his last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Cheng is entitled to receive such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to Financial Statements (Note 8) of this Annual Report.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors:

Mr. Leow Juan Thong, Jason, aged 44, was appointed a non-executive director of the Company on 5 March 2010. He is the Chief Executive Officer of CapitaLand China Holdings Pte Ltd ("CapitaLand China"), the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd. which is a substantial shareholder of the Company. CapitaLand China is an indirect wholly-owned subsidiary of CapitaLand Limited, one of Asia's largest listed real estate companies, headquartered in Singapore. Mr. Leow became a certified public accountant in Singapore in 1994, and obtained an Executive Master in Business Administration degree from Fudan University in Shanghai. He also attended the Advanced Management Program at Harvard Business School in 2007. Mr. Leow has over 16 years of experience in real estate investment. Prior to joining CapitaLand Group in 2001, Mr. Leow was a senior financial analyst at ST Aerospace Ltd. and he also spent three years at DBS Finance Ltd. He worked in The Ascott Group Limited (now known as The Ascott Limited) from May 1994 to September 2001, participating in investment and development in the Mainland of China. The Ascott Limited is a wholly-owned subsidiary of CapitaLand Limited. He is also a non-executive director of Central China Real Estate Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Leow was an alternate director of the Company up to 4 March 2010. Mr. Leow does not have any interest in the listed shares and debentures of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, he does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Leow does not have a service contract with the Company but he will be subject to retirement by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Leow will not receive any emoluments from the Company.

Mr. Lucas Ignatius Loh Jen Yuh, aged 44, was appointed a non-executive director of the Company on 1 July 2010. He is also an alternate director to Mr. Leow Juan Thong, Jason, a non-executive director of the Company. Mr. Loh is currently the Chief Investment Officer and Regional General Manager (South China) of CapitaLand (China) Investment Co., Ltd. ("CapitaLand Investment"), a wholly-owned subsidiary of CapitaLand China Holdings Pte Ltd. ("CapitaLand China"), the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd. which is a substantial shareholder of the Company. CapitaLand China is an indirect wholly-owned subsidiary of CapitaLand Limited, one of Asia's largest listed real estate companies, headquartered in Singapore. Mr. Loh oversees CapitaLand China's investment and asset management activities in the Mainland of China ("China") and concurrently its South China business and operation management. Mr. Loh has more than 10 years' experience in China's real estate market. He joined the CapitaLand Group in 2001. Prior to his current appointment with CapitaLand Investment in July 2007, Mr. Loh was the managing director of The Ascott Limited in China. Prior to joining CapitaLand Group, Mr. Loh was an Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited, which is a substantial shareholder of CapitaLand Limited, covering the North Asia region. Mr. Loh began his career in 1991 as a real estate appraiser in Singapore. He obtained a Bachelor of Science (Estate Management) degree from National University of Singapore in 1991 and a Master's degree in Business Administration from Oklahoma City University in 1999. Mr. Loh is currently an alternate director of Central China Estate Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Loh does not have any interest in the listed shares and debentures of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, Mr. Loh does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. Mr. Loh does not have a service contract with the Company but he will be subject to retirement by rotation once every three years and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. The amount of his emoluments is set out in the Notes to Financial Statements (Note 8) of this Annual Report. Mr. Loh will not receive any emoluments from the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent non-executive directors:

Mr. Lam Bing Kwan, aged 61, was appointed an independent non-executive director of the Company in July 2001. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in property development and investment in China, having been closely involved in this industry since the mid-1980's. Mr. Lam has served on the boards of listed companies in Hong Kong for over 10 years and is currently an independent non-executive director of Lai Sun Development Company Limited, a substantial shareholder of eSun Holdings Limited ("eSun") while eSun is a substantial shareholder of the Company with effect from 30 September 2010, and eForce Holdings Limited, and a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited, all listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam does not have any interest in the listed shares and debentures of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed above, Mr. Lam does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. He does not have a service contract with the Company but he will be subject to retirement by rotation once every three years since his last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Lam is entitled to receive such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to Financial Statements (Note 8) of this Annual Report.

Mr. Ku Moon Lun, aged 59, was appointed an independent non-executive director of the Company in June 2006. Mr. Ku has more than 35 years of experience in the real estate industry. He was the executive director of Davis Langdon & Seah International ("DLSI"), a property consultant firm, until end of 2005 where he was responsible for formulating the policies and steering the direction of the DLSI group of companies. He was also the chairman of the board of directors of Davis Langdon & Seah Hong Kong Limited from 1995 to 2004. Mr. Ku was previously the chairman of Premas Hong Kong Limited, a facilities management company, from 2000 to 2002. He was also the chairman of icFox International, an information technology company, from 2000 to 2003. Currently, Mr. Ku is an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Kerry Properties Limited, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr. Ku is a fellow of the Hong Kong Institute of Surveyors.

Mr. Law Kin Ho, aged 43, was appointed an independent non-executive director of the Company in March 2009. Mr. Law is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. He has extensive experience in the auditing and accounting field in Hong Kong and is currently a practicing certified public accountant in Hong Kong. Prior to starting his own practice, Mr. Law worked at Yuanta Securities (Hong Kong) Company Limited, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Ernst & Young. He is also an independent non-executive director of Coastal Greenland Limited, which is listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Aurum Pacific (China) Group Limited, a company listed on the GEM Board of the Stock Exchange, up to 7 March 2010.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management:

Mr. Tse Ho Yin, Iain, aged 61, joined the Company in March 2005 as General Manager, Guangzhou region. Mr. Tse retired from the civil service after having served in the Hong Kong Police Force for 32 years. Immediately prior to his retirement, Mr. Tse, in his rank as a senior superintendent, was the deputy commander of a police district in the Kowloon West region, with a working force of over 1,000 police and civilian officers of various ranks under his command.

Mr. Ma Wang Chow, Patrick, aged 55, joined the Company in August 2010 as General Manager, Shanghai region. Mr. Ma was formerly a veteran police officer who had served in the Hong Kong Police Force for 35 years, during which he had been the deputy commander of a police district in West Kowloon as well as the commander of Hong Kong Island region's crime units, and he was awarded the Police Meritorious Service Medal. Before his retirement, Mr. Ma was the senior superintendent of a criminal investigation bureau of the Police Headquarters.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 21 August 2003 for the purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Eligible Employees (as defined in the Share Option Scheme) of the Company.

Details of the Share Option Scheme are set out in note 31 to the financial statements.

DIRECTORS' INTERESTS

As at 31 July 2010, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

DIRECTORS' INTERESTS (continued)

(A) Long Positions in the Shares of the Company

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 *(Note 1)*	Nil	Owner of Controlled Corporation	3,265,688,037	40.58%
Lau Shu Yan, Julius	6,458,829	Nil	Nil	Nil	Beneficial Owner	6,458,829	0.08%
Tam Kin Man, Kraven	Nil	Nil	Nil	10,000,000 (under share option) *(Note 2)*	Beneficial Owner	10,000,000	0.12%

Notes:

1. These interests in the Company represented the shares beneficially owned by Lai Sun Garment (International) Limited ("LSG") (1,869,206,362 shares) and Silver Glory Securities Limited ("SGS") (1,396,481,675 shares), a wholly-owned subsidiary of LSG. On 26 July 2010, LSG and eSun Holdings Limited ("eSun") entered into a shares swap agreement ("Shares Swap Agreement") pursuant to which LSG has agreed to transfer of or procure the transfer of, and eSun has agreed to accept the transfer of, LSG's direct and indirect interests in 3,265,688,037 shares in the capital of the Company, thereby making eSun a substantial shareholder of the Company. As this transaction has not been completed as at 31 July 2010, LSG and SGS still beneficially owned 3,265,688,037 shares in the Company.

   Pursuant to the Shares Swap Agreement, LSG has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of Lai Sun Development Company Limited ("LSD"), thereby increasing LSG's interest in LSD from approximately 11.25% to approximately 47.97%. As LSD is interested in approximately 36.08% in the issued share capital of eSun, LSG was deemed to be interested in such shares by virtue of its interest in approximately 47.97% of the issued share capital of LSD (upon completion of this transaction).

   Mr. Lam Kin Ngok, Peter was deemed to be interested in the 3,265,688,037 shares in the Company held by LSG and SGS since he held (1) a 50% interest in Wisdoman Limited which in turn held 484,991,750 shares in LSG and (2) a personal interest of 124,644,319 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

2. Options granted to the above director of the Company under the share option scheme of the Company are shown in the section "Share Option Scheme" of this report.

(B) Interests in the Debentures of the Company (in USD)

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total
Lau Shu Yan, Julius	300,000	Nil	Nil	Nil	Beneficial Owner	300,000

Save as disclosed above, as at 31 July 2010, none of the directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2010, the following persons, one of whom is a director of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long Positions in the Shares of the Company

Name	Capacity	Nature of Interest	Number of Shares	Percentage
Lai Sun Garment (International) Limited ("LSG")	Beneficial Owner	Corporate Interest	3,265,688,037 *(Note 1)*	40.58%
eSun Holdings Limited ("eSun")	Beneficial Owner	Corporate Interest	3,265,688,037 *(Note 1)*	40.58%
Lai Sun Development Company Limited ("LSD")	Owner of Controlled Corporation	Corporate Interest	3,265,688,037 *(Note 1)*	40.58%
Lam Kin Ngok, Peter	Owner of Controlled Corporation	Corporate Interest	3,265,688,037 *(Note 2)*	40.58%
CapitaLand China Holdings Pte Ltd. ("CapitaLand China")	Owner of Controlled Corporation	Corporate Interest	1,610,000,000 *(Note 3)*	20%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand Cayman")	Beneficial Owner	Corporate Interest	1,610,000,000	20%
CapitaLand Limited	Owner of Controlled Corporation	Corporate Interest	1,610,000,000 *(Note 3)*	20%
CapitaLand Residential Limited ("CapitaLand Residential")	Owner of Controlled Corporation	Corporate Interest	1,610,000,000 *(Note 3)*	20%
Temasek Holdings (Private) Limited ("Temasek Holdings")	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
Silver Glory Securities Limited ("SGS")	Beneficial Owner	Corporate Interest	1,396,481,675	17.35%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

Notes:

1. These interests in the Company represented the shares beneficially owned by LSG (1,869,206,362 shares) and SGS (1,396,481,675 shares), a wholly-owned subsidiary of LSG. SGS's interest constituted part of the interest held by LSG.

   On 26 July 2010, LSG and eSun entered into a shares swap agreement ("Shares Swap Agreement") pursuant to which LSG has agreed to transfer of or procure the transfer of, and eSun has agreed to accept the transfer of, LSG's direct and indirect interests in 3,265,688,037 shares in the capital of the Company, thereby making eSun a substantial shareholder of the Company. LSD was deemed to be interested in 3,265,688,037 shares held by eSun by virtue of its approximately 36.08% interest in the issued share capital of eSun. As this transaction has not been completed as at 31 July 2010, LSG and SGS still beneficially owned 3,265,688,037 shares in the Company.

   Pursuant to the Shares Swap Agreement, LSG has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of LSD, thereby increasing LSG's interest in LSD from approximately 11.25% to approximately 47.97%. As LSD is interested in approximately 36.08% in the issued share capital of eSun, LSG was deemed to be interested in such shares by virtue of its interest in approximately 47.97% of the issued share capital of LSD (upon completion of this transaction).

2. Mr. Lam Kin Ngok, Peter was deemed to be interested in 3,265,688,037 shares in the Company held by LSG and SGS by virtue of his approximate 37.69% interest in the issued share capital of LSG.

3. These interests in the Company represented the shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which is in turn wholly owned by CapitaLand Residential while CapitaLand Residential is wholly owned by CapitaLand Limited. Temasek Holdings was deemed to be interested in 1,610,000,000 shares held by CapitaLand Cayman by virtue of its 43.28% interest in CapitaLand Limited.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 July 2010.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in note 26 to the financial statements, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(A) The Company announced on 5 May 2009 that on 5 May 2009, Shanghai Li Xing Real Estate Development Co., Ltd. ("Li Xing") (a 95% owned subsidiary of the Company) and Ascott Property Management (Shanghai) Co., Ltd. ("Ascott") entered into the serviced residence management agreement (the "Ascott Management Agreement") in relation to the management of the units of serviced apartments owned by the Group and situated in Luwan District, Shanghai, the People's Republic of China (the "PRC") (the "Serviced Residences") for an initial term of 10 years commencing from the date when the official operations and leasing activity of the Serviced Residences commence and renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Li Xing.

Pursuant to the Ascott Management Agreement,

(a) Ascott shall be entitled to receive, for each fiscal year during and throughout the term of the Ascott Management Agreement, a base management fee; and

(b) Ascott will provide (i) computer modular programs for use in connection with the management and operation of the Serviced Residences at a fee of RMB160 per unit per month and (ii) global marketing services and use of the intellectual property rights of the Ascott Group at an annual fee of RMB2,000,000 adjustable in accordance with the Singapore Consumer Price Index subject to a cap of RMB2,500,000.

The directors of the Company expect that the total fees payable by Li Xing to Ascott during the initial term of the Ascott Management Agreement will not exceed RMB19,000,000 per annum. For the year ended 31 July 2010, such fees paid or payable to Ascott amounted to HK$1,255,000.

Ascott is a wholly-owned subsidiary of CapitaLand Limited and CapitaLand Limited is a substantial shareholder of the Company. Accordingly, Ascott is a connected person of the Company, and the transactions contemplated under the Ascott Management Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

(B) The Company announced on 4 October 2010 that on 19 September 2005, 廣東五月花電影城有限公司(Guangdong May Flower Cinema Limited) ("May Flower") (a wholly-owned subsidiary of the Company) entered into a management agreement with Media Idea International Limited ("Media Idea"), pursuant to which Media Idea agreed to manage the cinema located at 6th and 7th Floor, May Flower Plaza, No. 68 Zhongshanwu Road, Yuexiu District, Guangzhou, the PRC ("Cinema") for May Flower for a ten-year period from 1 September 2005 to 31 August 2015 (the "Cinema Management Agreement"). The Cinema Management Agreement provides for Media Idea to receive a fixed fee of RMB60,000 per month and a variable fee equivalent to 20% of the annual net profit of the Cinema.

Media Idea is a wholly-owned subsidiary of eSun Holdings Limited ("eSun"). eSun became a substantial shareholder of the Company with effect from 30 September 2010 following the completion of a corporate restructuring exercise on the same day. Accordingly, eSun is a connected person of the Company and its associate with effect from 30 September 2010.

Although transactions contemplated under the Cinema Management Agreement did not constitute continuing connected transactions for the Company at the time the Cinema Management Agreement was entered into in September 2005, they have, with effect from 30 September 2010, become continuing connected transactions for the Company pursuant to Rule 14A.41 of the Listing Rules.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditors of the Company have provided a confirmation in respect of the continuing connected transactions for the year ended 31 July 2010 in accordance with the relevant provisions of the Listing Rules.

Report of the Directors

CONNECTED TRANSACTIONS

(A) The Company announced on 15 October 2009 that on 12 October 2009, Guangzhou Honghui Real Estate Development Co., Ltd. (廣州宏輝房產開發有限公司) ("GZ Honghui") (a wholly-owned subsidiary of the Company) and Mr. Lau Shu Yan, Julius ("Mr. Lau") entered into two provisional sale and purchase agreements pursuant to which GZ Honghui agreed to sell and Mr. Lau agreed to purchase two office units of West Point in Liwan District, Guangzhou, Guangdong Province, the PRC owned and developed by GZ Honghui at a total consideration of RMB1,766,940.

Mr. Lau is a director of the Company and is a connected person of the Company. Therefore, the entering into of the said provisional sale and purchase agreements constituted connected transactions of the Company under the Listing Rules.

(B) The Company announced on 19 October 2009 that on 16 October 2009, Trump Glory International Limited ("Trump Glory") and Lai Fung Company Limited ("LFCL") (a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement (the "Agreement") pursuant to which LFCL agreed to purchase from Trump Glory and Trump Glory agreed to sell (i) 30 ordinary shares of US$1 each in A Fortune Inc. ("A Fortune") (a subsidiary of the Company), representing 30% of the issued share capital of A Fortune and (ii) all the loans advanced by Trump Glory to A Fortune at a total consideration of HK$5,500,000 (the "Acquisition").

Trump Glory was a substantial shareholder of A Fortune before completion of the Acquisition and accordingly a connected person of the Company at the relevant time. Therefore, the Acquisition constituted a connected transaction of the Company under the Listing Rules.

Report of the Directors

DETAILS OF PROPERTIES

The principal properties under development/construction of the Group are as follows:

Location	Group interest	Stage of construction	Expected completion date	Expected use	Area
Eastern Place Phase V, 787 Dongfeng East Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	Construction work in progress	2012	Residential/ commercial/ office	Total site area: 19,750 sq.m. Total gross floor area: approximately 101,000 sq.m.
Haizhu Plaza, Chang Di Main Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	Resettlement in progress	*Note*	Commercial/ office	Total site area: 8,427 sq.m. Total gross floor area: approximately 103,000 sq.m.
Donghua Dong Road Project, Donghua Dong Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	Development under planning	2012	Residential	Total site area: 3,263 sq.m. Total gross floor area: approximately 10,000 sq.m.
Da Sha Tou Road/ Yuan Jiang Dong Road Project, Da Sha Tou Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	Development under planning	2012	Commercial	Total site area: 2,210 sq.m. Total gross floor area: approximately 8,000 sq.m.
Guan Lu Road Project, Guan Lu Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	Development under planning	2013	Residential	Total site area: 2,432 sq.m. Total gross floor area: approximately 14,000 sq.m.

Note: Pending for negotiation of development plan with the city government

Report of the Directors

DETAILS OF PROPERTIES (continued)

The principal properties under development/construction of the Group are as follows: (continued)

Location	Group interest	Stage of construction	Expected completion date	Expected use	Area
Shanghai May Flower Plaza, Sujiaxiang, Zhabei District, Shanghai, PRC	95%	Construction work in progress	2011	Residential/ commercial/ office	Total site area: approximately 22,000 sq.m. Total gross floor area: approximately 114,500 sq.m.
Northgate Plaza II, Tian Mu Road West, Zhabei District, Shanghai, PRC	99%	Development under planning	2012	Commercial	Total site area: 4,115 sq.m. Total gross floor area: approximately 28,800 sq.m.
Zhongshan Palm Springs, Caihong Planning Area, Western District, Zhongshan, Guangdong Province, PRC	100%	Construction work in progress	In phases from 2012 to 2015	Residential/ commercial	Total site area: 236,648 sq.m. Total gross floor area: approximately 406,000 sq.m.

Report of the Directors

DETAILS OF PROPERTIES (continued)

The principal rental properties of the Group are as follows:

Location	Group interest	Tenure	Use	Gross floor area
Commercial podium and certain office and serviced apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	95%	The property is held for a term of 50 years commencing on 16 September 1992	Office/ shopping arcades/ serviced apartments	approximately 111,000 sq.m.
Certain serviced apartment units in the North Tower of Hong Kong Plaza, 282 Huaihaizhong Road, Luwan District, Shanghai, PRC	100%	The property is held for a term of 50 years commencing on 16 September 1992	Serviced apartments	approximately 19,600 sq.m.
Northgate Plaza I, 99 Tian Mu Road West, Zhabei District, Shanghai, PRC	97%	The property is held for a term of 50 years commencing on 15 June 1993	Office/ commercial	approximately 36,500 sq.m.
May Flower Plaza, 68 Zhongshanwu Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	77.5%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	Shopping arcades/ office	approximately 51,000 sq.m.
Commercial podium of West Point, Zhongshan Qi Road, Liwan District, Guangzhou, Guangdong Province, PRC	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 3 July 2005	Shopping arcades	approximately 16,600 sq.m.

Report of the Directors

DETAILS OF PROPERTIES (continued)

The principal completed properties for sale of the Group are as follows:

Location	Group interest	Gross floor area
Certain residential units in Regents Park, Phase II, 88 Huichuan Road, Changning District, Shanghai, PRC	95%	approximately 2,805 sq.m.
Certain residential and office units in West Point, Zhongshan Qi Road, Liwan District, Guangzhou, Guangdong Province, PRC	100%	approximately 13,281 sq.m.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 16, respectively, to the financial statements. Further details of the Group's investment properties are set out in this report under the section headed "Details of Properties" above.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out in this report under the section headed "Details of Properties" above.

FIXED RATE SENIOR NOTES

On 4 April 2007, the Group issued the 9.125% senior notes due 2014 (the "Senior Notes") with aggregate principal amount of US$200,000,000. Details of the Senior Notes are set out in note 27 to the financial statements.

SHARE CAPITAL

There was no movement in the Company's authorised and issued share capital during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32 to the financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 July 2010, the Company's reserves, including share premium account, available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK$4,018,564,000 (2009: HK$4,054,502,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$258,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results and assets, liabilities and non-controlling interests of the Group for each of the last five years, as extracted from the audited financial statements of the Group, is set out below:

Results

			Year ended 31 July		
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,514,214**	937,380	868,001	792,420	703,352
Profit before tax	**817,560**	767,735	625,236	572,546	310,358
Tax	**(454,297)**	(339,590)	(376,733)	(64,272)	(164,098)
Profit for the year	**363,263**	428,145	248,503	508,274	146,260
Attributable to:					
Owners of the Company	**322,106**	406,888	206,005	470,351	132,745
Non-controlling interests	**41,157**	21,257	42,498	37,923	13,515
	363,263	428,145	248,503	508,274	146,260

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, liabilities and non-controlling interests

	As at 31 July				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment and prepaid land lease payments	**797,505**	662,322	681,253	675,199	672,054
Investment properties	**7,921,429**	5,329,900	5,136,200	3,673,600	3,189,300
Properties under development	**1,055,751**	3,394,309	3,265,072	2,107,681	1,937,211
Goodwill	**4,561**	4,561	4,561	4,561	4,561
Interests in associates	**329,247**	325,837	328,149	1,057,982	770,917
Long term deposits	**—**	—	—	25,904	—
Available-for-sale investments	**—**	—	—	—	13,464
Pledged time deposits	**—**	—	—	118,914	—
Current assets	**2,802,752**	3,087,077	2,944,450	2,759,746	1,414,223
TOTAL ASSETS	**12,911,245**	12,804,006	12,359,685	10,423,587	8,001,730
Current liabilities	**(1,391,116)**	(2,091,344)	(1,580,093)	(1,619,599)	(881,338)
Long term rental and other deposits received	**(52,161)**	(26,126)	(22,059)	(17,101)	(21,931)
Non-current interest-bearing bank loans, secured	**(949,702)**	(624,275)	(624,430)	(123,343)	(753,859)
Promissory note	**—**	—	(167,000)	(167,000)	(167,000)
Fixed rate senior notes	**(1,421,368)**	(1,415,475)	(1,518,319)	(1,513,431)	—
Derivative financial instruments	**—**	—	(185,462)	(72,859)	—
Advances from a former substantial shareholder	**(53,535)**	(52,976)	(53,284)	(48,273)	(45,542)
Deferred tax liabilities	**(1,038,827)**	(949,511)	(892,360)	(593,692)	(627,752)
TOTAL LIABILITIES	**(4,906,709)**	(5,159,707)	(5,043,007)	(4,155,298)	(2,497,422)
	8,004,536	7,644,299	7,316,678	6,268,289	5,504,308
Non-controlling interests	**(479,409)**	(433,515)	(407,456)	(312,306)	(258,473)
	7,525,127	7,210,784	6,909,222	5,955,983	5,245,835

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover or sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover. During the year, the Group's purchases from its five largest suppliers accounted for approximately 59.5% of the Group's total purchases, while the largest supplier accounted for approximately 25.0% of the Group's total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest suppliers.

DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

As at 31 July 2010, LSG is a substantial shareholder of the Company and LSD is an investee company of LSG. Upon completion of a corporate restructuring exercise on 30 September 2010 (the "Completion"), LSG ceased to be a substantial shareholder of the Company while eSun, an associate of LSD (which becomes an associate of LSG upon the Completion), becomes a substantial shareholder of the Company.

Loan agreements for certain bank facilities of certain subsidiaries of the Company (the "Subsidiaries") impose specific performance obligations on LSG, LSD and eSun.

Pursuant to the covenants of the loan agreements dated 20 December 2007 and 27 July 2010 respectively, the Company and the Subsidiaries shall procure that (i) LSG and LSD will together hold not less than 35% of the total issued share capital of the Company at all times throughout the terms of the facilities; (ii) LSG and/or LSD will together remain as the single largest shareholder of the Company; and (iii) LSG will maintain management control of the Company.

As at 31 July 2010, the outstanding loan balances of these facilities amounted to approximately HK$915,215,000, with the last instalment repayment falling due in 2013.

Prior to the Completion, on 14 September 2010, certain supplemental loan agreements were executed, pursuant to which the aforementioned covenants were amended whereby the Company and the Subsidiaries shall procure that (i) LSG, LSD and eSun will together hold not less than 30% of the total issued share capital of the Company at all times throughout the terms of the facilities; (ii) LSG and/or LSD and/or eSun shall together remain as the single largest shareholder of the Company; and (iii) LSG will maintain management control of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

Report of the Directors

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules from the date of the last Annual Report of the Company to the date of this Annual Report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 43 to 47 of this Annual Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company still considers all of its independent non-executive directors to be independent.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming 2010 Annual General Meeting.

On behalf of the Board

Lam Kin Ngok, Peter
Chairman

Hong Kong
5 November 2010

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from time to time.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the following deviations from code provisions A.4.1 and E.1.2:

Code Provision A.4.1

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

Code Provision E.1.2

Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the annual general meeting of the Company held on 23 December 2009.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31 July 2010.

(3) BOARD OF DIRECTORS

(3.1) The board of directors of the Company (the "Board") supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely Executive Committee, Audit Committee, and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.2) Currently, the Board comprises nine executive directors, namely Mr. Lam Kin Ngok, Peter (Chairman), Dr. Lam Kin Ming (Deputy Chairman), Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman), Mr. Lam Hau Yin, Lester (Chief Executive Officer), Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Miss Leung Churk Yin, Jeanny and Mr. Cheng Shin How; two non-executive directors, namely Mr. Leow Juan Thong, Jason (alternate director: Mr. Lucas Ignatius Loh Jen Yuh) and Mr. Lucas Ignatius Loh Jen Yuh; and three independent non-executive directors, namely Mr. Lam Bing Kwan, Mr. Ku Moon Lun and Mr. Law Kin Ho.

As disclosed in the Report of Directors, (i) Mr. Cheung Sum, Sam resigned with effect from 5 October 2009; (ii) Mr. Lim Ming Yan resigned with effect from 5 March 2010; (iii) Mr. Leow Juan Thong, Jason ceased to act as alternate director to Mr. Lim Ming Yan and was appointed as director with effect from 5 March 2010; and (iv) Mr. Lucas Ignatius Loh Jen Yuh appointed as alternate director to Mr. Leow Juan Thong, Jason with effect from 5 March 2010 and director with effect from 1 July 2010.

(3.3) The Board met four times during the financial year ended 31 July 2010. The attendance record of individual directors at these board meetings is set out in the following table:

Directors	No. of Board Meetings Held	Attended
Executive Directors		
Lam Kin Ngok, Peter *(Chairman)*	4	4
Lam Kin Ming *(Deputy Chairman)*	4	1
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*	4	3
Lam Hau Yin, Lester *(Chief Executive Officer)*	4	4
U Po Chu	4	0
Lau Shu Yan, Julius	4	4
Tam Kin Man, Kraven	4	4
Leung Churk Yin, Jeanny	4	4
Cheng Shin How	4	4
Cheung Sum, Sam[1]	N/A	N/A
Non-executive Directors		
Leow Juan Thong, Jason* (alternate: Lucas Ignatius Loh Jen Yuh)	2	2
Lucas Ignatius Loh Jen Yuh*	1	1
Lim Ming Yan[2] (alternate: Leow Juan Thong, Jason)	2	2
Independent Non-executive Directors		
Lam Bing Kwan	4	4
Ku Moon Lun	4	3
Law Kin Ho	4	4

[1] *resigned with effect from 5 October 2009*
[2] *resigned with effect from 5 March 2010*
* *appointed during the year*

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.4) The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. All independent non-executive directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Mr. Lam Kin Ngok, Peter is the son of Madam U Po Chu and the father of Mr. Lam Hau Yin, Lester. Mr. Lam Kin Hong, Matthew is the younger brother of Dr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

Save as disclosed above and in the "Biographical Details of Directors and Senior Management" section of this Annual Report, none of the directors of the Company has any financial, business, family or other material/relevant relationships with one another.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer be separated and not performed by the same individual.

During the year under review, Mr. Lam Kin Ngok, Peter was the Chairman of the Company while Mr. Lam Hau Yin, Lester acted as the Chief Executive Officer of the Company.

(5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive directors of the Company was appointed for a specific term.

(6) REMUNERATION OF DIRECTORS

(6.1) The Board established on 18 November 2005 a Remuneration Committee, which currently comprises three independent non-executive directors, namely Mr. Lam Bing Kwan (Chairman), Mr. Ku Moon Lun and Mr. Law Kin Ho, and a non-executive director, Mr. Leow Juan Thong, Jason (alternate director: Mr. Lucas Ignatius Loh Jen Yuh). Mr. Lim Ming Yan ceased to be and Mr. Leow Juan Thong, Jason became a member with effect from 5 March 2010.

(6.2) The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or the Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(6.3) The Remuneration Committee held one meeting during the year under review to discuss remuneration-related matters. All members of the Remuneration Committee, namely Messrs. Lam Bing Kwan, Ku Moon Lun, Law Kin Ho and Leow Juan Thong, Jason attended the meeting.

Corporate Governance Report

(7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

(8) AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the auditors of the Company, Ernst & Young, amounted to HK$2,170,000 and HK$307,000 respectively. The non-audit services mainly consist of advisory, review and other reporting services.

(9) AUDIT COMMITTEE

(9.1) The Board established on 31 March 2000 an Audit Committee, which currently comprises two independent non-executive directors, namely Mr. Law Kin Ho (Chairman) and Mr. Lam Bing Kwan, and a non-executive director, Mr. Leow Juan Thong, Jason (alternate director: Mr. Lucas Ignatius Loh Jen Yuh). Mr. Lim Ming Yan ceased to be and Mr. Leow Juan Thong, Jason became a member with effect from 5 March 2010.

The principal responsibilities of the Audit Committee include monitoring the integrity of the periodical financial statements of the Company, the review of significant financial reporting judgments contained in them before submission to the Board for approval and the review and monitoring of the auditor's independence and objectivity and effectiveness of the audit process.

The Company has complied with Rule 3.21 of the Listing Rules in that one of the members of the Audit Committee possess appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. The attendance record of individual member at these Audit Committee meetings is set out in the following table:

Committee Members	No. of Audit Committee Meetings Held	No. of Audit Committee Meetings Attended
Lim Ming Yan (ceased to be a member on 5 March 2010)	1	1
Lam Bing Kwan	2	2
Law Kin Ho	2	2
Leow Juan Thong, Jason (became a member on 5 March 2010)	1	1

(9) AUDIT COMMITTEE (continued)

(9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.

(10) FINANCIAL REPORTING

The directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this Annual Report.

(11) INTERNAL CONTROL

During the year, BDO Financial Services Limited has been engaged to perform internal audit functions and to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls and risk management functions of the Group and will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Lai Fung Holdings Limited set out on pages 50 to 123, which comprise the consolidated and company statements of financial position as at 31 July 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
5 November 2010

Consolidated Income Statement

Year ended 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
TURNOVER	5	**1,514,214**	937,380
Cost of sales		**(738,769)**	(304,944)
Gross profit		**775,445**	632,436
Other income and gains	5	**101,603**	95,495
Selling and marketing expenses		**(42,306)**	(31,662)
Administrative expenses		**(152,324)**	(158,733)
Other operating expenses, net		**(64,877)**	(50,343)
Fair value gains on investment properties	16	**284,835**	143,127
Gain on termination of cross currency swaps	28	**—**	256,311
PROFIT FROM OPERATING ACTIVITIES	7	**902,376**	886,631
Finance costs	6	**(84,806)**	(118,588)
Share of losses of associates		**(10)**	(308)
PROFIT BEFORE TAX		**817,560**	767,735
Tax	10	**(454,297)**	(339,590)
PROFIT FOR THE YEAR		**363,263**	428,145
ATTRIBUTABLE TO:			
Owners of the Company	11	**322,106**	406,888
Non-controlling interests		**41,157**	21,257
		363,263	428,145
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Basic and diluted	13	**HK4.00 cents**	HK5.06 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 July 2010

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR	**363,263**	428,145
OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX		
Exchange realignments:		
Subsidiaries	**69,844**	(47,610)
Associates	**3,391**	(1,877)
Impairment of investment properties under construction/ properties under development	**(29,857)**	(22,050)
Reclassification adjustment for a gain on termination of cross currency swaps	**—**	(5,719)
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR, NET OF TAX	**43,378**	(77,256)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**406,641**	350,889
ATTRIBUTABLE TO:		
Owners of the Company	**359,451**	332,240
Non-controlling interests	**47,190**	18,649
	406,641	350,889

Consolidated Statement of Financial Position

31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**791,907**	656,605
Properties under development	15	**1,055,751**	3,394,309
Investment properties	16	**7,921,429**	5,329,900
Prepaid land lease payments	17	**5,598**	5,717
Goodwill	18	**4,561**	4,561
Interests in associates	20	**329,247**	325,837
Total non-current assets		**10,108,493**	9,716,929
CURRENT ASSETS			
Properties under development	15	**621,800**	419,405
Completed properties for sale		**354,886**	372,980
Debtors, deposits and prepayments	21	**91,186**	254,626
Tax recoverable		**21,708**	17,184
Pledged and restricted time deposits and bank balances	22	**321,877**	393,732
Cash and cash equivalents	22	**1,391,295**	1,629,150
Total current assets		**2,802,752**	3,087,077
CURRENT LIABILITIES			
Creditors and accruals	23	**496,186**	515,857
Deposits received and deferred income		**29,138**	310,872
Rental deposits received		**22,487**	18,174
Interest-bearing bank loans, secured	24	**131,584**	414,616
Promissory note	25	**—**	167,000
Tax payable		**711,721**	664,825
Total current liabilities		**1,391,116**	2,091,344
NET CURRENT ASSETS		**1,411,636**	995,733
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,520,129**	10,712,662

Consolidated Statement of Financial Position

31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITIES			
Long term rental and other deposits received		**52,161**	26,126
Interest-bearing bank loans, secured	24	**949,702**	624,275
Advances from a former substantial shareholder	26	**53,535**	52,976
Fixed rate senior notes	27	**1,421,368**	1,415,475
Deferred tax liabilities	29	**1,038,827**	949,511
Total non-current liabilities		**3,515,593**	3,068,363
		8,004,536	7,644,299
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	**804,796**	804,796
Share premium account		**3,876,668**	3,876,668
Asset revaluation reserve		**17,571**	47,129
Share option reserve		**1,680**	3,544
Exchange fluctuation reserve		**1,111,524**	1,044,621
Capital reserve		**(5,445)**	(457)
Retained earnings		**1,678,093**	1,394,243
Proposed final dividends	12	**40,240**	40,240
		7,525,127	7,210,784
Non-controlling interests		**479,409**	433,515
		8,004,536	7,644,299

Lam Kin Ngok, Peter
Director

Lam Hau Yin, Lester
Director

Consolidated Statement of Changes In Equity

Year ended 31 July 2010

		Attributable to owners of the Company											
	Note	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Proposed final dividends HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 August 2008		804,796	3,876,668	68,959	3,549	5,719	1,091,720	(457)	1,026,076	32,192	6,909,222	407,456	7,316,678
Total comprehensive income/(expenses) for the year		—	—	(21,830)	—	(5,719)	(47,099)	—	406,888	—	332,240	18,649	350,889
Release of reserve upon lapse of share options		—	—	—	(1,519)	—	—	—	1,519	—	—	—	—
Capital contribution by a non-controlling shareholder		—	—	—	—	—	—	—	—	—	—	7,410	7,410
Equity-settled share option arrangements		—	—	—	1,514	—	—	—	—	—	1,514	—	1,514
Final 2008 dividends paid		—	—	—	—	—	—	—	—	(32,192)	(32,192)	—	(32,192)
Proposed final 2009 dividends	12	—	—	—	—	—	—	—	(40,240)	40,240	—	—	—
As at 31 July 2009 and 1 August 2009		804,796	3,876,668	47,129	3,544	—	1,044,621	(457)	1,394,243	40,240	7,210,784	433,515	7,644,299
Total comprehensive income/(expenses) for the year		—	—	(29,558)	—	—	66,903	—	322,106	—	359,451	47,190	406,641
Release of reserve upon lapse of share options		—	—	—	(1,984)	—	—	—	1,984	—	—	—	—
Acquisition of additional interests in subsidiaries from non-controlling interests		—	—	—	—	—	—	(4,988)	—	—	(4,988)	(1,296)	(6,284)
Equity-settled share option arrangements		—	—	—	120	—	—	—	—	—	120	—	120
Final 2009 dividends paid		—	—	—	—	—	—	—	—	(40,240)	(40,240)	—	(40,240)
Proposed final 2010 dividends	12	—	—	—	—	—	—	—	(40,240)	40,240	—	—	—
As at 31 July 2010		**804,796**	**3,876,668**	**17,571**	**1,680**	**—**	**1,111,524**	**(5,445)**	**1,678,093**	**40,240**	**7,525,127**	**479,409**	**8,004,536**

Consolidated Statement of Cash Flows

Year ended 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**817,560**	767,735
Adjustments for:			
Fair value gains on investment properties		**(284,835)**	(143,127)
Finance costs	6	**84,806**	118,588
Share of losses of associates		**10**	308
Interest income	5	**(17,275)**	(17,095)
Gain on termination of cross currency swaps		**—**	(256,311)
Gain on repurchase of fixed rate senior notes	7	**—**	(29,579)
Depreciation	7	**26,440**	36,110
Amortisation of prepaid land lease payments	7	**177**	177
Foreign exchange differences, net	7	**(3,872)**	2,584
Impairment of properties under development	7	**56,281**	60,680
Loss on disposal of items of property, plant and equipment	7	**305**	187
Equity-settled share option expense	7	**120**	1,514
		679,717	541,771
Decrease in completed properties for sale		**706,267**	233,508
Increase in properties under development		**(386,374)**	—
Decrease/(increase) in debtors, deposits and prepayments		**171,585**	(42,513)
Increase/(decrease) in creditors and accruals, deposits received and deferred income and short term rental deposits received		**(391,149)**	149,087
Increase in long term rental and other deposits received		**26,035**	4,067
Cash generated from operations		**806,081**	885,920
Mainland China taxes paid, net		**(328,094)**	(75,551)
Net cash flows from operating activities		**477,987**	810,369
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**16,226**	20,065
Purchases of items of property, plant and equipment		**(159,131)**	(16,920)
Proceeds from disposal of items of property, plant and equipment		**947**	79
Additions to properties under development		**—**	(475,031)
Additions to investment properties		**(302,666)**	(46,694)
Repayments/(advances) of loans from/(to) associates		**(22)**	123
Decrease/(increase) in pledged and restricted time deposits and bank balances		**71,855**	(12,657)
Decrease/(increase) in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired		**17,471**	(17,471)
Acquisition of additional interests in subsidiaries from non-controlling interests		**(6,284)**	—
Net cash flows used in investing activities		**(361,604)**	(548,506)

Consolidated Statement of Cash Flows

Year ended 31 July 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of a promissory note		**(167,000)**	—
Proceeds from termination of cross currency swaps	28	**—**	65,130
Capital contribution by a non-controlling shareholder		**—**	7,410
New bank loans		**276,731**	121,370
Repayment of bank loans		**(238,706)**	(213,429)
Interest paid		**(176,870)**	(185,810)
Dividends paid		**(40,240)**	(32,192)
Repurchase of fixed rate senior notes		**—**	(80,428)
Net cash flows used in financing activities		**(346,085)**	(317,949)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(229,702)**	(56,086)
Cash and cash equivalents at beginning of year		**1,611,679**	1,670,969
Effect of foreign exchange rate changes, net		**9,318**	(3,204)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,391,295**	1,611,679
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	22	**485,598**	962,216
Non-pledged and non-restricted time deposits	22	**905,697**	666,934
Cash and cash equivalents as stated in the statement of financial position		**1,391,295**	1,629,150
Non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	22	**—**	(17,471)
Cash and cash equivalents as stated in the statement of cash flows		**1,391,295**	1,611,679

Statement of Financial Position

31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**6,012,248**	5,903,661
CURRENT ASSETS			
Deposits and prepayments	21	**1,914**	1,919
Cash and cash equivalents	22	**302,004**	597,116
Total current assets		**303,918**	599,035
CURRENT LIABILITIES			
Creditors and accruals	23	**49,333**	50,608
Promissory note	25	**—**	167,000
Total current liabilities		**49,333**	217,608
NET CURRENT ASSETS		**254,585**	381,427
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,266,833**	6,285,088
NON-CURRENT LIABILITIES			
Fixed rate senior notes	27	**1,421,368**	1,415,475
Deferred tax liabilities	29	**22,105**	10,315
Total non-current liabilities		**1,443,473**	1,425,790
		4,823,360	4,859,298
EQUITY			
Issued capital	30	**804,796**	804,796
Reserves	32(b)	**3,978,324**	4,014,262
Proposed final dividends	12	**40,240**	40,240
		4,823,360	4,859,298

Lam Kin Ngok, Peter
Director

Lam Hau Yin, Lester
Director

Notes to Financial Statements

31 July 2010

1. CORPORATE INFORMATION

Lai Fung Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands.

The principal place of business of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") have not changed during the year and consisted of property development for sale and property investment for rental purposes.

2.1 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 investment properties, which have been measured at fair value as further explained in the accounting policy for investment properties in note 2.4 to the financial statements. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2010. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries are accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair values of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 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 (October 2008)	
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 27 (Amendments)	Amendments to HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised), HKFRS 8 and the amendments to HKAS 40 under Improvements to HKFRSs issued in October 2008 (the "Amendments to HKAS 40") as described below, has had no material impact on the reported results or financial position of the Group.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces a number of terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity (i.e., comprehensive income). All non-owner changes in equity are required to be presented in (i) a single statement of comprehensive income or (ii) two statements (a separate income statement displaying items of income and expenses recognised as profit or loss and a second statement beginning with net profit or loss as shown in the income statement and displaying components of other comprehensive income). The Group has elected to present two statements.

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The adoption of this standard has had no effect on the financial position or results of operations of the Group. It has, however, resulted in certain changes in the presentation and disclosure of the segment information.

Notes to Financial Statements

31 July 2010

2.2 IMPACT OF NEW AND REVISED HKFRSs (continued)

Improvements to HKFRSs – Amendments to HKAS 40 Investment Property

The Group has adopted the Amendments to HKAS 40 which became effective in the Group's accounting period beginning 1 August 2009. Under the amendments, properties under development/construction for future use as investment properties are included within the scope of HKAS 40. Investment properties under development/construction are carried at fair value when their fair values are reliably determinable. Any differences between the fair values and the carrying amounts of the properties are recognised as gains or losses in the income statement for the period of initial adoption of the amendments. However, if the fair values of investment properties under development/construction are at present not reliably determinable, such properties are stated at cost at initial adoption of the amendments until their fair values become reliably determinable or development/construction is completed, whichever is earlier.

Prior to the adoption of the amendments, properties developed/constructed for future use as investment properties were included in properties under development until development/construction was completed, at which time they were reclassified to and subsequently accounted for as investment properties. Upon adoption of the amendments, such properties had been transferred from properties under development to investment properties on 1 August 2009 at their carrying amounts. They had been subsequently carried at fair value as at the end of the reporting period with the fair value gains recognised in the income statement for the current year.

The effects of the changes in accounting policy described above on each financial statement line item affected and the basic and diluted earnings per share are as follows:

	For the year ended 31 July 2010 HK$'000
Consolidated Income Statement	
Increase in fair value gains on investment properties	86,737
Increase in tax	(21,684)
Increase in profit for the year	65,053
Increase in profit attributable to:	
Owners of the Company	61,800
Non-controlling interests	3,253
	65,053
Increase in earnings per share attributable to owners of the Company:	
Basic and diluted	HK0.77 cent

2.2 IMPACT OF NEW AND REVISED HKFRSs (continued)

	As at 31 July 2010 HK$'000
Consolidated Statement of Financial Position	
Increase in investment properties	1,974,429
Decrease in properties under development	(1,887,045)
Increase in deferred tax liabilities	(21,846)
Increase in net assets	65,538
Increase in exchange fluctuation reserve	461
Increase in retained earnings	61,800
Increase in equity attributable to owners of the Company	62,261
Increase in non-controlling interests	3,277
Increase in equity	65,538

These amendments had been applied prospectively in accordance with the relevant transitional provision and the corresponding amounts of prior periods had not been restated.

2.3 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 2009[1]	Amendments to HKAS 7, HKAS 36 and HKFRS 8 as part of Improvements to HKFRSs 2009
Improvements to HKFRSs 2010[2]	
HKFRS 9[4]	Financial Instruments
HKAS 24 (Revised)[3]	Related Party Disclosures

1 Effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs 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.

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of the subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture; or

(b) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture.

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries or associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 July.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKFRS 8 "Operating Segments".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against the consolidated reserves in the year of acquisition. On the adoption of HKFRS 3 "Business Combinations", such goodwill remains eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Revaluation amounts arising in a business combination achieved in stages

When a business combination involves more than one exchange transaction, the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different at the date of each exchange transaction. Any adjustment to those fair values relating to previously held interests of the Group is a revaluation and will be dealt with in the asset revaluation reserve initially and shall be accounted for as such.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than completed properties for sale, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment including owner-operated serviced apartments, other than investment properties and properties under development, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	Over the remaining lease terms of the land
Serviced apartments	Over the remaining lease terms of the land
Leasehold improvements	10% — 20%
Furniture, fixtures and equipment	18% — 20%
Motor vehicles	18% — 25%
Computers	18% — 25%

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include land held for a currently undetermined future use and properties which are developed/constructed for future use as investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of the retirement or disposal.

Starting from 1 August 2009, properties under development/construction for future use as investment properties have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under development/construction are capitalised as part of the carrying amount of the investment properties under development/construction. Investment properties under development/construction are measured at fair value as at the end of each reporting period. Any differences between the fair values of the investment properties under development/construction and their carrying amounts are recognised in the income statement in the period in which they arise.

If the fair value of an investment property under development/construction is at present not reliably determinable but is expected to be reliably determinable when construction is complete, such investment property under development/construction is stated at cost until either its fair value becomes reliably determinable or development/construction is completed, whichever is earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development represent properties developed for sale and are stated at the lower of cost and net realisable value. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis.

Cost comprises the prepaid land lease payments, building costs and any other direct costs attributable to the development of the properties. Borrowing costs, professional fees, and other related expenses incurred during the development/construction phase of the properties are capitalised as part of the costs of those properties.

Once the development/construction of the properties is completed, the properties are transferred to completed properties for sale.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Cost is determined by an apportionment of the total costs of land and buildings attributable to unsold properties. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs or other operating expenses.

Available-for-sale financial assets

Available-for-sale financial investments are those non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or

- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

The Group's financial liabilities including creditors and accruals, interest-bearing bank loans, a promissory note, advances from a former substantial shareholder, and fixed rate senior notes, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments and hedging

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective of changes in the hedging instrument's fair value in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the income statement in finance costs.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value as at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividend income derived from the Company's Mainland China subsidiaries is subject to a withholding tax under the prevailing tax rules and regulations of the People's Republic of China (the "PRC").

Mainland China land appreciation tax ("LAT")

LAT is levied at prevailing progressive rates on the appreciation of land value, being the proceeds of the sale of properties less deductible costs.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) revenue from the sale of properties is recognised when the significant risks and rewards of properties are transferred to the purchasers, which refers to the time when the construction of relevant properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sales agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as deposits received;

(b) rental and property management fee income is recognised in the period in which the properties are let and on the straight-line basis over the lease terms;

(c) service fee income is recognised when the relevant services have been rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes formula, further details of which are set out in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Those subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling as at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain subsidiaries and associates operating overseas/in Mainland China are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling as at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of such operation, the component of other comprehensive income relating to that particular operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries and associates operating overseas/in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries and associates operating overseas/in Mainland China which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or for both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) When fair value of an investment property under development/construction can be reliably determined

If the fair value of an investment property under development/construction is at present not reliably determinable, such property is stated at cost until either its fair value becomes reliably determinable or development/construction is completed, whichever is earlier.

The Group has to exercise judgement in determining when the fair value of an investment property under development/construction can be reliably determined by assessing whether a substantial part of the project risk has been reduced or eliminated, which might include the consideration of (i) whether the asset is being constructed in a developed liquid market; (ii) whether the construction permits have been obtained; and (iii) the stage of development/construction or completion. Other indications may also be appropriate in light of the facts and circumstances of individual developments.

(iii) Impairment of non-financial assets

The Group has to exercise judgement in determining whether a non-financial asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Notes to Financial Statements

31 July 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(iv) Income tax

Deferred tax is provided using the liability method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carried forward tax losses, the asset balance will be reduced and charged to the income statement.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for properties in the same location and condition and subject to similar lease and other contracts. In the absence of such information, the Group considers information from a variety of sources, including (i) by reference to independent valuations; (ii) current prices in an active market for properties of a different nature, condition and location (or subject to different leases or other contracts), adjusted to reflect those differences; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ii) Estimation of total budgeted costs and costs to completion for properties under development

The total budgeted costs for properties under development comprise (i) prepaid land lease payments, (ii) building costs, and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties under development, management makes reference to information such as (i) current offers from contractors and suppliers, (ii) recent offers agreed with contractors and suppliers, and (iii) professional estimation on construction and material costs.

(iii) Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that is used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

(iv) Impairment of non-financial assets

The Group determines whether a non-financial asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the previous estimation.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

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

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

Management monitors the results of the Group's operating segments for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured by means of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with Group's profit/(loss) before tax except that interest income, finance costs, dividend income and other unallocated gains and expenses are excluded from such measurement.

Notes to Financial Statements

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4. OPERATING SEGMENT INFORMATION (continued)

Segment assets exclude tax recoverable, pledged and restricted time deposits and bank balances, cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, tax payable, a promissory note, advances from a former substantial shareholder, fixed rate senior notes, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

	Property development		Property investment		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**1,320,908**	718,855	**193,306**	218,525	**1,514,214**	937,380
Other revenue	**1,070**	1,377	**67,858**	64,838	**68,928**	66,215
Total	**1,321,978**	720,232	**261,164**	283,363	**1,583,142**	1,003,595
Segment results	**531,585**	374,890	**379,488**	229,698	**911,073**	604,588
Unallocated gains					**32,675**	315,170
Unallocated expenses, net					**(41,372)**	(33,127)
Profit from operating activities					**902,376**	886,631
Finance costs					**(84,806)**	(118,588)
Share of losses of associates	**(10)**	(308)	**—**	—	**(10)**	(308)
Profit before tax					**817,560**	767,735
Tax					**(454,297)**	(339,590)
Profit for the year					**363,263**	428,145
Segment assets/liabilities:						
Segment assets	**2,082,940**	1,655,429	**8,712,275**	8,715,492	**10,795,215**	10,370,921
Interests in associates	**329,247**	325,837	**—**	—	**329,247**	325,837
Unallocated assets					**1,786,783**	2,107,248
Total assets					**12,911,245**	12,804,006
Segment liabilities	**120,325**	438,873	**313,435**	248,318	**433,760**	687,191
Unallocated liabilities					**4,472,949**	4,472,516
Total liabilities					**4,906,709**	5,159,707

Notes to Financial Statements

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4. OPERATING SEGMENT INFORMATION (continued)

	Property development		Property investment		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:						
Depreciation	**837**	506	**21,852**	32,484	**22,689**	32,990
Corporate and other unallocated amounts					**3,751**	3,120
					26,440	36,110
Capital expenditure	**519**	427	**473,743**	453,267	**474,262**	453,694
Corporate and other unallocated amounts					**1,264**	2,846
					475,526	456,540
Fair value gains on investment properties	**—**	—	**284,835**	143,127	**284,835**	143,127
Impairment of properties under development/investment properties under construction*	**56,281**	60,680	**39,809**	29,400	**96,090**	90,080

* *Impairment losses of HK$56,281,000 (2009: HK$60,680,000) and HK$39,809,000 (2009: HK$29,400,000) were recognised in profit or loss and in other comprehensive income respectively.*

5. TURNOVER, OTHER INCOME AND GAINS

The Group's turnover represents proceeds from the sale of properties and rental income from serviced apartments and investment properties.

An analysis of the Group's turnover, other income and gains is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Turnover:		
Sale of properties	**1,320,908**	718,855
Rental income from serviced apartments and investment properties	**193,306**	218,525
	1,514,214	937,380
Other income and gains:		
Management fee income	**58,798**	53,605
Interest income from bank deposits	**17,275**	17,095
Others	**25,530**	24,795
	101,603	95,495

Notes to Financial Statements

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6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Interest on:			
Bank loans wholly repayable within five years		**35,349**	45,709
Bank loan repayable beyond five years		**448**	533
Promissory note		**6,886**	8,456
Fixed rate senior notes, net *		**132,221**	134,342
Amortisation of fixed rate senior notes	27	**5,893**	5,559
Bank charges		**893**	1,326
		181,690	195,925
Less: Interest capitalised in properties under development	15	**(68,672)**	(77,030)
Interest capitalised in investment properties	16	**(25,809)**	(260)
Interest capitalised in property, plant and equipment	14	**(2,403)**	(47)
		(96,884)	(77,337)
Total finance costs		**84,806**	118,588

To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average of the borrowing costs as the interest capitalisation rate. The applicable capitalisation rate for the year was 8.47% per annum (2009: 8.46%).

* *For the year ended 31 July 2009, the interest on fixed rate senior notes was net of interest saving of HK$4,248,000 arising from the cash flow hedges.*

Notes to Financial Statements

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7. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Cost of completed properties sold		**702,669**	249,590
Outgoings in respect of rental income		**36,100**	55,354
Total cost of sales		**738,769**	304,944
Depreciation #	14	**26,440**	36,110
Amortisation of prepaid land lease payments		**10,748**	11,460
Capitalised in properties under development	15	**(10,571)**	(11,283)
	17	**177**	177
Minimum lease payments under operating leases in respect of land and buildings		**3,167**	5,779
Auditors' remuneration		**2,170**	1,830
Employee benefit expense (including directors' remuneration — note 8):			
Salaries, wages and benefits		**127,035**	103,830
Equity-settled share option expense		**120**	1,514
Pension scheme contributions *		**467**	465
		127,622	105,809
Capitalised in properties under development/ investment properties under construction		**(56,419)**	(46,142)
		71,203	59,667
Foreign exchange differences, net **		**(3,872)**	2,584
Loss on disposal of items of property, plant and equipment		**305**	187
Impairment of properties under development **	15	**56,281**	60,680
Gain on repurchase of fixed rate senior notes **	27	**—**	(29,579)

The depreciation charge of HK$17,635,000 (2009: HK$15,365,000) for serviced apartments is included in "Other operating expenses, net" on the face of the consolidated income statement.

* *As at 31 July 2010, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2009: Nil).*

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

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8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Fees	**450**	418
Other emoluments:		
Salaries, allowances and benefits in kind	**14,124**	14,444
Employee share option benefits	**110**	1,093
Pension scheme contributions	**72**	75
	14,306	15,612
	14,756	16,030
Capitalised in properties under development/ investment properties under construction	**(10,834)**	(10,816)
	3,922	5,214

There were no share options granted to the directors by the Company during the year ended 31 July 2010 (2009: Nil).

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2010 HK$'000	2009 HK$'000
Lam Bing Kwan	**150**	150
Ku Moon Lun	**150**	150
Law Kin Ho	**150**	55
Wong Yee Sui, Andrew	**—**	63
	450	418

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Executive directors:					
Lam Kin Ngok, Peter	—	2,000	—	—	2,000
Lam Kin Ming	—	1,140	—	—	1,140
Lam Kin Hong, Matthew	—	1,140	—	57	1,197
Lam Hau Yin, Lester	—	1,380	—	2	1,382
U Po Chu	—	4,274	—	—	4,274
Lau Shu Yan, Julius	—	—	—	—	—
Tam Kin Man, Kraven	—	—	110	—	110
Leung Churk Yin, Jeanny	—	—	—	—	—
Cheung Sum, Sam	—	299	—	1	300
Cheng Shin How	—	3,891	—	12	3,903
	—	14,124	110	72	14,306
Non-executive directors:					
Lim Ming Yan	—	—	—	—	—
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
Total	—	14,124	110	72	14,306

Notes to Financial Statements

31 July 2010

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009					
Executive directors:					
Lam Kin Ngok, Peter	—	2,000	—	—	2,000
Lam Kin Ming	—	1,140	—	—	1,140
Lam Kin Hong, Matthew	—	1,140	—	57	1,197
Lam Hau Yin, Lester	—	1,180	—	—	1,180
U Po Chu	—	4,174	—	—	4,174
Lau Shu Yan, Julius	—	—	—	—	—
Tam Kin Man, Kraven	—	—	409	—	409
Leung Churk Yin, Jeanny	—	—	—	—	—
Cheung Sum, Sam	—	1,510	684	6	2,200
Cheng Shin How	—	3,300	—	12	3,312
	—	14,444	1,093	75	15,612
Non-executive directors:					
Lim Ming Yan	—	—	—	—	—
Cheong Kwok Mun	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
Total	—	14,444	1,093	75	15,612

There was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

Notes to Financial Statements

31 July 2010

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: one) non-director highest paid employees are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,734**	1,860
Pension scheme contributions	**14**	12
	3,748	1,872
Capitalised in properties under development/ investment properties under construction	**(3,241)**	(1,348)
	507	524

The remuneration of the non-director highest paid employees fell within the band from HK$1,500,001 to HK$2,000,000 for both 2010 and 2009.

10. 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 (2009: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

		Group	
		2010	2009
	Note	**HK$'000**	HK$'000
Current — Mainland China			
Corporate income tax		**150,767**	79,922
LAT		**210,180**	191,952
Deferred	29	**93,350**	67,716
Total tax charge for the year		**454,297**	339,590

Notes to Financial Statements

31 July 2010

10. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Profit before tax	**817,560**	767,735
Tax at the statutory tax rate	**204,390**	191,934
Adjustments for tax rates for other jurisdictions	**8,235**	(13,903)
Provision for LAT	**210,180**	191,952
Tax effect of provision for LAT	**(52,545)**	(47,988)
Losses attributable to associates	**2**	77
Income not subject to tax	**(4,430)**	(48,321)
Expenses and losses not deductible for tax	**72,465**	51,839
Withholding tax at 5% on the distributable profits of the subsidiaries established in Mainland China	**16,000**	14,000
Tax charge at the Group's effective tax rate	**454,297**	339,590

Tax indemnity

In connection with the listing of the Company on The Stock Exchange of Hong Kong Limited (currently on the Main Board) (the "Listing"), a tax indemnity deed was signed on 12 November 1997, pursuant to which Lai Sun Development Company Limited ("LSD") has undertaken to indemnify the Group in respect of certain potential Mainland China income taxes and LAT payable or shared by the Group in consequence of the disposal of any of the property interests attributable to the Group through its subsidiaries and its associates as at 31 October 1997 (the "Property Interests"). These tax indemnities given by LSD 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 professionally qualified valuers (the "Valuers"), 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 lease payments and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests.

10. TAX (continued)

Tax indemnity (continued)

The 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 Mainland China income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to 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 the Group as set out in the Company's prospectus dated 18 November 1997.

The Group had no LAT payable in respect of the Property Interests during the year. No income tax payable by the Group was indemnifiable by LSD during the year.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 July 2010 included a profit of HK$4,182,000 (2009: HK$123,283,000) which had been dealt with in the financial statements of the Company (note 32(b)).

12. DIVIDENDS

	2010	2009
	HK$'000	HK$'000
Proposed final – HK0.5 cent (2009: HK0.5 cent) per ordinary share	**40,240**	40,240

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

13. 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$322,106,000 (2009: HK$406,888,000), and the weighted average number of ordinary shares of 8,047,956,478 (2009: 8,047,956,478) in issue during the year.

No adjustment had been made to the basic earnings per share amounts presented for the years ended 31 July 2010 and 2009 in respect of a dilution as the share options of the Company had an anti-dilutive effect on the basic earnings per share amounts.

Notes to Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Leasehold buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost:								
As at 1 August 2008		105,357	728,494	24,262	28,160	11,692	4,758	902,723
Additions		—	3,035	11,322	1,377	3,069	339	19,142
Interest capitalised	6	—	—	47	—	—	—	47
Disposals		—	—	(74)	(3,192)	(340)	(69)	(3,675)
Exchange realignment		(344)	(1,466)	(114)	(134)	(41)	(22)	(2,121)
As at 31 July 2009 and 1 August 2009		105,013	730,063	35,443	26,211	14,380	5,006	916,116
Additions		—	88,911	63,331	4,475	705	483	157,905
Interest capitalised	6	—	—	2,403	—	—	—	2,403
Disposals		—	—	(19,887)	(4,053)	(690)	(108)	(24,738)
Exchange realignment		624	2,689	346	225	76	43	4,003
As at 31 July 2010		**105,637**	**821,663**	**81,636**	**26,858**	**14,471**	**5,424**	**1,055,689**
Accumulated depreciation:								
As at 1 August 2008		13,856	174,655	8,054	20,562	7,132	3,139	227,398
Depreciation provided during the year	7	2,563	15,365	13,400	2,990	1,283	509	36,110
Disposals		—	—	—	(3,013)	(333)	(63)	(3,409)
Exchange realignment		(69)	(340)	(34)	(100)	(28)	(17)	(588)
As at 31 July 2009 and 1 August 2009		16,350	189,680	21,420	20,439	8,054	3,568	259,511
Depreciation provided during the year	7	2,566	17,635	1,266	2,655	1,746	572	26,440
Disposals		—	—	(19,103)	(3,595)	(690)	(98)	(23,486)
Exchange realignment		150	705	180	194	55	33	1,317
As at 31 July 2010		**19,066**	**208,020**	**3,763**	**19,693**	**9,165**	**4,075**	**263,782**
Net book value:								
As at 31 July 2010		**86,571**	**613,643**	**77,873**	**7,165**	**5,306**	**1,349**	**791,907**
As at 31 July 2009		88,663	540,383	14,023	5,772	6,326	1,438	656,605

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's leasehold building and serviced apartments with carrying values of HK$44,800,000 (2009: HK$45,973,000) and HK$613,643,000 (2009: HK$540,383,000) respectively are situated in Mainland China and were held under medium term leases as at 31 July 2010. The remaining leasehold building with a carrying value of HK$41,771,000 (2009: HK$42,690,000) is situated in Hong Kong and was held under a long term lease.

As at 31 July 2010, certain leasehold building and serviced apartments with carrying values of HK$41,771,000 (2009: HK$42,690,000) and HK$613,643,000 (2009: HK$540,383,000), respectively, were pledged to banks to secure banking facilities granted to the Group as further set out in note 24(a) to the financial statements.

Under a litigation in a district court in Mainland China, the Group, as the claimant, claimed for a total of RMB17,200,000 (2009: RMB17,200,000) (equivalent to approximately HK$19,716,000 (2009: HK$19,510,000)) from one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group pledged a leasehold building with a carrying value of HK$44,800,000 (2009: HK$45,973,000) to the court as collateral.

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15. PROPERTIES UNDER DEVELOPMENT

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Carrying amount as at 1 August		**3,813,714**	3,428,337
Interest capitalised	6	**68,672**	77,030
Additions		**444,227**	517,387
Transfer to completed properties for sale		**(688,173)**	(99,103)
Transfer to investment properties — adoption of Amendments to HKAS 40	16	**(1,924,724)**	—
Impairment		**(56,281)**	(90,080)
Exchange realignment		**20,116**	(19,857)
Carrying amount as at 31 July		**1,677,551**	3,813,714
Portion classified as current assets		**(621,800)**	(419,405)
Non-current portion		**1,055,751**	3,394,309

An impairment loss of HK$56,281,000 (2009: HK$60,680,000) (note 7) was recognised in profit or loss for the year ended 31 July 2010. Such impairment loss represented the write-down of certain parcels of land in Guangzhou, Mainland China, to their net realisable values.

An impairment loss of HK$29,400,000 was recognised in other comprehensive income for the year ended 31 July 2009. Such impairment loss represented the write-down of a parcel of land in Shanghai, Mainland China, to its net realisable value.

All properties under development are situated in Mainland China. An analysis of the carrying value of the properties under development by lease term is as follows:

	Group 2010 HK$'000	Group 2009 HK$'000
Long term leases	**1,269,418**	1,434,447
Medium term leases	**408,133**	2,379,267
	1,677,551	3,813,714

15. PROPERTIES UNDER DEVELOPMENT (continued)

As at 31 July 2010, certain properties under development with an aggregate carrying value of HK$919,933,000 (2009: HK$152,903,000) were pledged to banks to secure banking facilities granted to the Group as further set out in note 24(b) to the financial statements.

Included in properties under development were prepaid land lease payments, the movements of which during the year are as follows:

		Group	
		2010	2009
	Note	**HK$'000**	HK$'000
Carrying amount as at 1 August		**748,830**	764,519
Additions		**10,549**	—
Amortised during the year	7	**(10,571)**	(11,283)
Transfer to completed properties for sale		**(33,788)**	—
Transfer to investment properties — adoption of Amendments to HKAS 40		**(164,581)**	—
Exchange realignment		**6,082**	(4,406)
Carrying amount as at 31 July		**556,521**	748,830

16. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
Completed investment properties	**5,947,000**	5,329,900
Investment properties under construction, at fair value	**295,000**	—
Investment properties under construction, at cost *	**1,679,429**	—
Total	**7,921,429**	5,329,900

* *Certain investment properties under construction were carried at cost as at the end of the reporting period as such properties were under the planning or resettlement stage and their fair values were not reliably determinable.*

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16. INVESTMENT PROPERTIES (continued)

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Carrying amount as at 1 August		**5,329,900**	5,136,200
Transfers from properties under development — adoption of Amendments to HKAS 40	15	**1,924,724**	—
Additions		**317,621**	80,132
Interest capitalised	6	**25,809**	260
Net gain from fair value adjustments		**284,835**	143,127
Impairment		**(39,809)**	—
Exchange realignment		**78,349**	(29,819)
Carrying amount as at 31 July		**7,921,429**	5,329,900

All investment properties are situated in Mainland China and were held under the following lease terms:

	Group 2010 HK$'000	Group 2009 HK$'000
Long term leases	**370,323**	147,900
Medium term leases	**7,551,106**	5,182,000
	7,921,429	5,329,900

As at 31 July 2010, the completed investment properties and investment properties under construction stated at fair value were revalued by the Valuers, on an open market value, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

An impairment loss of HK$39,809,000 (2009: Nil) was recognised in other comprehensive income for the year ended 31 July 2010. Such impairment loss represented the write-down of a parcel of land in Shanghai, Mainland China, to its recoverable amount which was its value in use estimated using a discount rate of 5.4%.

As at 31 July 2010, certain investment properties with an aggregate carrying value of HK$5,434,100,000 (2009: HK$4,515,000,000) were pledged to banks to secure banking facilities granted to the Group as further set out in note 24(c) to the financial statements.

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17. PREPAID LAND LEASE PAYMENTS

		Group	
		2010	2009
	Note	**HK$'000**	HK$'000
Carrying amount as at 1 August		**5,717**	5,928
Amortised during the year	7	**(177)**	(177)
Exchange realignment		**58**	(34)
Carrying amount as at 31 July		**5,598**	5,717

The Group's leasehold land is situated in Mainland China and was held under a medium term lease.

18. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated statement of financial position, arising on the acquisition of a subsidiary, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Cost and carrying amount as at 1 August and 31 July	**4,561**	4,561

19. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**144,270**	144,270
Due from subsidiaries	**5,867,978**	5,845,232
Due to subsidiaries	**—**	(85,841)
	6,012,248	5,903,661

As at 31 July 2010 and 2009, the amounts due from/to subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

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19. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries as at 31 July 2010 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Canvex Limited	Hong Kong	HK$2	—	100	Property investment
Eternal Medal Limited	Hong Kong	HK$1	—	100	Investment holding
Fore Bright Limited	Hong Kong	HK$1	—	100	Investment holding
Frank Light Development Limited	Hong Kong	HK$19,999,999	—	100	Investment holding
Gentle Code Limited	Hong Kong	HK$1	—	100	Investment holding
Gentle Holdings Limited	Hong Kong	HK$1	—	100	Investment holding
Goldthorpe Limited *	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Grand Wealth Limited	Hong Kong	HK$2	—	100	Investment holding
Good Strategy Limited *	British Virgin Islands/ PRC	US$1	—	100	Property investment
Grosslink Investment Limited	Hong Kong	HK$2	—	77.5	Investment holding
Guangzhou Gentle Code Real Estate Company Limited @ *	PRC	US$22,830,000	—	100	Property development and investment
Guangzhou Gentle Real Estate Company Limited @ *	PRC	US$17,080,000	—	100	Property development and investment
Guangzhou Grand Wealth Properties Limited *	PRC	HK$280,000,000	—	100**	Property development and investment

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19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Guang Bird Property Development Limited *	PRC	US$46,000,000	—	100**	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited *	PRC	RMB79,733,004	—	100**	Property development and investment
Guangzhou Jadepress Real Estate Company Limited @ *	PRC	US$19,150,000	—	100	Property development and investment
Guangzhou Jieli Real Estate Company Limited @ *	PRC	HK$168,000,000	—	77.5	Property investment
Hankey Development Limited	Hong Kong	HK$10,000	—	100	Investment holding
Jadepress Limited	Hong Kong	HK$1	—	100	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Lai Fung Company Limited	Hong Kong	HK$20	100	—	Investment holding
Manful Concept Limited	Hong Kong	HK$2	—	100	Investment holding
Nicebird Company Limited	Hong Kong	HK$2	—	100	Investment holding
Shanghai Hankey Real Estate Development Company Limited #	PRC	US$10,800,000	—	97	Property investment
Shanghai HKP Property Management Limited # *	PRC	US$150,000	—	100	Property management
Shanghai Hu Xin Real Estate Development Company Limited #	PRC	US$40,000,000	—	95	Property development and investment

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19. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Li Xing Real Estate Development Company Limited # *	PRC	US$36,000,000	—	95	Property investment
Shanghai Wa Yee Real Estate Development Company Limited # *	PRC	US$10,000,000	70	25	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited #	PRC	US$12,000,000	—	99	Property development and investment
South Hill Limited	Hong Kong	HK$1	—	100	Property investment
Sunlite Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Wide Angle Development Limited	Hong Kong	HK$2	—	100	Investment holding
Zhongshan Bao Li Properties Development Company Limited @ *	PRC	HK$200,000,000	—	100	Property development and investment
廣州高樂物業管理有限公司 ø *	PRC	RMB1,100,000	—	100	Property management

* *Not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.*

** *These subsidiaries are co-operative joint ventures of which the joint venture partners' profit sharing ratios and the distribution of net assets upon the expiration of the joint venture periods are not in proportion to their equity ratios but are as defined in the joint venture contracts.*

Registered as equity joint ventures under the laws of the PRC.

@ *Registered as wholly-foreign-owned enterprises under the laws of the PRC.*

ø *Registered as a domestic enterprise under the laws of the PRC.*

19. INTERESTS IN SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 31 July 2010, shares in certain subsidiaries were pledged to secure banking facilities granted to the Group (note 24(d)).

As at 31 July 2010, certain subsidiaries had jointly and severally guaranteed the obligations of the Company under the Notes (as defined and disclosed in note 27).

20. INTERESTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets, other than goodwill	**45,052**	41,670
Due from associates	**284,195**	284,167
	329,247	325,837

The amounts due from associates were unsecured, interest-free and had no fixed terms of repayment.

Particulars of the associates as at 31 July 2010 are as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Beautiwin Limited	Hong Kong	Ordinary	50	Investment holding
Guangzhou Beautiwin Real Estate Development Company Limited #	PRC	—*	50	Property development and investment

\# *Not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.*

* *This associate has registered capital rather than issued share capital.*

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20. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the Group's associates, in aggregate, as extracted from their management accounts and financial statements:

	2010 HK$'000	2009 HK$'000
Assets	**700,032**	667,833
Liabilities	**(609,928)**	(584,492)
Turnover	**—**	—
Loss	**(20)**	(616)

21. 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.

The Group and the Company did not hold any collateral or other credit enhancements over these balances.

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

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Trade receivables, net				
Within one month	**46,559**	203,411	**—**	—
One to three months	**1,176**	493	**—**	—
Over three months	**31**	—	**—**	—
	47,766	203,904	**—**	—
Other receivables, deposits and prepayments	**43,420**	50,722	**1,914**	1,919
Total	**91,186**	254,626	**1,914**	1,919

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22. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED TIME DEPOSITS AND BANK BALANCES

		Group		Company	
		2010	2009	**2010**	2009
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**745,556**	1,245,951	**151,974**	79,532
Less: Pledged and restricted bank balances					
Pledged for banking facilities *		**(2,860)**	(1,104)	**—**	—
Pledged for bank loans	24(e)	**(109,527)**	(79,919)	**—**	—
Restricted **		**(147,571)**	(202,712)	**—**	—
Non-pledged and non-restricted cash and bank balances		**485,598**	962,216	**151,974**	79,532
Time deposits		**967,616**	776,931	**150,030**	517,584
Less: Pledged time deposits					
Pledged for bank loans	24(e)	**(61,648)**	(109,997)	**—**	—
Pledged for banking facilities *		**(271)**	—	**—**	—
Non-pledged and non-restricted time deposits ***		**905,697**	666,934	**150,030**	517,584
Cash and cash equivalents		**1,391,295**	1,629,150	**302,004**	597,116

* *The balances were pledged to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group.*

** *In accordance with the relevant laws and regulations imposed by the government authorities concerned, proceeds from the pre-sale of certain properties are required to be deposited into a designated bank account and restricted to be used in the relevant project construction. Such restriction will be uplifted upon the attainment of the relevant ownership certificates issued by the authority. As at 31 July 2010, the balance of such deposits amounted to HK$79,659,000 (2009: HK$139,560,000).*

In accordance with the relevant laws and regulations imposed by the government authorities concerned, estimated resettlement costs of a site for development are required to be deposited into a designated bank account. Such deposits are restricted to be used for the resettlement and such restriction will be uplifted upon completion of the resettlement. As at 31 July 2010, the balance of such deposits amounted to HK$60,372,000 (2009: HK$63,152,000).

In accordance with the relevant clauses of a bank loan facility, proceeds from the drawdown of bank loan are required to be deposited into a designated bank account and restricted to be used for settlement of construction costs of the relevant project. As at 31 July 2010, the balance of such deposits amounted to HK$7,540,000 (2009: Nil).

*** *As at 31 July 2009, the non-pledged and non-restricted time deposits acquired with original maturity of more than three months amounted to HK$17,471,000 and were excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.*

Notes to Financial Statements

31 July 2010

22. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED TIME DEPOSITS AND BANK BALANCES (continued)

As at the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,259,321,000 (2009: HK$883,615,000). The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control promulgated by the government authorities concerned.

23. 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:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
Within one month	**27,051**	55,838	—	—
One to three months	**1,804**	2,228	—	—
Over three months	—	204	—	—
	28,855	58,270	—	—
Accruals and other payables	**467,331**	457,587	**49,333**	50,608
Total	**496,186**	515,857	**49,333**	50,608

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

24. INTEREST-BEARING BANK LOANS, SECURED

Group

	2010 Effective interest rate (%)	2010 HK$'000	2009 Effective interest rate (%)	2009 HK$'000
Secured bank loans:				
Current	**1.31-5.40**	**131,584**	1.28-6.34	414,616
Non-current	**1.31-5.40**	**949,702**	1.28-5.18	624,275
		1,081,286		1,038,891
Maturity profile:				
Within one year		**131,584**		414,616
In the second year		**130,596**		16,905
In the third to fifth years, inclusive		**817,651**		603,060
Beyond five years		**1,455**		4,310
		1,081,286		1,038,891

All of the bank loans were floating rate instruments.

Bank loans of the Group as at the end of the reporting period were secured by:

(a) mortgages over certain leasehold building and serviced apartments of the Group with carrying values of HK$41,771,000 (2009: HK$42,690,000) and HK$613,643,000 (2009: HK$540,383,000) (note 14) respectively as at the end of the reporting period;

(b) mortgages over certain properties under development of the Group with an aggregate carrying value of HK$919,933,000 (2009: HK$152,903,000) (note 15) as at the end of the reporting period;

(c) mortgages over certain investment properties of the Group with an aggregate carrying value of HK$5,434,100,000 (2009: HK$4,515,000,000) (note 16) as at the end of the reporting period;

(d) charges over the entire share capital of certain subsidiaries attributable to the Group (note 19);

(e) charges over time deposits and bank balances of the Group of HK$61,648,000 (2009: HK$109,997,000) (note 22) and HK$109,527,000 (2009: HK$79,919,000) (note 22) respectively as at the end of the reporting period; and

(f) certain corporate guarantees provided by the Company (note 33).

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25. PROMISSORY NOTE

		Group and Company	
	Effective interest rate (%)	**2010** **HK$'000**	2009 HK$'000
Issued to a substantial shareholder	5	—	167,000

The promissory note was unsecured, bore interest at the prevailing Hong Kong Dollar Prime Rate as quoted by The Hongkong and Shanghai Banking Corporation Limited and was fully repaid during the year.

26. ADVANCES FROM A FORMER SUBSTANTIAL SHAREHOLDER

On 31 July 2010, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the advances would be made within one year from the end of the reporting period. The advances were unsecured and interest-free.

27. FIXED RATE SENIOR NOTES

On 4 April 2007, the Company issued US$200,000,000 (equivalent to approximately HK$1,560,000,000) of 9.125% fixed rate senior notes (the "Notes"), which will mature on 4 April 2014 for bullet repayment. The Notes bear interest from 4 April 2007 and are payable semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 October 2007 (each, an "Interest Payment Date"). The Notes are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange").

The Notes are direct, unsubordinated and unconditional obligations of the Company, and are guaranteed by certain subsidiaries of the Company on a senior basis, subject to certain limitations.

At any time, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date, and the greater of (1) 1% of the principal amount of the Notes and (2) the excess of (A) the present value at such redemption date of 100% of the principal amount of the Notes, plus all required remaining scheduled interest payments due on the Notes through 4 April 2014 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the semi-annual equivalent yield in maturity of the comparable United States Treasury security, plus 100 basis points, over (B) the principal amount of the Notes on such redemption date. In addition, at any time, prior to 4 April 2010, the Company may redeem up to 35% of the principal amount of the Notes using the proceeds from certain equity offerings at a redemption price of 109.125% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date.

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27. FIXED RATE SENIOR NOTES (continued)

During the prior year, the Company repurchased certain Notes with an aggregate principal amount of US$14,253,000 (equivalent to approximately HK$111,173,000) at a discount and a gain of HK$29,579,000 was recognised in the consolidated income statement.

The Notes recognised in the consolidated statement of financial position are calculated as follows:

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Carrying amount as at 1 August	**1,415,475**	1,518,319
Repurchase of the Notes	**—**	(111,173)
Release of unamortised issue expenses on repurchase of the Notes	**—**	2,770
Amortisation of the Notes (note 6)	**5,893**	5,559
Carrying amount as at 31 July	**1,421,368**	1,415,475
Fair value of the Notes as at 31 July *	**1,424,076**	1,267,723

* *The fair value was determined by reference to the closing price of the Notes published by a leading global financial market data provider as at that date.*

The effective interest rate of the Notes is 9.74% per annum.

28. DERIVATIVE FINANCIAL INSTRUMENTS

On 28 October 2008, the Company terminated all the cross currency swap agreements (the "CCS") and received approximately HK$65,130,000 as proceeds from the termination (the "Termination"). Together with the reversal of fair value loss on the cash flow hedges arising from the CCS of HK$185,462,000, which was previously recognised as derivative financial instruments in the consolidated statement of financial position, and the balance of the related hedge reserve of HK$5,719,000, total gains of HK$256,311,000 were recognised in the consolidated income statement for the year ended 31 July 2009.

After the Termination, the Group did not have any derivative financial instruments or hedging instruments outstanding.

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29. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

Group

	Depreciation allowance in excess of related depreciation and development costs	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of properties	Withholding tax	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 August 2008	168,287	241,373	482,700	—	892,360
Deferred tax charged/(credited) to the income statement during the year (note 10)	26,871	(8,937)	35,782	14,000	67,716
Deferred tax credited to the asset revaluation reserve during the year	—	(7,350)	—	—	(7,350)
Exchange realignment	(291)	(1,372)	(1,552)	—	(3,215)
As at 31 July 2009 and 1 August 2009	194,867	223,714	516,930	14,000	949,511
Deferred tax charged/(credited) to the income statement during the year (note 10)	23,765	(17,624)	71,209	16,000	93,350
Deferred tax credited to the asset revaluation reserve during the year	—	(9,952)	—	—	(9,952)
Exchange realignment	672	2,143	3,103	—	5,918
As at 31 July 2010	**219,304**	**198,281**	**591,242**	**30,000**	**1,038,827**

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29. DEFERRED TAX (continued)

Company

	Withholding tax HK$'000
As at 1 August 2008	—
Deferred tax charged to the income statement during the year	10,315
As at 31 July 2009 and 1 August 2009	10,315
Deferred tax charged to the income statement during the year	11,790
As at 31 July 2010	**22,105**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

30. SHARE CAPITAL

Shares

	2010 HK$'000	2009 HK$'000
Authorised:		
12,000,000,000 (2009: 12,000,000,000) ordinary shares of HK$0.10 each	**1,200,000**	1,200,000
Issued and fully paid:		
8,047,956,478 (2009: 8,047,956,478) ordinary shares of HK$0.10 each	**804,796**	804,796

Share options

Details of the Company's share option scheme are included in note 31 to the financial statements.

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31. SHARE OPTION SCHEME

On 21 August 2003, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the directors and any employees of the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from that date.

The maximum number of share options permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as approved in accordance with the Share Option Scheme. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a vesting period and ends on a date which is not later than eight years from the date of offer of the share options or the expiry date of the Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

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31. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Share Option Scheme during the year:

Name or category of participants	Date of grant of share options*	Number of share options: As at 1 August 2009	Granted during the year	Lapsed during the year	As at 31 July 2010	Exercise period of share options	Exercise price of share options** (per share)
Directors							
Tam Kin Man,	9/1/2007	10,000,000	—	(10,000,000)	—	1/1/2009-31/12/2009	HK$0.65
Kraven	9/1/2007	10,000,000	—	—	10,000,000	1/1/2010-31/12/2010	HK$0.75
Cheung Sum,	8/8/2007	7,500,000	—	(7,500,000)	—	1/8/2009-31/7/2010	HK$0.60
Sam#	8/8/2007	7,500,000	—	(7,500,000)	—	1/8/2010-31/7/2011	HK$0.75
		35,000,000	—	(25,000,000)	10,000,000		
Other employees							
(in aggregate)	9/1/2007	5,000,000	—	(5,000,000)	—	1/1/2009-31/12/2009	HK$0.60
	9/1/2007	5,000,000	—	—	5,000,000	1/1/2010-31/12/2010	HK$0.65
	9/1/2007	5,000,000	—	—	5,000,000	1/1/2010-31/12/2010	HK$0.70
	9/1/2007	2,500,000	—	(2,500,000)	—	1/1/2009-31/12/2009	HK$0.55
		17,500,000	—	(7,500,000)	10,000,000		
Total		52,500,000	—	(32,500,000)	20,000,000		

* *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*

** *The exercise price of the share options is subject to adjustment in the case of rights to bonus issues or other similar changes in the Company's share capital.*

\# *Resigned as director on 5 October 2009.*

During the year, no share options were exercised or cancelled and 32,500,000 share options lapsed in accordance with the terms of the Share Option Scheme. As at 31 July 2010, the total number of 20,000,000 share options outstanding under the Share Option Scheme represented approximately 0.25% of the Company's shares in issue as at that date.

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32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 54 of the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 August 2008		3,876,668	3,549	5,719	(9,558)	59,046	3,935,424
Total comprehensive income/(expense) for the year	11	—	—	(5,719)	—	123,283	117,564
Equity-settled share option arrangements		—	1,514	—	—	—	1,514
Release of reserve upon lapse of share options		—	(1,519)	—	—	1,519	—
Proposed final 2009 dividends	12	—	—	—	—	(40,240)	(40,240)
As at 31 July 2009 and 1 August 2009		3,876,668	3,544	—	(9,558)	143,608	4,014,262
Total comprehensive income for the year	11	—	—	—	—	4,182	4,182
Equity-settled share option arrangements		—	120	—	—	—	120
Release of reserve upon lapse of share options		—	(1,984)	—	—	1,984	—
Proposed final 2010 dividends	12	—	—	—	—	(40,240)	(40,240)
As at 31 July 2010		**3,876,668**	**1,680**	**—**	**(9,558)**	**109,534**	**3,978,324**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained earnings should the related options lapse or be forfeited.

33. CONTINGENT LIABILITIES

(a) As at the end of the reporting period, contingent liabilities not provided for in the financial statements are as follows:

	Company	
	2010	2009
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**985,596**	1,221,040

As at 31 July 2010, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$950,061,000 (2009: HK$917,075,000).

(b) (i) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of Regents Park Phase I and Eastern Place Phase IV. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the defaulted end-buyers. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the Property Ownership Certificates for the relevant properties are issued or the end-buyers have fully repaid the mortgage loans, whichever is earlier.

(ii) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of West Point. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with the accrued interest owed by the defaulted end-buyers. Such obligation will be relinquished when the Property Ownership Certificates for the relevant properties are issued or the end-buyers have fully repaid the mortgage loans, whichever is earlier.

It is not practical to determine the outstanding amount of the contingent liabilities of the Group and the Company in respect of the above guarantees as at the end of the reporting period.

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34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

Certain properties of the Group were leased under operating lease arrangements, with leases negotiated for terms ranging from one month to twenty years (2009: from one year to twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2010, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**247,973**	138,004
In the second to fifth years, inclusive	**584,509**	180,219
After five years	**206,899**	13,494
	1,039,381	331,717

(b) As lessee

The Group leased certain office properties under operating lease arrangements, with leases negotiated for terms of two years (2009: two years).

As at 31 July 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**788**	358
In the second to fifth years, inclusive	**312**	40
	1,100	398

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35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Resettlement, compensation, construction and renovation costs and others	**221,336**	578,007
Authorised, but not contracted for:		
Resettlement, construction and renovation costs and others	**161,829**	581,317

As at the end of the reporting period, the Company had no significant commitments.

36. PLEDGE OF ASSETS

Details of the Group's bank loans, which were secured by certain assets of the Group, are included in note 24 to the financial statements.

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) Transactions with related parties

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Advertising fees paid or payable to a related company	(i)	**(3,094)**	(4,414)
Interest on the promissory note paid to a substantial shareholder	(ii)	**(6,886)**	(8,456)
Pre-sale of office units to a director	(iii)	**2,006**	—
Technical advisory fee paid or payable to a related company	(iv)	**(1,123)**	(673)
Management and other service fees paid or payable to a related company	(iv)	**(1,255)**	—
Management fee paid or payable to a related company	(v)	**(1,255)**	(955)

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37. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The related company is a subsidiary of eSun Holdings Limited ("eSun"), over which a member of key management personnel of the Company has significant influence.

The terms of the advertising fees were determined based on the agreements entered into between the Group and the related company.

(ii) Interest was charged on a promissory note issued to Lai Sun Garment (International) Limited ("LSG"), a substantial shareholder of the Company, at the prevailing Hong Kong Dollar Prime Rate as quoted by a designated bank in Hong Kong (note 25).

(iii) The terms of the pre-sale were determined based on the agreements entered into between the Group and the director. These transactions also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

(iv) The related company is a subsidiary of CapitaLand Limited, a substantial shareholder of the Company. In relation to the serviced apartments of the Group, the related company provides (1) technical advisory services on renovation work and (2) management and other services on the serviced apartment operation.

The terms of the technical advisory fee and management and other service fees were determined based on the respective agreements entered into between the Group and the related company. These transactions also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

(v) The related company is a subsidiary of eSun which provides management services in relation to a cinema complex of the Group.

The terms of the management fee were determined based on the agreement entered into between the Group and the related company.

The related party transactions as disclosed in (i), (ii) and (v) above did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties

Details of the terms of the promissory note payable to LSG and the advances from a former substantial shareholder of the Company are included in notes 25 and 26 to the financial statements, respectively.

(c) Compensation of key management personnel of the Group

	2010	2009
	HK$'000	HK$'000
Short term employee benefits	**14,574**	14,862
Post-employment benefits	**72**	75
Equity-settled share option expense	**110**	1,093
Total compensation paid to key management personnel	**14,756**	16,030

Further details of directors' emoluments are included in note 8 to the financial statements.

Notes to Financial Statements

31 July 2010

38. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

The Group's and the Company's financial assets as at 31 July 2010 and 2009 were categorised as loans and receivables.

Financial liabilities

Group

	Financial liabilities at amortised cost HK$'000
2010	
Creditors and accruals	**387,639**
Deposits received and deferred income	**15,593**
Interest-bearing bank loans, secured	**1,081,286**
Advances from a former substantial shareholder	**53,535**
Fixed rate senior notes	**1,421,368**
	2,959,421
2009	
Creditors and accruals	388,344
Deposits received and deferred income	6,865
Interest-bearing bank loans, secured	1,038,891
Promissory note	167,000
Advances from a former substantial shareholder	52,976
Fixed rate senior notes	1,415,475
	3,069,551

Company

	Financial liabilities at amortised cost HK$'000
2010	
Creditors and accruals	**49,333**
Fixed rate senior notes	**1,421,368**
	1,470,701
2009	
Creditors and accruals	50,608
Promissory note	167,000
Fixed rate senior notes	1,415,475
	1,633,083

Notes to Financial Statements

31 July 2010

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial assets held by the Group comprise pledged and restricted time deposits and bank balances and cash and cash equivalents. The management will, based on the Group's projected cashflow requirements, determine the types and the levels of these financial assets with a view to maintaining appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial assets. The Group's principal financial liabilities are bank loans and fixed rate senior notes. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment purposes. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. The management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts relatively conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes.

The policies are summarised as follows:

(a) Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB"), United States Dollars ("USD") and Hong Kong Dollars ("HKD"). The Group is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to foreign currency risk is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in Mainland China and the revenues are in RMB.

The Group does not have any derivative financial instruments or hedging instruments outstanding. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Foreign currency risk (continued)

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the fair value of monetary assets and liabilities) of the Group and the Company.

		Group		Company	
	Change in rate	Impact on post-tax profit HK$'000	Impact on equity HK$'000	Impact on post-tax profit HK$'000	Impact on equity HK$'000
2010					
If USD weakens against RMB	**5%**	**17,109**	**16,254**	**—**	**—**
If USD strengthens against RMB	**5%**	**(15,481)**	**(14,707)**	**—**	**—**
2009					
If USD weakens against RMB	5%	17,286	16,422	—	—
If USD strengthens against RMB	5%	(15,640)	(14,858)	—	—

(b) Interest rate risk

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by the changes of market interest rates.

The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

Notes to Financial Statements

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amount capitalised to properties under development, investment properties and property, plant and equipment) and the equity of the Group and the Company.

		Group		Company	
	Change in basis points	Impact on post-tax profit	Impact on equity	Impact on post-tax profit	Impact on equity
		HK$'000	HK$'000	HK$'000	HK$'000
2010	**+25**	**(1,616)**	**(1,499)**	**—**	**—**
	-25	**1,616**	**1,499**	**—**	**—**
2009	+25	(2,087)	(1,962)	(418)	(418)
	-25	2,087	1,962	418	418

(c) Liquidity risk

The Group monitors its risk of a shortage of funds by regularly reviewing its cash flow forecast. The cash flow forecast considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

The maturity profile of the financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2010				
Creditors and accruals	**387,639**	**—**	**—**	**387,639**
Deposits received and deferred income	**15,593**	**—**	**—**	**15,593**
Interest-bearing bank loans, secured	**160,562**	**986,061**	**1,468**	**1,148,091**
Advances from a former substantial shareholder	**—**	**53,535**	**—**	**53,535**
Fixed rate senior notes	**132,205**	**1,802,475**	**—**	**1,934,680**
	695,999	**2,842,071**	**1,468**	**3,539,538**
2009				
Creditors and accruals	388,344	—	—	388,344
Deposits received and deferred income	6,865	—	—	6,865
Interest-bearing bank loans, secured	438,048	639,861	4,405	1,082,314
Promissory note	173,958	—	—	173,958
Advances from a former substantial shareholder	—	52,976	—	52,976
Fixed rate senior notes	132,205	1,934,680	—	2,066,885
	1,139,420	2,627,517	4,405	3,771,342

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk (continued)

Company

	Less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2010				
Creditors and accruals	**49,333**	**—**	**—**	**49,333**
Fixed rate senior notes	**132,205**	**1,802,475**	**—**	**1,934,680**
	181,538	**1,802,475**	**—**	**1,984,013**
2009				
Creditors and accruals	50,608	—	—	50,608
Promissory note	173,958	—	—	173,958
Fixed rate senior notes	132,205	1,934,680	—	2,066,885
	356,771	1,934,680	—	2,291,451

(d) Credit risk

The Group maintains various credit policies for different business operations as described in note 21. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

(e) Capital management

The Group manages its capital structure to ensure that entities in the Group will be able to continue to operate as going concerns while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group mainly consists of fixed rate senior notes, bank and other borrowings, and equity attributable to owners of the Company comprising issued share capital and reserves.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management (continued)

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on the recommendation of the directors, the Group will balance its overall capital structure through various types of equity fund raising excercises as well as maintenance of appropriate types and levels of debts.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank loans, fixed rate senior notes, a promissory note and advances from a former substantial shareholder, less pledged and restricted time deposits and bank balances and cash and cash equivalents. Total equity represents equity attributable to owners of the Company. The gearing ratio as at the end of the reporting period is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest-bearing bank loans, secured	**1,081,286**	1,038,891
Promissory note	**—**	167,000
Fixed rate senior notes	**1,421,368**	1,415,475
Advances from a former substantial shareholder	**53,535**	52,976
Less: Pledged and restricted time deposits and bank balances	**(321,877)**	(393,732)
Cash and cash equivalents	**(1,391,295)**	(1,629,150)
Net debt	**843,017**	651,460
Equity attributable to owners of the Company	**7,525,127**	7,210,784
Total equity and net debt	**8,368,144**	7,862,244
Gearing ratio	**10.1%**	8.3%

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5 November 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 21 December 2010 at 9:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements, the report of the directors and the independent auditors' report for the year ended 31 July 2010;

2. To declare a final dividend;

3. To re-elect the retiring directors and to fix the directors' remuneration;

4. To appoint auditors and to authorise the directors to fix their remuneration; and

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

   (A) "**THAT**:

   (a) subject to paragraph (b) of this Resolution, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase shares of HK$0.10 each in the share capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

   (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

   (i) the conclusion of the next Annual General Meeting of the Company;

   (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; or

   (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held."

Notice of Annual General Meeting

(B) "**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares in the Company, and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares in the Company) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares in the Company) which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of the securities which are convertible into shares of the Company; or (iii) an issue of shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of shares in the Company under any option scheme or similar arrangement for the grant or issue of shares in the Company or rights to acquire shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

"Relevant Period" shall have the same meaning assigned to it under paragraph (c) of the Ordinary Resolution No. 5(A) in the Notice convening this Meeting; and

"Rights Issue" means an offer of shares of the Company open for a period fixed by the directors to the holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

Notice of Annual General Meeting

(C) "**THAT** subject to the passing of the Ordinary Resolutions No. 5(A) and 5(B) in the Notice convening this Meeting, the general mandate granted to the directors and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by addition thereto of an amount representing the aggregate nominal amount of shares in the share capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the directors of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution."

By Order of the Board

Goh Soon Khian
Company Secretary

Hong Kong, 5 November 2010

Notes:

(1) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

(2) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's share registrars in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or its adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Annual General Meeting or at any of its adjourned meeting should they so wish.

(3) The Register of Members of the Company will be closed from 17 December 2010 to 21 December 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 16 December 2010.

(4) Concerning item 3 of this Notice, pursuant to Article 99 of the Company's Articles of Association, Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Pursuant to Article 116 of the Company's Articles of Association, Mr. Lam Kin Hong, Matthew, Miss Leung Churk Yin, Jeanny, Mr. Cheng Shin How and Mr. Lam Bing Kwan retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the above directors are set out in the "Biographical Details of Directors and Senior Management" section of the Annual Report 2009-2010 of the Company. For the purpose of their re-election as directors of the Company at the forthcoming Annual General Meeting, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

(5) A circular containing details regarding Ordinary Resolutions No. 5(A) to 5(C) will be sent to members together with the Company's Annual Report 2009-2010.

(6) In compliance with Rule 13.39(4) of the Listing Rules, voting on resolutions in respect of the above matters in this Notice will be decided by way of a poll.