Lai Fung Holdings

LAI FUNG HOLDINGS LIMITED
(Stock code: 1125)

Annual Report 2010-2011




Contents

Corporate Information

Place of Incorporation

Cayman Islands

Board of Directors

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
Cheng Shin How
Lui Siu Tsuen, Richard
Cheung Sum, Sam

Non-executive Directors

Leow Juan Thong, Jason
Lucas Ignatius Loh Jen Yuh
(also Alternate Director to Leow Juan Thong, Jason)

Independent Non-executive Directors

Lam Bing Kwan
Ku Moon Lun
Law Kin Ho

Audit Committee

Law Kin Ho *(Chairman)*
Lam Bing Kwan
Leow Juan Thong, Jason

Remuneration Committee

Lam Bing Kwan *(Chairman)*
Leow Juan Thong, Jason
Ku Moon Lun
Law Kin Ho
Cheung Sum, Sam

Company Secretary

Kwok Siu Man

Registered Office

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

Principal Place of Business

11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Tel: (852) 2741 0391
Fax: (852) 2741 9763

Authorised Representatives

Lam Kin Ming
Lam Hau Yin, Lester

Branch Share Registrars and Transfer Office in Hong Kong

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

Share Registrars and Transfer Office in Cayman Islands

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Independent Auditors

Ernst & Young
Certified Public Accountants

Solicitors

As to Hong Kong Laws:
Vincent T.K. Cheung, Yap & Co.
Woo, Kwan, Lee & Lo
Linklaters

As to the Cayman Islands Laws:
Maples and Calder Asia

Principal Bankers

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

Listing

Shares

The issued shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

Stock Code / Board Lot

1125 / 1,000 shares

Notes

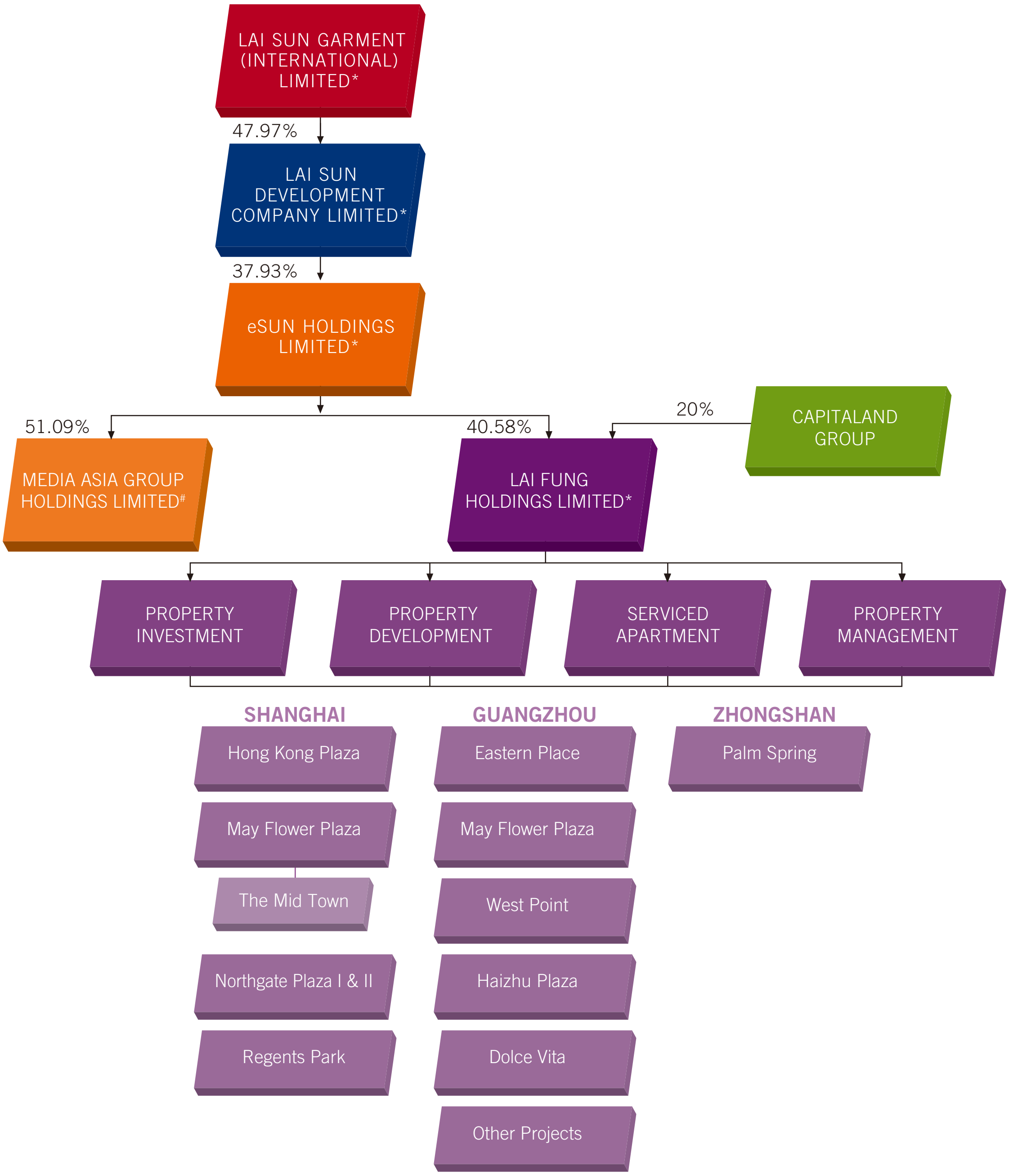
The 9.125% senior notes due 2014 issued by the Company are listed and traded on Singapore Exchange Securities Trading Limited

Website

www.laifung.com

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*

\# - *Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited*

- *Formerly known as "Rojam Entertainment Holdings Limited"*

Corporate structure as at 28 October 2011

Chairman's Statement

^ LAM Kin Ngok, Peter
Chairman

Overview of Final Results

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

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

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

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

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

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

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

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

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

Final Dividend

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

^ Shanghai May Flower Plaza

Business Review

Investment Properties

Property Rental Results

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

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

^ Guangzhou May Flower Plaza

^ Guangzhou West Point

^ Shanghai Hong Kong Plaza

^ Shanghai Hong Kong Plaza

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

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

Development Properties

Contracted Sales of Development Properties

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

Before business tax

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

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

Sales of Development Properties Recorded

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

Before business tax
* *After business tax*

^ Guangzhou Dolce Vita

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

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

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

Market Overview and Operating Environment

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

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

Review of Major Property Projects

Shanghai

Shanghai Hong Kong Plaza

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

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

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

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

▲ Shanghai Hong Kong Plaza – Serviced Apartments

▲ Shanghai Hong Kong Plaza – Shopping Arcades

Shanghai May Flower Plaza

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

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

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

Shanghai Regents Park Phase II

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

Shanghai May Flower Plaza

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

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

Shanghai Northgate Plaza

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

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

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

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

Guangzhou and Zhongshan

Guangzhou May Flower Plaza

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

This 13-storey complex has a total GFA of approximately 51,000 sq.m. (GFA attributable to the Group of approximately 39,000 sq.m.), comprising retail spaces, restaurants and fast food outlets, and office units. The property is fully leased to tenants that are well-known corporations, consumer brands and restaurants. The property also houses a multiplex cinema. Rental income from Guangzhou May Flower Plaza was HK$72,362,000 for the year ended 31 July 2011, representing an increase of approximately 11.9% from the previous year.

Guangzhou Eastern Place

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

The current Phase V development will have a total GFA attributable to the Group of approximately 101,000 sq.m., comprising residential blocks, an office block and ancillary retail spaces. Construction work has commenced and is expected to be completed between 2012 and 2013. Pre-sale of the residential units is expected to start in the second quarter of 2012.

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

Guangzhou West Point

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

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

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

Guangzhou Dolce Vita

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

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

Guangzhou Haizhu Plaza

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

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

Guangzhou King's Park

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

^ Guangzhou King's Park

^ Guangzhou Eastern Place Phase V – Office Block

^ Guangzhou Eastern Place Phase V – Residential Blocks

Guangzhou Paramount Centre

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

Guangzhou Guan Lu Road Project

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

Zhongshan Palm Spring

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

Phase I of the project will comprise high-rise residential towers with a total saleable GFA of approximately 47,000 sq.m., commercial areas with a total GFA of approximately 16,000 sq.m. and low-rise townhouses and semi-detached villas with a total saleable GFA of approximately 27,000 sq.m. Construction of Phase I development has commenced and is now expected to be completed around mid-2012. Pre-sale of residential units commenced in September 2011.

^ Zhongshan Palm Spring

Capital Structure, Liquidity and Debt Maturity Profile

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

Approximately 46% and 52% of the Group's borrowings were on a fixed rate basis and floating rate basis respectively, and the remaining 2% of the Group's borrowings were interest free.

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

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

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

Under a litigation being processed in a district court in China, the Group, as the claimant, is claiming for a sum of RMB17 million from one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group was required to pledge a leasehold property with a carrying value of approximately HK$46 million to the court as collateral.

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

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 31 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2011, the Group employed a total of around 1,300 employees. 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 employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Prospects

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

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

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
28 October 2011

Financial Summary

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

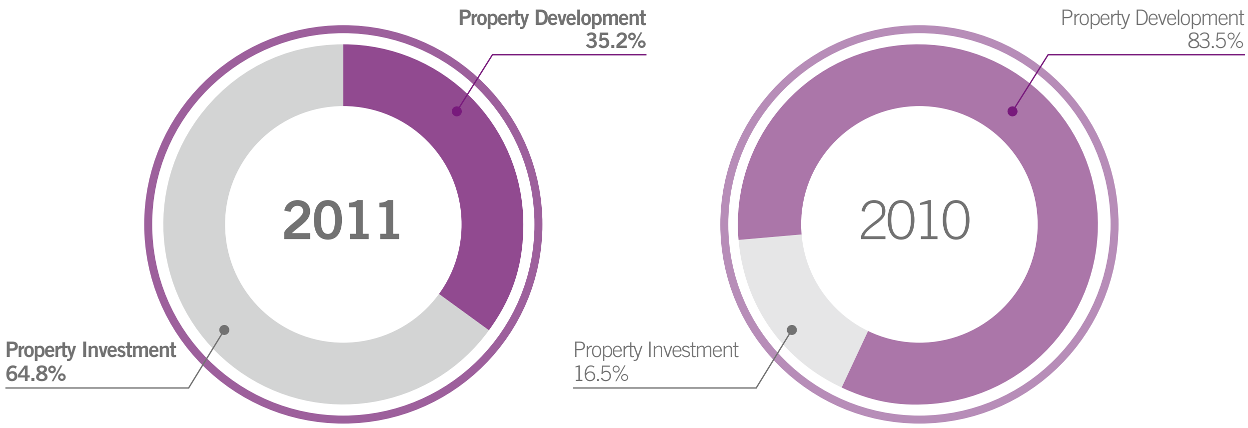
Results

	Year ended 31 July				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Turnover	**647,183**	1,514,214	937,380	868,001	792,420
Profit before tax	**771,963**	817,560	767,735	625,236	572,546
Tax	**(193,663)**	(454,297)	(339,590)	(376,733)	(64,272)
Profit for the year	**578,300**	363,263	428,145	248,503	508,274
Attributable to:					
Owners of the Company	**530,112**	322,106	406,888	206,005	470,351
Non-controlling interests	**48,188**	41,157	21,257	42,498	37,923
	578,300	363,263	428,145	248,503	508,274

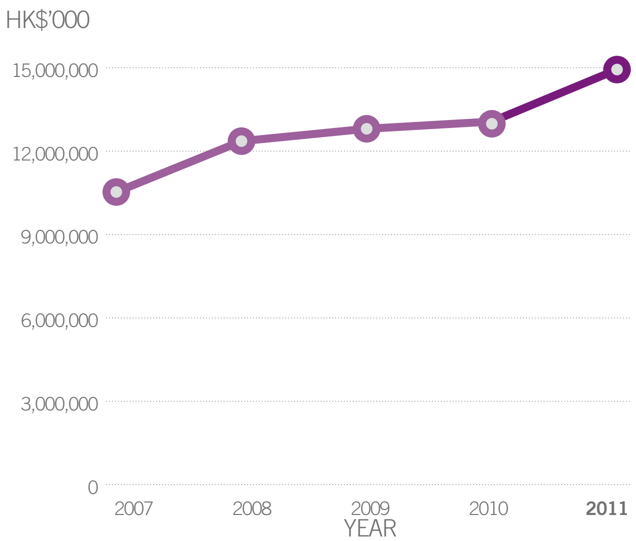
Assets, liabilities and non-controlling interests

	As at 31 July				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Property, plant and equipment and prepaid land lease payments	**937,491**	797,505	662,322	681,253	675,199
Investment properties	**9,295,785**	7,921,429	5,329,900	5,136,200	3,673,600
Properties under development	**1,122,284**	1,055,751	3,394,309	3,265,072	2,107,681
Goodwill	**4,561**	4,561	4,561	4,561	4,561
Interests in associates	**350,289**	329,247	325,837	328,149	1,057,982
Long term deposits	**—**	—	—	—	25,904
Pledged time deposits	**—**	—	—	—	118,914
Current assets	**3,224,905**	2,802,752	3,087,077	2,944,450	2,759,746
TOTAL ASSETS	**14,935,315**	12,911,245	12,804,006	12,359,685	10,423,587
Current liabilities	**(1,541,626)**	(1,391,116)	(2,091,344)	(1,580,093)	(1,619,599)
Long term deposits received	**(81,692)**	(52,161)	(26,126)	(22,059)	(17,101)
Non-current interest-bearing bank loans, secured	**(1,471,241)**	(949,702)	(624,275)	(624,430)	(123,343)
Promissory note	**—**	—	—	(167,000)	(167,000)
Fixed rate senior notes	**(1,427,850)**	(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	**(56,474)**	(53,535)	(52,976)	(53,284)	(48,273)
Deferred tax liabilities	**(1,283,303)**	(1,038,827)	(949,511)	(892,360)	(593,692)
TOTAL LIABILITIES	**(5,862,186)**	(4,906,709)	(5,159,707)	(5,043,007)	(4,155,298)
	9,073,129	8,004,536	7,644,299	7,316,678	6,268,289
Non-controlling interests	**(558,671)**	(479,409)	(433,515)	(407,456)	(312,306)
	8,514,458	7,525,127	7,210,784	6,909,222	5,955,983

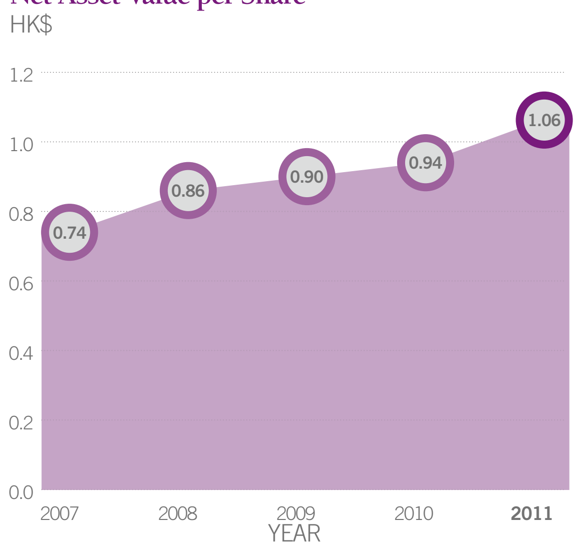
Segment Revenue



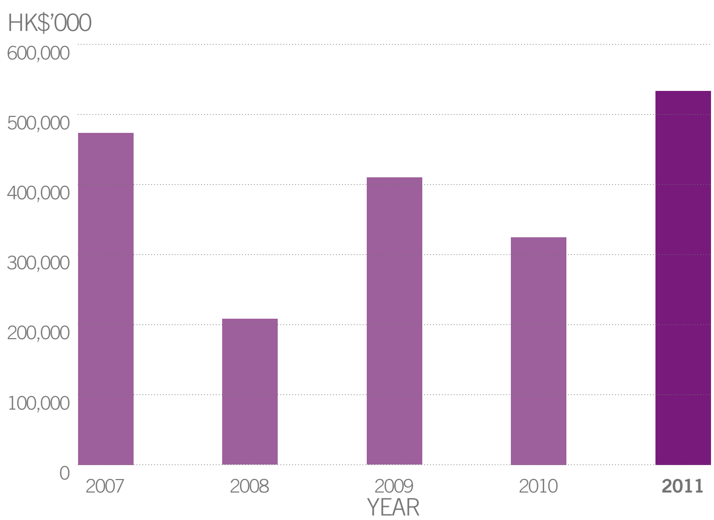
Total Assets



Net Asset Value per Share



Profit Attributable to Owners of the Company



Property Portfolio

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

Location	Group interest	Stage of construction	Expected completion date	Expected use	Area
Guangzhou					
Eastern Place Phase V, 787 Dongfeng East Road, Yuexiu District	100%	Construction work in progress	2012 and 2013	Residential/ office/ commercial	Total site area: 19,750 sq.m. Total gross floor area: approximately 101,000 sq.m.
Haizhu Plaza, Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	*Note 1*	Commercial/ office	Total site area: 8,427 sq.m. Total gross floor area: approximately 103,000 sq.m.
King's Park, Donghua Dong Road, Yuexiu District	100%	Construction work in progress	2012	Residential	Total site area: 3,263 sq.m. Total gross floor area: approximately 10,000 sq.m.
Paramount Centre, Da Sha Tou Road, Yuexiu District	100%	Construction work in progress	2012	Office	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	100%	Development under planning	2013	Residential	Total site area: 2,432 sq.m. Total gross floor area: approximately 14,000 sq.m.
Zhongshan					
Zhongshan Palm Spring, Caihong Planning Area, Western District	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 504,000 sq.m.
Shanghai					
May Flower Plaza, Sujiaxiang, Zhabei District	95%	Construction work in progress	2011	Residential/ office / commercial	Total site area: approximately 22,000 sq.m. Total gross floor area: approximately 111,000 sq.m.
Northgate Plaza II, Tian Mu Road West, Zhabei District	99%	Development under planning	*Note 2*	Commercial	Total site area: 4,115 sq.m. Total gross floor area: approximately 25,000 sq.m.

Notes:

(1) Being in the process of negotiating a land exchange

(2) Being in the process of discussing a comprehensive redevelopment proposal with the district government

Principal rental properties of the Group are as follows:

Location	Group interest	Tenure	Use	Gross floor area
Shanghai				
Commercial podium and certain office and serviced apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Luwan District	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	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	97%	The property is held for a term of 50 years commencing on 15 June 1993	Office/ commercial	approximately 36,500 sq.m.
Guangzhou				
May Flower Plaza, 68 Zhongshanwu Road, Yuexiu District	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	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.

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	95%	approximately 1,714 sq.m.
Certain residential and office units in West Point, Zhongshan Qi Road, Liwan District, Guangzhou	100%	approximately 3,307 sq.m.

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 year ended 31 July 2011 save for the following deviations from code provisions A.4.1 and E.1.2:

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

None of the existing non-executive directors (including the independent non-executive directors) of the Company is appointed for a specific term. However, all directors of the Company (the "Directors") are subject to the retirement provisions of the articles of association of the Company (the "Articles") which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors of the Company (the "Board") as an additional Director (including a non-executive Director) will hold office only until the next annual general meeting of the Company (the "AGM") and will then be eligible for re-election. Further, each of the Directors appointed to fill a causal vacancy will be subject to election by shareholders at the first general meeting after his/her appointment in line with the relevant code provision of the CG Code. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

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

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

(2) Recommended Best Practices

The Company and its subsidiaries (the "Group") have implemented some of the recommended best practices contained in the CG Code so as to enhance the corporate governance standard within the Group as follows:

(i) the Company has arranged for an appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The insurance coverage is reviewed on an annual basis; and

(ii) the Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies and/or chambers so that they can continuously update and further improve their relevant knowledge and skills.

(3) Securities Transactions by Directors and Designated Employees

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 for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiries of all the Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the year ended 31 July 2011.

(4) Board of Directors

(4.1) The Board oversees 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 the Executive Committee, the Audit Committee and the Remuneration Committee. Specific responsibilities have been delegated to the above Committees.

(4.2) The Directors who served the Board during the year under review and up to the date of this Report are named 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
Cheng Shin How
Lui Siu Tsuen, Richard *(appointed on 1 January 2011)*
Cheung Sum, Sam *(appointed on 1 March 2011)*
Leung Churk Yin, Jeanny *(resigned on 1 January 2011)*

Non-executive Directors
Leow Juan Thong, Jason
Lucas Ignatius Loh Jen Yuh
(also Alternate Director to Leow Juan Thong, Jason)

Independent Non-executive Directors ("INEDs")
Lam Bing Kwan
Ku Moon Lun
Law Kin Ho

Dr. Lam Kin Ngok, Peter is the son of Madam U Po Chu, the father of Mr. Lam Hau Yin, Lester, a younger brother of Dr. Lam Kin Ming and an elder brother of Mr. Lam Kin Hong, Matthew. The brief biographical particulars of the existing Directors and save as disclosed herein, the relationships among them are set out in the "Biographical Details of Directors and Senior Management" section of this Annual Report on pages 29 to 35.

(4.3) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(5) Chairman and Chief Executive Officer

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

During the year under review, Dr. 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.

(6) Non-executive Directors

As explained in Paragraph (1) of this Report, none of the existing non-executive Directors (including the INEDs) was appointed for a specific term.

(7) Nomination of Directors

The Company has not established a nomination committee. Potential new directors will be recruited based on their knowledge, 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. The executive Directors followed this process in the appointment of two other executive Directors during the year.

(8) Remuneration Committee

(8.1) The Board established on 18 November 2005 a Remuneration Committee, which currently comprises three INEDs, namely Messrs. Lam Bing Kwan (Chairman), Ku Moon Lun and Law Kin Ho, a non-executive Director Mr. Leow Juan Thong, Jason (alternate: Mr. Lucas Ignatius Loh Jen Yuh), and an executive Director Mr. Cheung Sum, Sam (appointed as a member on 1 March 2011).

(8.2) 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.

(8.3) The Remuneration Committee held a meeting during the year under review to discuss remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the engagement of an executive Director to the Board on an occasion by way of circular resolutions.

(9) Audit Committee

(9.1) The Board established an Audit Committee on 31 March 2000, comprising two INEDs, namely Mr. Law Kin Ho (Chairman) and Mr. Lam Bing Kwan, and a non-executive Director, Mr. Leow Juan Thong, Jason (alternate: Mr. Lucas Ignatius Loh Jen Yuh) during the year and up to the date of this Annual Report.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of 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 auditors' independence and objectivity as well as the 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 (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possess appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. It reviewed the final results of the Company for the year ended 31 July 2010 and the interim results of the Company for the six months ended 31 January 2011, and other matters related to the financial and accounting policies and practices of the Company.

(10) Attendance Record at Meetings

The attendance record of each Director at the Board meetings, Audit Committee meetings and Remuneration Committee meeting during the year is set out in the following table:

Meetings held during the year ended 31 July 2011

Directors	Board	Audit Committee	Remuneration Committee
Number of Meetings held	4	2	1
	Number of meetings attended/ Number of meetings held		
Executive Directors			
Lam Kin Ngok, Peter	4/4	—	—
Lam Kin Ming	1/4	—	—
Lam Kin Hong, Matthew	3/4	—	—
Lam Hau Yin, Lester	4/4	—	—
U Po Chu	0/4	—	—
Lau Shu Yan, Julius	4/4	—	—
Tam Kin Man, Kraven	4/4	—	—
Cheng Shin How	4/4	—	—
Lui Siu Tsuen, Richard *(Note 1)*	3/3	—	—
Cheung Sum, Sam *(Note 2)*	2/2	—	1/1
Leung Churk Yin, Jeanny *(Note 3)*	1/1	—	—
Non-executive Directors			
Leow Juan Thong, Jason	3/4	2/2	0/1
Lucas Ignatius Loh Jen Yuh *(also Alternate Director to Leow Juan Thong, Jason)*	1/4	—	—
INEDs			
Lam Bing Kwan	4/4	2/2	1/1
Ku Moon Lun	4/4	—	1/1
Law Kin Ho	4/4	2/2	1/1

Notes:

(1) Mr. Lui Siu Tsuen, Richard was appointed an executive Director on 1 January 2011.

(2) Mr. Cheung Sum, Sam was appointed an executive Director and a member of the Remuneration Committee on 1 March 2011.

(3) Miss Leung Churk Yin, Jeanny resigned as an executive Director on 1 January 2011.

(11) Independent Auditors' Remuneration

For the year under review, the fees in respect of audit and non-audit services provided to the Group by the independent auditors of the Company (the "Independent Auditors"), Ernst & Young, amounted to HK$2,440,000 and HK$260,000 respectively. The non-audit services mainly consist of advisory, review and other reporting services.

(12) 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 Group, in accordance with accounting principles generally accepted in Hong Kong.

The statement made by the Independent Auditors about their responsibilities for the financial statements is set out in the Independent Auditors' Report contained in this Annual Report.

(13) Internal Controls

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

(14) Communication with Shareholders

The Company has established a number of channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.laifung.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) AGMs and extraordinary general meetings provide a forum for shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's branch share registrars in Hong Kong serve the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

(15) Investor Relations

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2853 6609 during normal business hours, by fax at (852) 2853 6624 or by e-mail at ir@laifung.com.

Executive Directors

Each of the executive directors of the Company named below (except Mr. Lui Siu Tsuen, Richard) holds directorships in a number or certain of the subsidiaries of the Company and all of them hold directorships in all or certain of the Company's listed affiliates, namely Lai Sun Garment (International) Limited ("LSG"), Lai Sun Development Company Limited ("LSD"), eSun Holdings Limited ("eSun") and Media Asia Group Holdings Limited ("MAGH", formerly known as "Rojam Entertainment Holdings Limited"). The issued shares of LSG, LSD and eSun are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and MAGH's issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. eSun is the controlling shareholder of the Company and the ultimate holding company of MAGH while LSD is the controlling shareholder of eSun and LSG is the controlling shareholder of LSD.

Dr. Lam Kin Ngok, Peter, Chairman, aged 54, was appointed a director of the Company in November 1993 and is a member of the Executive Committee of the Company. Dr. Lam is also the chairman of LSD, the deputy chairman of LSG and an executive director of eSun and Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange. He was appointed an executive director and the chairman of MAGH on 16 June 2011. He has extensive experience in the property development and investment, hospitality and media and entertainment businesses. Dr. Lam was conferred an Honorary Doctorate of the Academy by The Hong Kong Academy for Performing Arts in June 2011.

Dr. Lam is currently a director of The Real Estate Developers Association of Hong Kong, chairman of Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, honorary chairman of Hong Kong Motion Picture Industry Association Limited, vice chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. Dr. 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.

Dr. Lam is the son of Madam U Po Chu (Executive Director of the Company), a younger brother of Dr. Lam Kin Ming (Deputy Chairman of the Company), an elder brother of Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and the father of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

The Company does not have any service contract with Dr. Lam. However, in accordance with the provisions of the Articles of Association of the Company (the "Articles"), he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming annual general meeting of the Company ("AGM") and will also be eligible for re-election at future AGMs. Dr. Lam is presently entitled to a basic salary and allowance of HK$2,000,000 per annum and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and prevailing market practice.

As at the date of this Annual Report, Dr. Lam is interested or deemed to be interested within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") in 3,265,688,037 shares in the Company. He also has deemed interests in a principal amount of US$1,025,000 of the 9.125% Senior Notes due 2014 issued by the Company. Saved as disclosed herein, Dr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this "Executive Directors" section.

Executive Directors (continued)

Dr. Lam Kin Ming, Deputy Chairman, aged 74, was appointed a director of the Company in September 1997. Dr. Lam is the chairman of LSG, a non-executive director of LSD and the chairman and chief executive officer of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange. He was a non-executive director of eSun from October 1996 to September 2009. 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 Dr. Lam Kin Ngok, Peter (Chairman of the Company) and Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company), and an uncle of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

The Company has a service contract with Dr. Lam with no fixed term. In accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Dr. Lam presently receives a monthly salary of HK$95,000 and is entitled to receive such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as prevailing market practice.

As at the date of this Annual Report, Dr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this "Executive Directors" section.

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 43, was appointed a director of the Company in December 2001. Mr. Lam is an executive director of LSG and Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange. He attained a Bachelor of Science Degree from the University of London and underwent his training as a solicitor with an international law firm, Reed Smith 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 is the younger brother of Dr. Lam Kin Ngok, Peter (Chairman of the Company) and Dr. Lam Kin Ming (Deputy Chairman of the Company), and an uncle of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

Mr. Lam Hau Yin, Lester, Chief Executive Officer, aged 30, was appointed a director of the Company in April 2005. He is also an executive director of LSG, an alternate director to Madam U Po Chu, a non-executive director of LSG, and a vice president of LSD. He holds a Bachelor of Science in Business Administration degree from the Northeastern University, Boston, the United States of America. He has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment. He is a son of Dr. Lam Kin Ngok, Peter (Chairman of the Company), a nephew of Dr. Lam Kin Ming (Deputy Chairman of the Company) and Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and a grandson of Madam U Po Chu (Executive Director of the Company).

The Company does not have any service contract with Mr. Lam. However, in accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Lam presently receives a monthly salary of HK$102,275 and is entitled to such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and prevailing market practice.

As at the date of this Annual Report, Mr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this "Executive Directors" section.

Executive Directors (continued)

Madam U Po Chu, aged 86, was appointed a director of the Company in February 2003. She is also a non-executive director of LSG, LSD and eSun. 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. She started to expand the business to fabric bleaching and dyeing in the early 1970's and became involved in property development and investment in the late 1980's. Madam U is the mother of Dr. Lam Kin Ngok, Peter (Chairman of the Company) and the grandmother of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

Mr. Lau Shu Yan, Julius, aged 55, was appointed a director of the Company in April 2005 and is a member of the Executive Committee of the Company. He is also an executive director and the chief executive officer of LSD.

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 The Real Estate Developers Association of Hong Kong.

The Company does not have any service contract with Mr. Lau. However, in accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Lau currently does not receive any salary from the Company but is entitled to such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and prevailing market practice.

Save as disclosed above, Mr. Lau does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Lau is interested or deemed to be interested within the meaning of Part XV of the SFO in 6,458,829 shares in the Company, representing approximately 0.08% of the issued share capital of the Company. He also has personal interest in a principal amount of US$300,000 of the 9.125% Senior Notes due 2014 issued by the Company.

Please also refer to the Note at the end of this "Executive Directors" section.

Mr. Tam Kin Man, Kraven, aged 63, joined the Lai Sun Group in 1989 and was appointed a director of the Company in April 2005. He is a member of the Executive Committee of the Company. He is also a director of LSD, LSG and Furama Hotel Enterprises Limited. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has over 30 years of experience in property development, investment and management. He also has over 20 years of experience in the hospitality business covering hotels, restaurants and clubs in Asia and North America. He was a director and the chief executive officer of the Company from May 1996 to June 1999.

The Company does not have any service contract with Mr. Tam. However, in accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Tam currently does not receive any salary from the Company but is entitled to such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and prevailing market practice.

Save as disclosed above, Mr. Tam does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Tam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company within the meaning of Part XV of SFO.

Please also refer to the Note at the end of this "Executive Directors" section.

Executive Directors (continued)

Mr. Cheng Shin How, aged 45, 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 worked with CB Richard Ellis, an international property consultancy firm where he was involved in property valuation, development and investment consultancy. He has been involved in the China business since 1993. Mr. Cheng graduated with an Honours Degree in Land Management from the University of Reading, United Kingdom and is a Licensed Appraiser in Singapore.

Mr. Lui Siu Tsuen, Richard, aged 55, was appointed an executive director of the Company in January 2011. He is also an executive director and the chief executive officer of eSun as well as an executive director of LSG and LSD. He was appointed an executive director of MAGH on 16 June 2011.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited and 21 Holdings Limited, both listed on the Main Board of the Stock Exchange. Prior to joining eSun in 2010, Mr. Lui was a director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited (formerly known as "Wing On Travel (Holdings) Limited"), both listed on the Main Board of the Stock Exchange. He was also a director of PSC Corporation Ltd., a company listed on the Singapore Exchange Limited, and a director of MRI Holdings Limited, a company previously listed on the Australian Securities Exchange.

Mr. Lui has over 25 years of experience in property investment, corporate finance and media and entertainment business. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants, United Kingdom, and an Associate of The Institute of Chartered Accountants in England and Wales. He holds a Master of Business Administration degree from The University of Adelaide in Australia.

The Company does not have any service contract with Mr. Lui. However, in accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Lui currently does not receive any emolument from the Company.

Save as disclosed above, Mr. Lui does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Lui does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this "Executive Directors" section.

Executive Directors (continued)

Mr. Cheung Sum, Sam, aged 47, was appointed an executive director of the Company in March 2011 and is a member of the Remuneration Committee of the Company. Mr. Cheung is also an executive director of eSun and LSD and the chief operating officer of the Lai Sun Group. Mr. Cheung was an executive director of Brightoil Petroleum (Holdings) Limited, a company listed on the Main Board of the Stock Exchange from November 2009 to November 2010. From early June 2007 to early October 2009, he was an executive director of the Company and LSD. Prior to joining the Company and LSD in 2007, Mr. Cheung worked for a number of other listed companies and international investment banks in Hong Kong. He has extensive experience in corporate finance and financial management.

Mr. Cheung graduated from the London School of Economics and Political Science, University of London with a Bachelor of Science (Economics) degree in Accounting and Finance. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

The Company and Mr. Cheung have entered into a service contract with no fixed term but such contract is determinable by the Company or him by giving the other party not less than 3 months' notice or payment in lieu thereof. In accordance with the provisions of the Articles, Mr. Cheung will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at AGMs. Mr. Cheung presently receives a monthly salary of HK$123,000 and such other remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market practice.

Save as disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, except for his personal interest in a principal amount of US$200,000 of the 9.125% Senior Notes due 2014 issued by the Company, he does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company within the meaning of Part XV of the SFO.

Please also refer to the Note immediately below.

Note:

Dr. Lam Kin Ngok, Peter, Dr. Lam Kin Ming and Messrs. Lam Hau Yin, Lester, Lau Shu Yan, Julius, Tam Kin Man, Kraven, Lui Siu Tsuen, Richard and Cheung Sum, Sam will retire as Directors in accordance with the Articles at the forthcoming AGM and being eligible, offer themselves for re-election thereat. Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Non-executive Directors

Mr. Leow Juan Thong, Jason, aged 45, was appointed a non-executive director of the Company in March 2010 and is a member of both the Audit Committee and Remuneration Committee of the Company. He is also 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 ("CapitaLand"), 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 attended the Advanced Management Program at Harvard Business School in 2007. Mr. Leow has over 17 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 Limited, a wholly-owned subsidiary of CapitaLand, from May 1994 to September 2001, participating in investment and development in the Mainland of China. He is currently a non-executive director of Central China Real Estate Limited, a company listed on the Main Board of The Stock Exchange Hong Kong Limited.

Mr. Lucas Ignatius Loh Jen Yuh, aged 45, was appointed a non-executive director of the Company in 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 ("CapitaLand"), 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 (a wholly-owned subsidiary of CapitaLand) 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, 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 the United States of America in 1999. Mr. Loh is currently an alternate director of Central China Real Estate Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Independent Non-executive Directors

Mr. Lam Bing Kwan, aged 62, was appointed an independent non-executive director of the Company in July 2001 and is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. Having been closely involved in property development and investment in China since the mid-1980's, he has substantial experience in this industry. Mr. Lam has served on the boards of directors of a number of listed companies in Hong Kong for over 10 years and is currently an independent non-executive director of Lai Sun Garment (International) Limited ("LSG"), Lai Sun Development Company Limited ("LSD"), and eForce Holdings Limited as well as a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited. eSun is a controlling shareholder of the Company while LSD is a controlling shareholder of eSun and LSG is a controlling shareholder of LSD. The issued shares of all the aforesaid companies are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Ku Moon Lun, aged 60, was appointed an independent non-executive director of the Company in June 2006 and is a member of the Remuneration Committee of the Company. He has more than 35 years of experience in the real estate industry. He was an 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 and 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, a company listed on the Main Board of the Stock Exchange. 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 44, was appointed an independent non-executive director of the Company in March 2009 and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He 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 fields in Hong Kong and is currently a practicing certified public accountant in Hong Kong. Prior to starting his own practice, Mr. Law worked with 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, a company listed on the Main Board of the Stock Exchange.

Senior Management

Mr. Tse Ho Yin, Iain, aged 62, joined the Company in March 2005 as General Manager, Guangzhou region. He is currently in charge of a working strength of around 600, responsible for the day-to-day operations and development of eight property projects inclusive of shopping malls, commercial and residential properties. 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, aged 56, joined the Company in August 2010 as General Manager, Shanghai region. Mr. Ma is currently in charge of a workforce of approximately 600 people and is mainly responsible for the day-to-day operations and development of four property projects in Shanghai, including shopping malls, commercial and residential properties. 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.

Report of the Directors

The directors of the Company (the "Directors") present their report and the audited financial statements of the Company and the Group for the year ended 31 July 2011.

Principal Activities

During the year under review, the Company acted as an investment holding company.

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

Details of the profit of the Group for the year ended 31 July 2011 and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements on pages 48 to 112.

No interim dividend was paid or declared in respect of the year ended 31 July 2011 (2010: Nil).

The board of Directors (the "Board") has recommended the payment of a final dividend of HK0.5 cent per ordinary share in respect of the year ended 31 July 2011 (2010: HK0.5 cent per ordinary share) for the shareholders' approval at the forthcoming annual general meeting (the "AGM").

Directors

The Directors who were in office during the year and those as at the date of this Report are named 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
Cheng Shin How
Lui Siu Tsuen, Richard *(appointed on 1 January 2011)*
Cheung Sum, Sam *(appointed on 1 March 2011)*
Leung Churk Yin, Jeanny *(resigned on 1 January 2011)*

Non-executive Directors:
Leow Juan Thong, Jason
Lucas Ignatius Loh Jen Yuh
(also Alternate Director to Leow Juan Thong, Jason)

Independent Non-executive Directors:
Lam Bing Kwan
Ku Moon Lun
Law Kin Ho

Directors (continued)

Messrs. Lui Siu Tsuen, Richard and Cheung Sum, Sam (appointed Executive Directors on 1 January 2011 and 1 March 2011 respectively) will retire at the forthcoming AGM in accordance with Article 99 of the Company's Articles of Association (the "Articles"). Being eligible, they offer themselves for re-election.

In accordance with Article 116 of the Articles, Dr. Lam Kin Ngok, Peter, Dr. Lam Kin Ming, Messrs. Lam Hau Yin, Lester, Lau Shu Yan, Julius and Tam Kin Man, Kraven will retire from office by rotation at the forthcoming AGM. Being eligible, they offer themselves for re-election.

Details of the aforesaid Directors proposed for re-election required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are set out in the "Biographical Details of Directors and Senior Management" section of this Annual 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.

Biographical Details of Directors

Brief biographical particulars of the Directors are set out on pages 29 to 35 of this Annual Report. Their other particulars are contained elsewhere in this Report.

Directors' Service Contracts

No director proposed for re-election at the forthcoming AGM 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 35(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 Businesses

During the year and/or up to the date of this Report, the following Directors 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.

Dr. 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, Mr. Cheng Shin How, Mr. Lui Siu Tsuen, Richard, Mr. Cheung Sum, Sam, Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh (together the "Interested Directors") held shareholding interests and/or directorships in companies or other interests in entities engaged in the businesses of property investment and development in the Mainland of China.

However, the Board is independent from the boards of directors/governing committees of the aforesaid companies/ entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors is fully aware of, and has been discharging, his/her fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

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 the Eligible Employees (as defined in the Share Option Scheme) of the Company.

Details of the Share Option Scheme are set out in note 29 to the financial statements.

Directors' Interests

The Directors and chief executive of the Company who held office on 31 July 2011 and their respective associates as defined in the Listing Rules had the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (the "Register"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company:

(A) Long positions in the shares of the Company

	Ordinary shares of HK$0.10 each (the "Shares")						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note)	Nil	Owner of Controlled Corporations	3,265,688,037	40.58%
Lau Shu Yan, Julius	6,458,829	Nil	Nil	Nil	Beneficial Owner	6,458,829	0.08%

Note:

These interests in the Company represented the Shares beneficially owned by eSun Holdings Limited ("eSun"). eSun is owned as to approximately 37.93% by Lai Sun Development Company Limited which in turn is owned as to approximately 47.97% by Lai Sun Garment (International) Limited ("LSG"). As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 3,265,688,037 Shares in the Company held by eSun by virtue of his personal and deemed interests in approximately 38.06% of the issued share capital of LSG.

Directors' Interests (continued)

(B) Long positions in the 9.125% Senior Notes due 2014 issued by the Company

Name of Director	Capacity	Nature of Interests	Principal Amount
Lau Shu Yan, Julius	Beneficial Owner	Personal	US$300,000
Cheung Sum, Sam	Beneficial Owner	Personal	US$200,000

Save as disclosed above, as at 31 July 2011, 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 of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

Interests of Substantial Shareholders and Other Persons

As at 31 July 2011, so far as it is known by or otherwise notified to any director or the chief executive of the Company, the particulars of the corporations or persons, one being a director of the Company, who had 5% or more interests 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 or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

	Long Positions in the Shares of the Company			
Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
Substantial Shareholders				
eSun Holdings Limited ("eSun")	Owner of Controlled Corporations	Corporate	3,265,688,037 (Note 1)	40.58%
Lai Sun Development Company Limited ("LSD")	Owner of Controlled Corporations	Corporate	3,265,688,037 (Note 1)	40.58%
Lai Sun Garment (International) Limited ("LSG")	Owner of Controlled Corporations	Corporate	3,265,688,037 (Note 1)	40.58%
Lam Kin Ngok, Peter	Owner of Controlled Corporations	Corporate	3,265,688,037 (Note 2)	40.58%
Merit Worth Limited ("MWL")	Beneficial Owner and Owner of Controlled Corporation	Corporate	3,265,688,037 (Note 3)	40.58%
CapitaLand China Holdings Pte Ltd. ("CapitaLand China")	Owner of Controlled Corporation	Corporate	1,610,000,000 (Note 4)	20%

Interests of Substantial Shareholders and Other Persons (continued)

Long Positions in the Shares of the Company				
Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand Cayman")	Beneficial Owner	Corporate	1,610,000,000	20%
CapitaLand Limited	Owner of Controlled Corporations	Corporate	1,610,000,000 (Note 4)	20%
CapitaLand Residential Limited ("CapitaLand Residential")	Owner of Controlled Corporations	Corporate	1,610,000,000 (Note 4)	20%
Temasek Holdings (Private) Limited ("Temasek")	Owner of Controlled Corporations	Corporate	1,610,000,000 (Note 4)	20%
Silver Glory Securities Limited ("SGS")	Beneficial Owner	Corporate	1,396,481,675 (Note 3)	17.35%
Other Persons				
Yu Cheuk Yi	Beneficial Owner	Personal	631,524,000 (Note 5)	7.85%
Yu Siu Yuk	Beneficial Owner	Personal	631,524,000 (Note 5)	7.85%

Notes:

1. *These interests in the Company represented all the Shares beneficially owned by MWL and SGS, a wholly-owned subsidiary of MWL. Both MWL and SGS are wholly-owned subsidiaries of eSun. eSun is owned as to approximately 37.93% by LSD which in turn is owned as to approximately 47.97% by LSG. As such, both LSD and LSG were deemed to be interested in the same 3,265,688,037 Shares of the Company held by eSun.*

2. *Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 3,265,688,037 Shares of the Company held by eSun by virtue of his approximate 38.06% personal and deemed interests in the issued share capital of LSG.*

3. *SGS is wholly owned by MWL which in turn is wholly owned by eSun. Their interests in the Shares of the Company are duplicated in the interests of eSun.*

4. *These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which in turn is wholly owned by CapitaLand Residential while CapitaLand Residential is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 1,610,000,000 Shares of the Company held by CapitaLand Cayman by virtue of its approximate 43.28% interest in the issued share capital of CapitaLand Limited.*

5. *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 631,524,000 Shares of the Company which were held jointly by them.*

Save as disclosed above, the directors of the Company are not aware of any other corporation or person who, as at 31 July 2011, had the Voting Entitlements or any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Controlling Shareholder's Interests in Contracts

Save as disclosed in note 25 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.

Continuing Connected Transactions

1. 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 a 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, (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 and (iii) other services including, but not limited to, educational and training programmes and facilities, centralised reservation services, cluster advertising and promotion services, and central purchasing and procurement services.

   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 2011, such fees paid or payable to Ascott amounted to HK$6,502,000.

   Ascott is a wholly-owned subsidiary of CapitaLand Limited ("CapitaLand") and CapitaLand is a substantial shareholder of the Company. Accordingly, Ascott is an associate (as defined under the Listing Rules) of CapitaLand and therefore 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.

2. 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 Floors, May Flower Plaza, No. 68 Zhongshanwu Road, Yuexiu District, Guangzhou, the PRC (the "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. 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 (the "Completion"). Accordingly, eSun is a connected person of the Company with effect from the Completion. Further, Media Idea is an associate (as defined under the Listing Rules) of eSun and therefore is a connected person of the Company.

Continuing Connected Transactions (continued)

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 the Completion, become continuing connected transactions for the Company pursuant to Rule 14A.41 of the Listing Rules.

For the period from the Completion to 31 July 2011, total fees paid or payable to Media Idea amounted to HK$1,255,000.

The aforesaid continuing connected transactions listed under items 1 and 2 above 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.

Ernst & Young, the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to *Practice* Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with relevant clauses of Rule 14A.38 of the Listing Rules. The auditors included an additional paragraph to draw attention to the fact that i) the continuing connected transaction with Media Idea was under a pre-existing management agreement which subsequently became a continuing connected transaction of the Group on 30 September 2010, and ii) no maximum aggregate annual value had been disclosed in any previous announcement of the Company.

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 the "Property Portfolio" section in this Annual Report.

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 the "Property Portfolio" section in this Annual Report.

Fixed Rate Senior Notes

On 4 April 2007, the Group issued the 9.125% senior notes due 2014 (the "Senior Notes") with an aggregate principal amount of US$200,000,000. Details of the Senior Notes are set out in note 26 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 30(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 July 2011, the Company's reserves available for distribution amounted to HK$173,771,000 which comprised retained earnings and exchange fluctuation reserve.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$3,876,668,000 may be applied for paying distributions or dividends to members provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Charitable Contributions

During the year, the Group made contributions for charitable or other purposes totalling HK$4,105,000.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles 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 results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the Financial Summary of this Annual Report on page 20.

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 62.5% of the Group's total purchases, while the largest supplier accounted for approximately 19.5% 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

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

Pursuant to the covenants of the loan agreements and the supplemental loan agreements dated 20 December 2007, 27 July 2010 and 14 September 2010 respectively, 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.

As at 31 July 2011, the aggregate outstanding loan balances of these facilities amounted to approximately HK$1,096,631,000 with the last instalment repayment falling due in July 2013.

Purchase, Sale or Redemption of Listed Securities

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

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued Shares was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this Report.

Corporate Governance

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 24 to 28 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.

Independent Auditors

Ernst & Young will retire at the forthcoming AGM and a resolution for their reappointment as independent auditors of the Company for the ensuing year will be put to the forthcoming AGM for shareholders' approval.

On behalf of the Board

Lam Kin Ngok, Peter
Chairman

Hong Kong
28 October 2011

Taxation of Holders of Shares

(a) Hong Kong

The purchase, sale and transfer of shares registered in the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.1% of the consideration or, if greater, the fair value of the shares being bought/sold or transferred (rounded up to the nearest HK$'000). In addition, a fixed duty of HK$5.00 is currently payable on an instrument of transfer of shares.

Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands laws, transfers and other dispositions of shares in the Company are exempt from Cayman Islands stamp duty.

(c) Consultation with professional advisers

Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

Key Dates

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	For Financial Year 2010/2011
Annual results announcement	28 October 2011
Latest time and date for lodging transfer documents with the Hong Kong branch share registrars to ascertain entitlement to attending and voting at the 2011 annual general meeting ("AGM")	4:30 p.m. on 16 December 2011
2011 AGM	21 December 2011
Dividend ex-entitlement for shares	29 December 2011
Closure of Hong Kong branch register of members	3 and 4 January 2012
Record date for entitlement to the proposed final dividend	4 January 2012
Payment of final dividend	13 January 2012
	For Financial Year 2011/2012
Interim results announcement	on or before 31 March 2012
Annual results announcement	on or before 31 October 2012

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Lai Fung Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 112, which comprise the consolidated and company statements of financial position as at 31 July 2011, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2011, 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

28 October 2011

Consolidated Income Statement

Year ended 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
TURNOVER	5	**647,183**	1,514,214
Cost of sales		**(264,909)**	(738,769)
Gross profit		**382,274**	775,445
Other income and gains	5	**119,024**	101,603
Selling and marketing expenses		**(38,280)**	(42,306)
Administrative expenses		**(207,190)**	(152,324)
Other operating expenses, net		**(9,966)**	(64,877)
Fair value gains on investment properties	16	**605,006**	284,835
PROFIT FROM OPERATING ACTIVITIES	7	**850,868**	902,376
Finance costs	6	**(76,143)**	(84,806)
Share of losses of associates		**(2,762)**	(10)
PROFIT BEFORE TAX		**771,963**	817,560
Tax	10	**(193,663)**	(454,297)
PROFIT FOR THE YEAR		**578,300**	363,263
ATTRIBUTABLE TO:			
Owners of the Company	11	**530,112**	322,106
Non-controlling interests		**48,188**	41,157
		578,300	363,263
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Basic and diluted	13	**HK6.59 cents**	HK4.00 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 July 2011

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

Consolidated Statement of Financial Position

31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**931,774**	791,907
Properties under development	15	**1,122,284**	1,055,751
Investment properties	16	**9,295,785**	7,921,429
Prepaid land lease payments	17	**5,717**	5,598
Goodwill	18	**4,561**	4,561
Interests in associates	20	**350,289**	329,247
Total non-current assets		**11,710,410**	10,108,493
CURRENT ASSETS			
Properties under development	15	**1,231,503**	621,800
Completed properties for sale		**193,649**	354,886
Debtors, deposits and prepayments	21	**160,525**	91,186
Tax recoverable		**39,472**	21,708
Pledged and restricted time deposits and bank balances	22	**712,456**	321,877
Cash and cash equivalents	22	**887,300**	1,391,295
Total current assets		**3,224,905**	2,802,752
CURRENT LIABILITIES			
Creditors and accruals	23	**590,206**	496,186
Deposits received and deferred income		**567,815**	51,625
Interest-bearing bank loans, secured	24	**118,154**	131,584
Tax payable		**265,451**	711,721
Total current liabilities		**1,541,626**	1,391,116
NET CURRENT ASSETS		**1,683,279**	1,411,636
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,393,689**	11,520,129
NON-CURRENT LIABILITIES			
Long term deposits received		**81,692**	52,161
Interest-bearing bank loans, secured	24	**1,471,241**	949,702
Advances from a former substantial shareholder	25	**56,474**	53,535
Fixed rate senior notes	26	**1,427,850**	1,421,368
Deferred tax liabilities	27	**1,283,303**	1,038,827
Total non-current liabilities		**4,320,560**	3,515,593
		9,073,129	8,004,536

Consolidated Statement of Financial Position

31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**804,796**	804,796
Share premium account		**3,876,668**	3,876,668
Asset revaluation reserve		**33,894**	17,571
Share option reserve		**—**	1,680
Exchange fluctuation reserve		**1,594,660**	1,111,524
Capital reserve		**(5,445)**	(5,445)
Retained earnings		**2,169,645**	1,678,093
Proposed final dividend	12	**40,240**	40,240
		8,514,458	7,525,127
Non-controlling interests		**558,671**	479,409
		9,073,129	8,004,536

Lam Kin Ngok, Peter
Director

Lam Hau Yin, Lester
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2011

		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	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 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
Profit for the year		—	—	—	—	—	—	322,106	—	322,106	41,157	363,263
Other comprehensive income/(expenses) for the year, net of tax:												
Impairment of investment properties under construction		—	—	(29,558)	—	—	—	—	—	(29,558)	(299)	(29,857)
Exchange realignments		—	—	—	—	66,903	—	—	—	66,903	6,332	73,235
Total comprehensive income/(expenses) for the year, net of tax		—	—	(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 dividend paid		—	—	—	—	—	—	—	(40,240)	(40,240)	—	(40,240)
Proposed final 2010 dividend	12	—	—	—	—	—	—	(40,240)	40,240	—	—	—
As at 31 July 2010 and 1 August 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
Profit for the year		—	—	—	—	—	—	530,112	—	530,112	48,188	578,300
Other comprehensive income for the year, net of tax:												
Reversal of impairment of investment properties under construction		—	—	16,323	—	—	—	—	—	16,323	165	16,488
Exchange realignments		—	—	—	—	483,136	—	—	—	483,136	30,909	514,045
Total comprehensive income for the year, net of tax		—	—	16,323	—	483,136	—	530,112	—	1,029,571	79,262	1,108,833
Release of reserve upon lapse of share options		—	—	—	(1,680)	—	—	1,680	—	—	—	—
Final 2010 dividend paid		—	—	—	—	—	—	—	(40,240)	(40,240)	—	(40,240)
Proposed final 2011 dividend	12	—	—	—	—	—	—	(40,240)	40,240	—	—	—
As at 31 July 2011		**804,796**	**3,876,668**	**33,894**	**—**	**1,594,660**	**(5,445)**	**2,169,645**	**40,240**	**8,514,458**	**558,671**	**9,073,129**

Consolidated Statement of Cash Flows

Year ended 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**771,963**	817,560
Adjustments for:			
Fair value gains on investment properties		**(605,006)**	(284,835)
Finance costs	6	**76,143**	84,806
Share of losses of associates		**2,762**	10
Interest income	5	**(15,681)**	(17,275)
Depreciation	7	**43,506**	26,440
Amortisation of prepaid land lease payments	7	**183**	177
Foreign exchange differences, net	7	**(28,626)**	(3,872)
Impairment of properties under development	7	**22,037**	56,281
Loss on disposal of items of property, plant and equipment	7	**86**	305
Equity-settled share option expense	7	**—**	120
		267,367	679,717
Decrease in completed properties for sale		**161,237**	706,267
Increase in properties under development		**(473,311)**	(386,374)
Decrease/(increase) in debtors, deposits and prepayments		**(73,713)**	171,585
Increase/(decrease) in creditors and accruals, and short term deposits received and deferred income		**497,893**	(391,149)
Increase in long term deposits received		**29,531**	26,035
Cash generated from operations		**409,004**	806,081
Mainland China taxes paid, net		**(524,036)**	(328,094)
Net cash flow from/(used in) operating activities		**(115,032)**	477,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**15,681**	16,226
Purchases of items of property, plant and equipment		**(83,613)**	(159,131)
Additions to investment properties		**(259,610)**	(302,666)
Advances of loans to associates		**(6,106)**	(22)
Decrease/(increase) in pledged and restricted time deposits and bank balances		**(390,579)**	71,855
Decrease/(increase) in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired		**(4,242)**	17,471
Acquisition of additional interests in subsidiaries from non-controlling interests		**—**	(6,284)
Proceeds from disposal of items of property, plant and equipment		**—**	947
Net cash flow used in investing activities		**(728,469)**	(361,604)

Consolidated Statement of Cash Flows

Year ended 31 July 2011

	Note	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**539,092**	276,731
Repayment of bank loans		**(56,540)**	(238,706)
Interest paid		**(176,181)**	(176,870)
Dividend paid		**(40,240)**	(40,240)
Repayment of a promissory note		**—**	(167,000)
Net cash flow from/(used in) financing activities		**266,131**	(346,085)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(577,370)**	(229,702)
Cash and cash equivalents at beginning of year		**1,391,295**	1,611,679
Effect of foreign exchange rate changes, net		**69,133**	9,318
CASH AND CASH EQUIVALENTS AT END OF YEAR		**883,058**	1,391,295
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	22	**708,107**	485,598
Non-pledged and non-restricted time deposits	22	**179,193**	905,697
Cash and cash equivalents as stated in the statement of financial position		**887,300**	1,391,295
Non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	22	**(4,242)**	—
Cash and cash equivalents as stated in the statement of cash flows		**883,058**	1,391,295

Statement of Financial Position

31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**6,336,913**	6,012,248
CURRENT ASSETS			
Deposits and prepayments	21	**1,950**	1,914
Cash and cash equivalents	22	**23,067**	302,004
Total current assets		**25,017**	303,918
CURRENT LIABILITIES			
Creditors and accruals	23	**49,692**	49,333
Due to a subsidiary	19	**7,048**	—
Total current liabilities		**56,740**	49,333
NET CURRENT ASSETS/(LIABILITIES)		**(31,723)**	254,585
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,305,190**	6,266,833
NON-CURRENT LIABILITIES			
Fixed rate senior notes	26	**1,427,850**	1,421,368
Deferred tax liabilities	27	**22,105**	22,105
Total non-current liabilities		**1,449,955**	1,443,473
		4,855,235	4,823,360
EQUITY			
Issued capital	28	**804,796**	804,796
Reserves	30(b)	**4,010,199**	3,978,324
Proposed final dividend	12	**40,240**	40,240
		4,855,235	4,823,360

Lam Kin Ngok, Peter
Director

Lam Hau Yin, Lester
Director

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 completed investment properties and certain investment properties under construction, 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

Basis of Consolidation from 1 August 2009

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2011. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using accounting policies that are consistent with those used by the Company. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

2.1 Basis of Preparation (continued)

Basis of Consolidation (continued)

Basis of Consolidation Prior to 1 August 2009 but after 1 August 2004

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 August 2009, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 August 2009 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of the net asset value of such investment as at the date at which control was lost. The carrying amount of such investment at 1 August 2009 has not been restated.

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

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

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

2.2 Impact of New and Revised HKFRSs (continued)

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

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

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

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

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

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

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 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. 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. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 Summary of Significant Accounting Policies (continued)

Business Combinations and Goodwill

Business Combinations from 1 August 2009

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Business Combinations and Goodwill (continued)

Business Combinations Prior to 1 August 2009 but after 1 August 2004

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 August 2009:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages involving more than one exchange transaction were accounted for as separate steps. The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities might be different at the date of each exchange transaction. Any adjustment to those fair values relating to previously held interests of the Group was a revaluation and was dealt with in the asset revaluation reserve initially and shall be accounted for as such. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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%

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.

2.4 Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment and Depreciation (continued)

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 including 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.

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 amounts of the investment properties under development/construction. Investment properties under development/construction are measured at fair value as at the end of the reporting period. Any difference between the fair values of the investment properties under development/construction and their carrying amounts is 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.

Properties Under Development

Properties under development represent properties developed for sale and are stated at lower of cost and net realisable value. Net realisable value is determined by the directors according to 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.

2.4 Summary of Significant Accounting Policies (continued)

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.

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 investments, 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 dividend or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and Other Financial Assets (continued)

Financial Assets at Fair Value Through Profit or Loss (continued)

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.

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 by 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 other 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 assets 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 dividend 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.

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

Available-For-Sale Financial Assets

For available-for-sale financial assets, 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; or

- 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; 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.

Financial Liabilities at Amortised Cost (Including Interest-Bearing Loans and Borrowings)

Initial Recognition and Measurement and Subsequent Measurement

The Group's financial liabilities including creditors and accruals, interest-bearing bank loans, 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.

2.4 Summary of Significant Accounting Policies (continued)

Financial Liabilities at Amortised Cost (Including Interest-Bearing Loans and Borrowings) (continued)

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.

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 a 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.

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 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.

2.4 Summary of Significant Accounting Policies (continued)

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 interests in subsidiaries and associates, 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.

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 interests in subsidiaries and associates, 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.

2.4 Summary of Significant Accounting Policies (continued)

Income Tax (continued)

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.

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 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 Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.4 Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

Share-Based Payment Transactions (continued)

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.

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.

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.

Dividend

Final dividend proposed by the directors is classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. When such dividend has been approved by the shareholders and declared, it is 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.

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.

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.

As explained in note 27 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

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.

(ii) Estimation of Total Budgeted Costs and Costs to Completion for Properties Under Development/Investment Properties Under Construction

The total budgeted costs for properties under development/investment properties under construction 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/investment properties under construction, 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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

(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 the 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.

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, 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.

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**258,387**	1,320,908	**388,796**	193,306	**647,183**	1,514,214
Other revenue	**200**	1,070	**86,974**	67,858	**87,174**	68,928
Total	**258,587**	1,321,978	**475,770**	261,164	**734,357**	1,583,142
Segment results	**12,302**	531,585	**846,518**	379,488	**858,820**	911,073
Unallocated gains					**31,850**	32,675
Unallocated expenses, net					**(39,802)**	(41,372)
Profit from operating activities					**850,868**	902,376
Finance costs					**(76,143)**	(84,806)
Share of losses of associates	**(2,762)**	(10)	**—**	—	**(2,762)**	(10)
Profit before tax					**771,963**	817,560
Tax					**(193,663)**	(454,297)
Profit for the year					**578,300**	363,263
Segment assets/liabilities:						
Segment assets	**2,613,121**	2,082,940	**10,240,000**	8,712,275	**12,853,121**	10,795,215
Interests in associates	**350,289**	329,247	**—**	—	**350,289**	329,247
Unallocated assets					**1,731,905**	1,786,783
Total assets					**14,935,315**	12,911,245
Segment liabilities	**709,852**	120,325	**375,765**	313,435	**1,085,617**	433,760
Unallocated liabilities					**4,776,569**	4,472,949
Total liabilities					**5,862,186**	4,906,709

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Other segment information:						
Depreciation	**1,421**	837	**35,459**	21,852	**36,880**	22,689
Corporate and other unallocated amounts					**6,626**	3,751
					43,506	26,440
Capital expenditure	**1,267**	519	**405,786**	473,743	**407,053**	474,262
Corporate and other unallocated amounts					**2,289**	1,264
					409,342	475,526
Fair value gains on investment properties	**—**	—	**605,006**	284,835	**605,006**	284,835
Reversal of impairment/(impairment) of properties under development/ investment properties under construction*	**(22,037)**	(56,281)	**21,985**	(39,809)	**(52)**	(96,090)

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

5. Turnover, Other Income and Gains

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

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

	Group	
	2011 HK$'000	2010 HK$'000
Turnover:		
Sale of properties	**258,387**	1,320,908
Rental income from investment properties and serviced apartments	**388,796**	193,306
	647,183	1,514,214
Other income and gains:		
Property management fee income	**78,128**	58,798
Interest income from bank deposits	**15,681**	17,275
Others	**25,215**	25,530
	119,024	101,603

6. Finance Costs

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

		Group	
	Notes	**2011 HK$'000**	2010 HK$'000
Interest on:			
Bank loans wholly repayable within five years		**46,416**	35,349
Bank loan repayable beyond five years		**—**	448
Fixed rate senior notes, net		**132,221**	132,221
Promissory note		**—**	6,886
Amortisation of fixed rate senior notes	26	**6,482**	5,893
Bank financing charges		**2,179**	893
		187,298	181,690
Less: Capitalised in properties under development	15	**(78,799)**	(68,672)
Capitalised in investment properties	16	**(27,092)**	(25,809)
Capitalised in property, plant and equipment	14	**(5,264)**	(2,403)
		(111,155)	(96,884)
Total finance costs		**76,143**	84,806

7. Profit from Operating Activities

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

		Group	
	Notes	**2011 HK$'000**	2010 HK$'000
Cost of completed properties sold		**183,012**	702,669
Outgoings in respect of rental income		**81,897**	36,100
Total cost of sales		**264,909**	738,769
Depreciation #	14	**43,506**	26,440
Amortisation of prepaid land lease payments		**9,715**	10,748
Capitalised in properties under development	15	**(9,532)**	(10,571)
	17	**183**	177
Minimum lease payments under operating leases in respect of land and buildings		**3,729**	3,167
Auditors' remuneration		**2,440**	2,170
Employee benefit expense (including directors' remuneration — note 8):			
Salaries, wages and benefits		**159,210**	127,035
Pension scheme contributions *		**524**	467
Equity-settled share option expense		**—**	120
		159,734	127,622
Capitalised in properties under development/ investment properties under construction		**(62,478)**	(56,419)
		97,256	71,203
Foreign exchange differences, net **		**(28,626)**	(3,872)
Impairment of properties under development **	15	**22,037**	56,281
Loss on disposal of items of property, plant and equipment		**86**	305

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

* *As at 31 July 2011, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2010: Nil).*

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

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	
	2011 HK$'000	2010 HK$'000
Fees	**450**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**16,338**	14,124
Employee share option benefits	**—**	110
Pension scheme contributions	**86**	72
	16,424	14,306
	16,874	14,756
Capitalised in properties under development/ investment properties under construction	**(11,278)**	(10,834)
	5,596	3,922

There were no share options granted to the directors by the Company during the year ended 31 July 2011 (2010: Nil).

(a) Independent Non-Executive Directors

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

	2011 HK$'000	2010 HK$'000
Lam Bing Kwan	**150**	150
Ku Moon Lun	**150**	150
Law Kin Ho	**150**	150
	450	450

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. Directors' Remuneration (continued)

(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
2011					
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	—	1,506	—	12	1,518
U Po Chu	—	4,304	—	—	4,304
Lau Shu Yan, Julius	—	—	—	—	—
Tam Kin Man, Kraven	—	—	—	—	—
Leung Churk Yin, Jeanny	—	—	—	—	—
Cheung Sum, Sam	—	615	—	5	620
Cheng Shin How	—	5,633	—	12	5,645
Lui Siu Tsuen, Richard	—	—	—	—	—
	—	16,338	—	86	16,424
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
Total	—	16,338	—	86	16,424

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
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:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
Lim Ming Yan	—	—	—	—	—
	—	—	—	—	—
Total	—	14,124	110	72	14,306

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

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: two) non-director highest paid employees are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**4,080**	3,734
Pension scheme contributions	**12**	14
	4,092	3,748
Capitalised in properties under development/ investment properties under construction	**(3,474)**	(3,241)
	618	507

The remuneration of the non-director highest paid employees fell within the band of HK$2,000,001 to HK$2,500,000 for the year ended 31 July 2011 (2010: HK$1,500,001 to HK$2,000,000).

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

		Group	
	Note	**2011 HK$'000**	2010 HK$'000
Current — Mainland China			
Corporate income tax ("CIT")			
Charge for the year		**46,606**	150,767
Overprovision in prior years		**(10,725)**	—
		35,881	150,767
LAT			
Charge for the year		**54,870**	210,180
Overprovision in prior years		**(69,615)**	—
		(14,745)	210,180
Deferred	27	**172,527**	93,350
Total tax charge for the year		**193,663**	454,297

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	
	2011 **HK$'000**	2010 HK$'000
Profit before tax	**771,963**	817,560
Tax at the statutory tax rate	**192,991**	204,390
Adjustments for tax rates for other jurisdictions	**6,771**	8,235
Provision for LAT	**54,870**	210,180
Tax effect of provision for LAT	**(13,718)**	(52,545)
Losses attributable to associates	**691**	2
Income not subject to tax	**(1,935)**	(4,430)
Expenses and losses not deductible for tax	**23,333**	72,465
Adjustments in respect of LAT of previous periods	**(69,615)**	—
Adjustments in respect of CIT of previous periods	**(10,725)**	—
Withholding tax at 5% on the distributable earnings of the subsidiaries established in Mainland China	**11,000**	16,000
Tax charge at the Group's effective tax rate	**193,663**	454,297

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.

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 2011 included a profit of HK$72,115,000 (2010: HK$4,182,000) which had been dealt with in the financial statements of the Company (note 30(b)).

12. Dividend

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

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

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$530,112,000 (2010: HK$322,106,000), and the weighted average number of ordinary shares of 8,047,956,478 (2010: 8,047,956,478) in issue during the year.

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

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 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
Finance costs 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 and 1 August 2010		105,637	821,663	81,636	26,858	14,471	5,424	1,055,689
Additions		—	—	154,061	1,107	472	770	156,410
Finance costs capitalised	6	—	—	5,264	—	—	—	5,264
Disposals		—	—	—	(552)	—	(248)	(800)
Exchange realignment		3,279	19,031	4,384	1,208	414	249	28,565
As at 31 July 2011		**108,916**	**840,694**	**245,345**	**28,621**	**15,357**	**6,195**	**1,245,128**
Accumulated depreciation:								
As at 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 and 1 August 2010		19,066	208,020	3,763	19,693	9,165	4,075	263,782
Depreciation provided during the year	7	2,622	17,880	17,492	2,956	1,952	604	43,506
Disposals		—	—	—	(501)	—	(213)	(714)
Exchange realignment		867	4,022	461	923	312	195	6,780
As at 31 July 2011		**22,555**	**229,922**	**21,716**	**23,071**	**11,429**	**4,661**	**313,354**
Net book value:								
As at 31 July 2011		**86,361**	**610,772**	**223,629**	**5,550**	**3,928**	**1,534**	**931,774**
As at 31 July 2010		86,571	613,643	77,873	7,165	5,306	1,349	791,907

14. Property, Plant and Equipment (continued)

The Group's leasehold building and serviced apartments with carrying values of HK$45,507,000 (2010: HK$44,800,000) and HK$610,772,000 (2010: HK$613,643,000) respectively are situated in Mainland China and were held under medium term leases as at 31 July 2011. The remaining leasehold building with a carrying value of HK$40,854,000 (2010: HK$41,771,000) is situated in Hong Kong and was held under a medium term lease.

As at 31 July 2011, certain leasehold building and serviced apartments (including related leasehold improvements) with carrying amounts of HK$41,409,000 (2010: HK$41,771,000) and HK$818,574,000 (2010: HK$613,643,000), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 24(a) to the financial statements.

Under a litigation being processed in a district court in Mainland China, the Group, as the claimant, is claiming for a sum of RMB17,200,000 (2010: RMB17,200,000) (equivalent to approximately HK$20,798,000 (2010: HK$19,716,000)) 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 was required to pledge a leasehold building with a carrying value of HK$45,507,000 (2010: HK$44,800,000) to the court as collateral.

15. Properties Under Development

		Group	
	Notes	**2011 HK$'000**	2010 HK$'000
Carrying amount as at 1 August		**1,677,551**	3,813,714
Finance costs capitalised	6	**78,799**	68,672
Additions		**525,429**	444,227
Transfer to completed properties for sale		**—**	(688,173)
Transfer to investment properties — adoption of Amendments to HKAS 40	16	**—**	(1,924,724)
Impairment	7	**(22,037)**	(56,281)
Exchange realignment		**94,045**	20,116
Carrying amount as at 31 July		**2,353,787**	1,677,551
Portion classified as current assets		**(1,231,503)**	(621,800)
Non-current portion		**1,122,284**	1,055,751

An impairment of HK$22,037,000 (2010: HK$56,281,000) was recognised in profit or loss for the year ended 31 July 2011. Such impairment represented the write-down of certain parcels of land in Guangzhou, Mainland China, to their net realisable values.

15. Properties Under Development (continued)

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	
	2011 HK$'000	2010 HK$'000
Long term leases	**1,896,977**	1,269,418
Medium term leases	**456,810**	408,133
	2,353,787	1,677,551

As at 31 July 2011, certain properties under development with an aggregate carrying value of HK$1,196,573,000 (2010: HK$919,933,000) were pledged to banks to secure certain bank borrowings of 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	
	Note	**2011 HK$'000**	2010 HK$'000
Carrying amount as at 1 August		**556,521**	748,830
Additions		**—**	10,549
Amortised during the year	7	**(9,532)**	(10,571)
Transfer to completed properties for sale		**—**	(33,788)
Transfer to investment properties — adoption of Amendments to HKAS 40		**—**	(164,581)
Exchange realignment		**30,290**	6,082
Carrying amount as at 31 July		**577,279**	556,521

16. Investment Properties

	Group	
	2011 HK$'000	2010 HK$'000
Completed investment properties	**6,932,400**	5,947,000
Investment properties under construction, at fair value	**460,000**	295,000
Investment properties under construction, at cost *	**1,903,385**	1,679,429
Total	**9,295,785**	7,921,429

* *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.*

16. Investment Properties (continued)

		Group	
	Notes	**2011 HK$'000**	2010 HK$'000
Carrying amount as at 1 August		**7,921,429**	5,329,900
Transfers from properties under development — adoption of Amendments to HKAS 40	15	**—**	1,924,724
Additions		**268,652**	317,621
Finance costs capitalised	6	**27,092**	25,809
Net gain from fair value adjustments		**605,006**	284,835
Reversal of impairment/(impairment)		**21,985**	(39,809)
Exchange realignment		**451,621**	78,349
Carrying amount as at 31 July		**9,295,785**	7,921,429

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

	Group	
	2011 HK$'000	2010 HK$'000
Long term leases	**424,011**	370,323
Medium term leases	**8,871,774**	7,551,106
	9,295,785	7,921,429

As at 31 July 2011, 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 completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements.

A reversal of impairment of HK$21,985,000 (2010: impairment of HK$39,809,000) was recognised in other comprehensive income for the year ended 31 July 2011, which represented the write-up/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 6.65% (2010: 5.40%).

As at 31 July 2011, certain investment properties with an aggregate carrying value of HK$6,248,000,000 (2010: HK$5,434,100,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 24(c) to the financial statements.

17. Prepaid Land Lease Payments

	Note	Group 2011 HK$'000	Group 2010 HK$'000
Carrying amount as at 1 August		**5,598**	5,717
Amortised during the year	7	**(183)**	(177)
Exchange realignment		**302**	58
Carrying amount as at 31 July		**5,717**	5,598

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 2011 HK$'000	Group 2010 HK$'000
Cost and carrying amount as at 1 August and 31 July	**4,561**	4,561

19. Interests in Subsidiaries

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted shares, at cost	**144,270**	144,270
Due from subsidiaries	**6,192,643**	5,867,978
	6,336,913	6,012,248

The aggregate amounts due from subsidiaries of HK$6,192,643,000 (2010: HK$5,867,978,000) were unsecured, interest-free and had no fixed terms of repayment.

The amount due to a subsidiary of HK$7,048,000 (2010: Nil) included in the Company's current liabilities was unsecured, interest-free and was repayable on demand.

19. Interests in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2011 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	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
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

19. Interests in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2011 are as follows: (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 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
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

19. Interests in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2011 are as follows: (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
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.*

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 2011, shares in certain subsidiaries were pledged to secure certain bank borrowings of the Group (note 24(d)).

As at 31 July 2011, certain subsidiaries had jointly and severally guaranteed the obligations of the Company under the Notes (as defined and disclosed in note 26).

20. Interests in Associates

	Group	
	2011 **HK$'000**	2010 HK$'000
Share of net assets, other than goodwill	**59,952**	45,052
Due from associates	**290,337**	284,195
	350,289	329,247

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

Particulars of the associates as at 31 July 2011 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.*

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

	2011 **HK$'000**	2010 HK$'000
Assets	**1,162,852**	700,032
Liabilities	**(1,042,947)**	(609,928)
Turnover	**—**	—
Loss	**(5,523)**	(20)

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	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Trade receivables, net				
Within one month	**59,269**	46,559	**—**	—
One to three months	**890**	1,176	**—**	—
Over three months	**—**	31	**—**	—
	60,159	47,766	**—**	—
Other receivables, deposits and prepayments	**100,366**	43,420	**1,950**	1,914
Total	**160,525**	91,186	**1,950**	1,914

22. Cash and Cash Equivalents and Pledged and Restricted Time Deposits and Bank Balances

	Note	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Cash and bank balances		**1,420,563**	745,556	**15,658**	151,974
Less: Pledged and restricted bank balances					
Pledged for banking facilities *		**(5,764)**	(2,860)	**—**	—
Pledged for bank loans	24(e)	**(126,692)**	(109,527)	**—**	—
Restricted **		**(580,000)**	(147,571)	**—**	—
Non-pledged and non-restricted cash and bank balances		**708,107**	485,598	**15,658**	151,974
Time deposits		**179,193**	967,616	**7,409**	150,030
Less: Pledged time deposits					
Pledged for bank loans	24(e)	**—**	(61,648)	**—**	—
Pledged for banking facilities *		**—**	(271)	**—**	—
Non-pledged and non-restricted time deposits ***		**179,193**	905,697	**7,409**	150,030
Cash and cash equivalents		**887,300**	1,391,295	**23,067**	302,004

* *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 or the terms and conditions set out in the relevant bank loan agreements, proceeds from the pre-sale of certain properties are required to be deposited into designated bank accounts and restricted to be used in the relevant project construction. Such restriction will be uplifted upon repayment of the relevant bank loans or the attainment of the relevant ownership certificates issued by the authorities. As at 31 July 2011, the balance of such deposits amounted to HK$521,229,000 (2010: HK$79,659,000).*

In accordance with the relevant laws and regulations imposed by the government authorities concerned, estimated resettlement costs of certain sites for development are required to be deposited into designated bank accounts. 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 2011, the balance of such deposits amounted to HK$44,340,000 (2010: HK$60,372,000).

In accordance with the relevant clauses of certain bank loan facilities, proceeds from the drawdown of bank loans are required to be deposited into designated bank accounts and restricted to be used for settlement of construction costs of the relevant projects. As at 31 July 2011, the balance of such deposits amounted to HK$14,431,000 (2010: HK$7,540,000).

*** *As at 31 July 2011, the non-pledged and non-restricted time deposits acquired with original maturity of more than three months amounted to HK$4,242,000 (2010: Nil) and were excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.*

As at the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,410,304,000 (2010: HK$1,259,321,000). 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	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Trade payables				
Within one month	**83,740**	27,051	**—**	—
One to three months	**2,252**	1,804	**—**	—
	85,992	28,855	**—**	—
Accruals and other payables	**504,214**	467,331	**49,692**	49,333
Total	**590,206**	496,186	**49,692**	49,333

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

	2011		2010	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Secured bank loans:				
Current	**1.19 - 7.65**	**118,154**	1.31- 5.40	131,584
Non-current	**1.19 - 7.65**	**1,471,241**	1.31- 5.40	949,702
		1,589,395		1,081,286
Maturity profile:				
Within one year		**118,154**		131,584
In the second year		**1,443,841**		130,596
In the third to fifth years, inclusive		**27,400**		817,651
Beyond five years		**—**		1,455
		1,589,395		1,081,286

24. Interest-Bearing Bank Loans, Secured (continued)

As further explained in note 2.2 to the financial statements, due to the adoption of HK-Int 5 in the current year, the Group's term loan in the amount of HK$24,184,000 which is repayable after one year from the end of the reporting period but includes a repayment on demand clause under the relevant loan agreement has been classified as current liability. For the purpose of the above analysis, such loan is included within current secured bank loans and analysed into bank loans repayable within one year.

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 (including related leasehold improvements) of the Group with carrying values of HK$41,409,000 (2010: HK$41,771,000) and HK$818,574,000 (2010: HK$613,643,000) (note 14) respectively;

(b) mortgages over certain properties under development of the Group with an aggregate carrying value of HK$1,196,573,000 (2010: HK$919,933,000) (note 15);

(c) mortgages over certain investment properties of the Group with an aggregate carrying value of HK$6,248,000,000 (2010: HK$5,434,100,000) (note 16);

(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 with an aggregate carrying value of HK$126,692,000 (2010: HK$171,175,000) (note 22); and

(f) certain corporate guarantees provided by the Company (note 31).

25. Advances from a Former Substantial Shareholder

On 31 July 2011, 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.

26. 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.

Up to 31 July 2011, the Company repurchased certain Notes with an aggregate principal amount of US$14,253,000 (equivalent to approximately HK$111,173,000). Such repurchased Notes were derecognised from the liabilities under "Fixed rate senior notes" of the statement of financial position.

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

	Group and Company	
	2011 **HK$'000**	2010 HK$'000
Carrying amount as at 1 August	**1,421,368**	1,415,475
Amortisation of the Notes (note 6)	**6,482**	5,893
Carrying amount as at 31 July	**1,427,850**	1,421,368
Fair value of the Notes as at 31 July *	**1,422,574**	1,424,076

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

* *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.*

27. 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 HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Total HK$'000
As at 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 and 1 August 2010	219,304	198,281	591,242	30,000	1,038,827
Deferred tax charged/(credited) to the income statement during the year (note 10)	19,769	(9,494)	151,252	11,000	172,527
Deferred tax charged to the asset revaluation reserve during the year	—	5,496	—	—	5,496
Exchange realignment	12,522	10,839	43,092	—	66,453
As at 31 July 2011	**251,595**	**205,122**	**785,586**	**41,000**	**1,283,303**

Company

	Withholding tax HK$'000
As at 1 August 2009	10,315
Deferred tax charged to the income statement during the year	11,790
As at 31 July 2010 and 31 July 2011	**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.

28. Share Capital

Shares

	2011 HK$'000	2010 HK$'000
Authorised:		
12,000,000,000 (2010: 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 (2010: 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 29 to the financial statements.

29. 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.

29. Share Option Scheme (continued)

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

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 underlying shares comprised in share options: As at 1 August 2010	Lapsed during the year	As at 31 July 2011	Exercise period of share options	Exercise price of share options** (per share)
Director						
Tam Kin Man, Kraven	9/1/2007	10,000,000	(10,000,000)	—	1/1/2010-31/12/2010	HK$0.75
		10,000,000	(10,000,000)	—		
Other employees						
(in aggregate)	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
		10,000,000	(10,000,000)	—		
Total		20,000,000	(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.*

During the year, no share options were granted, exercised or cancelled and 20,000,000 share options lapsed in accordance with the terms of the Share Option Scheme. As at 31 July 2011, there were no share options outstanding under the Share Option Scheme.

30. 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 52 of the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 August 2009		3,876,668	3,544	(9,558)	143,608	4,014,262
Profit 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 dividend	12	—	—	—	(40,240)	(40,240)
As at 31 July 2010 and 1 August 2010		3,876,668	1,680	(9,558)	109,534	3,978,324
Profit for the year	11	—	—	—	72,115	72,115
Release of reserve upon lapse of share options		—	(1,680)	—	1,680	—
Proposed final 2011 dividend	12	—	—	—	(40,240)	(40,240)
As at 31 July 2011		**3,876,668**	**—**	**(9,558)**	**143,089**	**4,010,199**

31. Contingent Liabilities

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

	Company	
	2011 HK$'000	2010 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**1,140,161**	985,596

As at 31 July 2011, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$1,096,631,000 (2010: HK$950,061,000).

31. Contingent Liabilities (continued)

(b) 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 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 the 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.

32. Operating Lease Arrangements

(a) As lessor

Certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2010: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2011, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	**331,493**	247,973
In the second to fifth years, inclusive	**669,985**	584,509
After five years	**197,608**	206,899
	1,199,086	1,039,381

(b) As lessee

The Group leased certain office properties under operating lease arrangements with lease terms up to two years (2010: two years).

As at 31 July 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	**358**	788
In the second to fifth years, inclusive	**40**	312
	398	1,100

33. Commitments

In addition to the operating lease commitments detailed in note 32(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2011 HK$'000	2010 HK$'000
Contracted, but not provided for:		
Construction, renovation and compensation costs	**151,564**	221,336
Authorised, but not contracted for:		
Construction and resettlement costs	**169,852**	161,829

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

34. 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.

35. 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	
	Notes	**2011 HK$'000**	2010 HK$'000
Advertising and promotion fees paid or payable to related companies	(i)	**1,529**	3,094
Management and other service fees paid or payable to a related company	(ii), (v)	**6,502**	1,255
Management fee paid or payable to a related company	(iii), (v)	**1,384**	1,255
Rental and property management fee income received or receivable from a related company	(iv)	**1,593**	321
Charges paid or payable to a related company relating to the serving of food and beverages to the occupants of serviced apartments	(iv)	**1,031**	—

35. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes:

(i) *The related companies are subsidiaries of eSun Holdings Limited ("eSun"), over which certain key management personnel of the Company has significant influence. In addition, 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.*

The terms of the advertising and promotion fees were determined based on the agreements entered into between the Group and the related companies. The related party transactions included in (i) above that were entered into after 30 September 2010 also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) *The related company is a subsidiary of CapitaLand Limited (a substantial shareholder of the Company) which provides management and other services for the serviced apartment operation of the Group.*

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

(iii) *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.

(iv) *The related company is a subsidiary of LSD, over which certain key management personnel of the Company has significant influence.*

The terms of the rental and property management fee and the charges relating to the serving of food and beverages to the occupants of the serviced apartments of the Group were determined based on the respective agreements entered into between the Group and the related company. These transactions did not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(v) *Pursuant to the respective agreements, the related party transactions included in (ii) and (iii) above of HK$6,502,000 and HK$1,255,000 respectively also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. Details of these continuing connected transactions, which were subject to the reporting requirements set out in Chapter 14A of the Listing Rules, were disclosed on pages 41 to 42 of the Report of the Directors.*

(b) Outstanding balances with related parties

Details of the advances from a former substantial shareholder of the Company are included in note 25 to the financial statements.

(c) Compensation of key management personnel of the Group

	2011 HK$'000	2010 HK$'000
Short term employee benefits	**16,788**	14,574
Post-employment benefits	**86**	72
Equity-settled share option expense	**—**	110
Total	**16,874**	14,756

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

36. Financial Instruments by Category

Financial assets

The Group's and the Company's financial assets as at 31 July 2011 and 2010 were categorised as loans and receivables.

Financial liabilities

Group

	Financial liabilities at amortised cost HK$'000
2011	
Creditors and accruals	**496,036**
Deposits received and deferred income	**16,195**
Interest-bearing bank loans, secured	**1,589,395**
Advances from a former substantial shareholder	**56,474**
Fixed rate senior notes	**1,427,850**
	3,585,950
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

Company

	Financial liabilities at amortised cost HK$'000
2011	
Creditors and accruals	**49,692**
Due to a subsidiary	**7,048**
Fixed rate senior notes	**1,427,850**
	1,484,590
2010	
Creditors and accruals	49,333
Fixed rate senior notes	1,421,368
	1,470,701

37. Fair Values

The fair values of short term financial assets and financial liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of other financial assets and financial liabilities (excluding fixed rate senior notes) are determined in accordance with generally accepted pricing models based on discounted cash flow analyses or using prices from observable current market transactions as inputs.

Except for the fixed rate senior notes with fair value disclosed in note 26, the directors of the Company consider that the carrying amounts of all financial assets and financial liabilities of the Group and of the Company approximated to their respective fair values as at the end of the reporting period.

38. 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. Management will, based on the Group's projected cash flow requirements, determine the types and the levels of these financial assets with a view to maintaining an 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. 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 RMB, United States Dollars ("USD") and Hong Kong Dollars ("HKD"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in Mainland China and the revenues are predominantly 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.

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 of the Company.

38. Financial Risk Management Objectives and Policies (continued)

(a) Foreign currency risk (continued)

		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
2011					
If USD/HKD weakens against RMB	**5%**	**21,157**	**20,325**	**—**	**—**
If USD/HKD strengthens against RMB	**5%**	**(19,152)**	**(18,400)**	**—**	**—**
2010					
If USD/HKD weakens against RMB	5%	17,109	16,254	—	—
If USD/HKD strengthens against RMB	5%	(15,481)	(14,707)	—	—

* *excluding amounts attributable to non-controlling interests*

(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.

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 amounts capitalised to properties under development, investment properties and property, plant and equipment) and the equity of the Group and of the Company.

		Group		Company	
	Change in basis points	Impact on post-tax profit HK$'000	Impact on equity* HK$'000	Impact on post-tax profit HK$'000	Impact on equity HK$'000
2011					
	+25	**(2,131)**	**(1,985)**	**—**	**—**
	-25	**1,825**	**1,689**	**—**	**—**
2010					
	+25	(1,616)	(1,499)	—	—
	-25	1,616	1,499	—	—

* *excluding amounts attributable to non-controlling interests*

38. Financial Risk Management Objectives and Policies (continued)

(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.

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
2011				
Creditors and accruals	**496,036**	**—**	**—**	**496,036**
Deposits received and deferred income	**16,195**	**—**	**—**	**16,195**
Interest-bearing bank loans, secured	**187,489**	**1,517,696**	**—**	**1,705,185**
Advances from a former substantial shareholder	**—**	**56,474**	**—**	**56,474**
Fixed rate senior notes	**132,205**	**1,670,270**	**—**	**1,802,475**
	831,925	**3,244,440**	**—**	**4,076,365**
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

38. 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
2011				
Creditors and accruals	**49,692**	—	—	**49,692**
Due to a subsidiary	**7,048**	—	—	**7,048**
Fixed rate senior notes	**132,205**	**1,670,270**	—	**1,802,475**
	188,945	**1,670,270**	—	**1,859,215**
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

(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 the Group will be able to continue to operate as a going concern 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.

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 recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining of appropriate types and levels of debts.

38. Financial Risk Management Objectives and Policies (continued)

(e) Capital management (continued)

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

	Group	
	2011 HK$'000	2010 HK$'000
Interest-bearing bank loans, secured	**1,589,395**	1,081,286
Advances from a former substantial shareholder	**56,474**	53,535
Fixed rate senior notes	**1,427,850**	1,421,368
Less: Pledged and restricted time deposits and bank balances	**(712,456)**	(321,877)
Cash and cash equivalents	**(887,300)**	(1,391,295)
Net debt	**1,473,963**	843,017
Equity attributable to owners of the Company	**8,514,458**	7,525,127
Total equity plus net debt	**9,988,421**	8,368,144
Gearing ratio	**14.8%**	10.1%

39. Events after the Reporting Period

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

The co-operation under the Co-operation Agreement and the Banking Agreements is at a preliminary stage. The parties will further negotiate on the detailed terms of the co-operation. Further details are set out in a joint announcement of the Company and eSun dated 16 September 2011.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 October 2011.

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the members (the "Members") of Lai Fung Holdings Limited (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 Wednesday, 21 December 2011 at 9:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements and the reports of the directors and the independent auditors of the Company for the year ended 31 July 2011;

2. To declare a final dividend;

3. To re-elect the retiring directors and to authorise the board of directors (the "Board") to fix the Directors' remuneration;

4. To re-appoint Ernst & Young as the independent auditors of the Company and to authorise the Board 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 of the Company (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 an 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 (the "AGM") of the Company;

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

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

(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 exchangeable or convertible into shares in the Company) which would or might require the exercise of such power 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 exchangeable or convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of the 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, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in 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 award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement 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” means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next AGM of the Company;

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

(iii) the expiration of the period within which the next AGM of the Company is required by law or the Articles of Association of the Company to be held; 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 and/or the Hong Kong Branch 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)."

(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 an 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
Lai Fung Holdings Limited
Kwok Siu Man
Company Secretary

Hong Kong, 22 November 2011

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

Principal Place of Business:
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

*(1) A Member entitled to attend and vote at the AGM convened by the above notice (the "*Notice*") is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her/its behalf in accordance with the Company's Articles of Association. A proxy need not be a Member of the Company.*

(2) A form of proxy for use at the AGM is enclosed with the Notice.

*(3) To be valid, a form of proxy, together with 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 branch share registrars in Hong Kong (the "*Registrars*"), 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 AGM or its adjourned meeting (as the case may be) and in default, the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or at any of its adjourned meeting should they so wish. In such case, the said form(s) of proxy shall be deemed to be revoked.*

The contact phone and fax numbers of the Registrars are (852) 2980 1333 and (852) 2810 8185 respectively.

(4) To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrars not later than 4:30 p.m. on Friday, 16 December 2011 for registration.

*(5) Where there are joint registered holders of any share in the Company, any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such shares as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the AGM or its adjourned meeting, personally or by proxy, that one of such holders so present whose name stands first in the Hong Kong Branch Register of Members of the Company ("*Register of Members*") in respect of such share shall alone be entitled to vote in respect thereof.*

(6) The proposed final dividend is subject to the approval of the Members at the AGM. The record date for the proposed final dividend is at the close of business on Wednesday, 4 January 2012. For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Tuesday, 3 January 2012 and Wednesday, 4 January 2012, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Registrars for registration no later than 4:30 p.m. on Friday, 30 December 2011.

(7) Concerning agenda item 3 of this Notice,

(i) in accordance with Article 99 of the Company's Articles of Association, Mr. Lui Siu Tsuen, Richard and Mr. Cheung Sum, Sam (appointed by the Board as executive directors of the Company on 1 January 2011 and 1 March 2011 respectively) will retire at the AGM and, being eligible, offer themselves for re-election;

(ii) in accordance with Article 116 of the Company's Articles of Association, Dr. Lam Kin Ngok, Peter, Dr. Lam Kin Ming, Messrs. Lam Hau Yin, Lester, Lau Shu Yan, Julius and Tam Kin Man, Kraven will retire as directors from office by rotation at the AGM and, being eligible, offer themselves for re-election; and

*(iii) 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 proposed for re-election are set out in the "Biographical Details of Directors and Senior Management" section of the Annual Report 2010-2011 of the Company.*

(8) Concerning agenda item 4 above, the Board (which concurs with the Audit Committee) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed independent auditors of the Company for 2011-2012. Members should note that in practice, independent auditors' remuneration for 2011-2012 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such auditors' remuneration as operating expenses for the year ending 31 July 2012, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for financial year 2011-2012 is required, and is hereby sought, at the AGM.

(9) A circular containing details regarding Ordinary Resolutions No. 5(A) to 5(C) will be sent to Members together with the Annual Report 2010-2011 of the Company.

(10) In compliance with Rule 13.39(4) of the Listing Rules, voting on resolutions in respect of the above matters set out in this Notice will be decided by way of a poll. Accordingly, the Chairman of the AGM would exercise his power under the Articles of Association of the Company to put each of the resolutions set out in this Notice and any other resolutions properly put to the AGM to the vote by way of a poll.