LAI FUNG HOLDINGS
(Stock code: 1125)

LAI FUNG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT
Year ended 31 July 2012

Cover Photo:
Guangzhou Eastern Place Phase V, the Group's residential / office / commercial property located at Guangzhou, China

Contents

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
Cheng Shin How
Lui Siu Tsuen, Richard ∆∆
Chew Fook Aun *

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
Chew Fook Aun

Company Secretary

Kwok Siu Man

Authorised Representatives

Lam Kin Ming
Lam Hau Yin, Lester *

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
Email: ir@laisun.com

Registered Office

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

Branch Share Registrars and Transfer Office in Hong Kong

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

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 Information

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

With effect from 1 November 2012,

∆ *Dr. Lam Kin Ngok, Peter will step down as chairman and an executive director;*

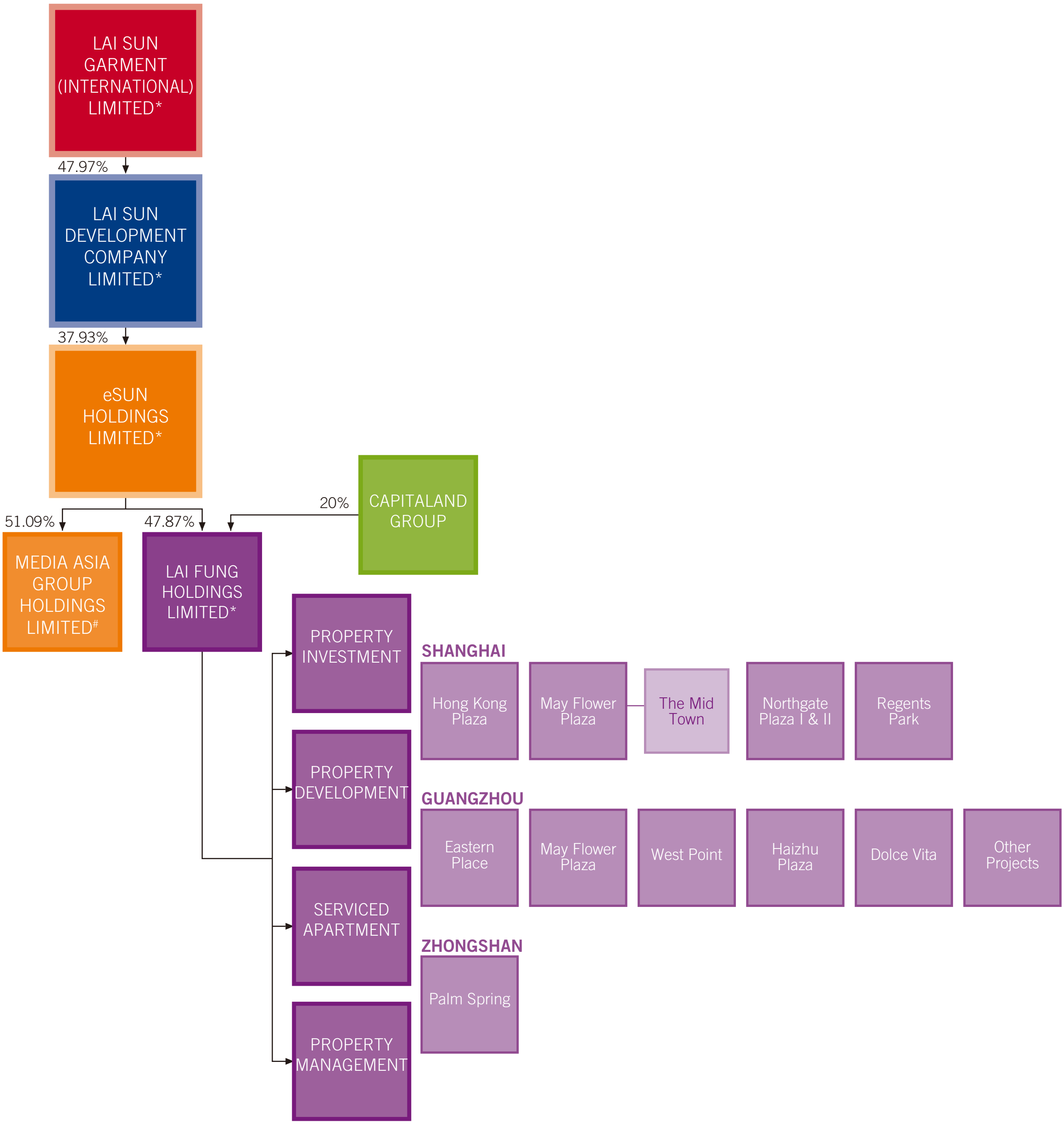
∆∆ *Mr. Lui Siu Tsuen, Richard will resign as an executive director;*

* *Mr. Chew Fook Aun will be the Chairman and an authorised representative and Mr. Lam Hau Yin, Lester will cease to act in the latter position; and*

** *Mr. Mak Wing Sum, Alvin will be appointed an independent non-executive director.*

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*

Corporate structure as at 30 October 2012

◆ **Dr. Lam Kin Ngok, Peter**
Chairman

I am pleased to present the audited consolidated results of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 July 2012.

Overview of Final Results

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

Basic earnings per share was HK$0.085 (2011: HK$0.063). Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$134.6 million (2011: HK$106.9 million), representing an increase of approximately 26%. Basic earnings per share excluding the revaluation effect correspondingly increased to HK$0.014 (2011: HK$0.013).

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

Final Dividend

The board of directors of the Company (the "**Board**") has recommended a final dividend of HK$0.0028 per share for the year ended 31 July 2012 (2011: HK$0.0050 per share) payable to shareholders whose names appear on the Hong Kong Branch Register of Members of the Company at the close of business on Thursday, 3 January 2013. 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$45,069,000 (2011: HK$40,240,000), will be payable on Friday, 11 January 2013.

Market Outlook and Business Review

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


◆ Zhongshan Palm Spring — High-rise Residential Towers


◆ Guangzhou King's Park

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

Strategy and Prospects

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

The Group will continue its strategy of prudent expansion. Going forward, the Group intends to retain any sizeable commercial and retail elements to grow its investment property portfolio thus increasing the recurrent income rental base whilst residential projects will be built primarily for sale. The successful revitalisation of Shanghai Hong Kong Plaza bears testimony to the Group's expertise in enhancing the value of its investment properties. The Group will continue to improve the recurring income base through upgrading existing rental properties and adding new commercial properties from development projects, such as the retail podium of the Shanghai May Flower Plaza, with approximate gross floor area ("**GFA**") of 320,311 square feet, and the upcoming Eastern Place Phase V office and retail tower providing another approximately 594,287 square feet of rental GFA attributable to the Group. Phase 1 of the Palm Spring project in Zhongshan will add approximately another 186,399 square feet of rental GFA when it is fully developed. In addition, the Group will add three serviced apartments in the next year with a total attributable GFA of approximately 315,521 square feet in Shanghai, Guangzhou and Zhongshan. This will provide a solid foundation to mitigate the revenue volatility from development projects. The Group will continue to strengthen its businesses in China focusing on core cities such as Shanghai, Guangzhou and Zhongshan whilst leveraging those operational hubs to explore opportunities in the nearby cities and areas. With some of the projects due for completion in the next couple of years, the Group will also continue to replenish its land bank should the right opportunities arise. The key for the Group is to remain nimble and retain sufficient financial flexibility to adapt its growth plans according to market conditions in different areas with a view to delivering long-term value to shareholders.

Rental properties under construction/renovation

Location	Group interest	Expected Completion Date	Use	Approximate Attributable Area
Shanghai: May Flower Plaza, Sujiaxiang, Zhabei District	95%	2013	Serviced apartments	136,646 sq.ft.
Guangzhou: Paramount Centre, Da Sha Tou Road, Yuexiu District	100%	2013	Serviced apartments	80,321 sq.ft.
Zhongshan: Palm Spring, Caihong Planning Area, West District	100%	2013	Serviced apartments	98,554 sq.ft.
Guangzhou: Eastern Place Phase V, 787 Dongfeng East Road, Yuexiu District	100%	2014	Office/Retail	Office: 537,733 sq.ft. Retail: 56,554 sq.ft. Total: 594,287 sq.ft.
Zhongshan: Rainbow Mall, Palm Spring, Caihong Planning Area, West District	100%	2013	Shopping arcades	186,399 sq.ft.
Total				**1,096,207 sq.ft.**


◆ Zhongshan Palm Spring — Semi-detached Villas


◆ Shanghai May Flower Plaza — Residential Blocks

Leveraging the expertise of the Lai Sun Group

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

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

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

◆ Shanghai Hong Kong Plaza — Shopping Arcades

◆ Guangzhou May Flower Plaza

Stable Financial Position

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

Shareholders and Staff

Looking back on this financial year, I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us during the year for their loyalty, support and outstanding teamwork.

I am delighted to welcome Chew Fook Aun who joined the Board as an Executive Director who brings a wealth of experience from the property sector from his prior appointments. I would also like to thank Kraven Tam and Sam Cheung who left the board during the year for their valuable contributions to the Company during their tenure.

I firmly believe that the concerted efforts of our staff and stakeholders will continue to propel the growth momentum of our Group going forward.

Lam Kin Ngok, Peter
Chairman

Hong Kong, 30 October 2012

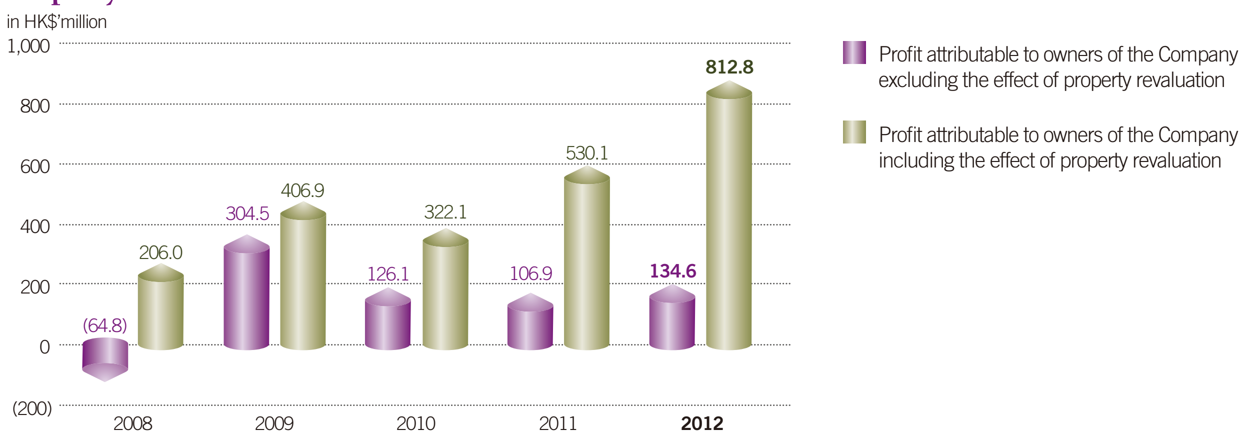
Financial Highlights

Two-year Overview		FY2012	FY2011	%
Turnover	(HK$' million)	**1,394.0**	647.2	115%
Gross profit	(HK$' million)	**813.4**	382.3	113%
Gross profit margin	(%)	**58%**	59%	
Operating profit	(HK$' million)	**1,496.8**	850.9	76%
Operating profit margin	(%)	**107%**	131%	
Profit attributable to owners of the Company	(HK$' million)			
— excluding the effect of property revaluation		**134.6**	106.9	26%
— including the effect of property revaluation		**812.8**	530.1	53%
Net profit margin	(%)			
— excluding the effect of property revaluation		**10%**	17%	
— including the effect of property revaluation		**58%**	82%	
Basic earnings per share	(HK$)			
— excluding the effect of property revaluation		**0.014**	0.013	8%
— including the effect of property revaluation		**0.085**	0.063	35%
Equity attributable to owners of the Company	(HK$' million)	**10,438.1**	8,514.5	23%
Net borrowings	(HK$' million)	**763.5**	1,474.0	-48%
Net asset value per share	(HK$)	**0.648**	1.058	-39%
Share price as at 31 July	(HK$)	**0.146**	0.275	-47%
Price earnings ratio (Basic)	(times)			
— excluding the effect of property revaluation		**10.4**	21.2	
— including the effect of property revaluation		**1.7**	4.4	
Market capitalisation as at 31 July	(HK$' million)	**2,350.0**	2,213.2	6%
Dividend per share	(HK$)	**0.0028**	0.0050	
Dividend yield	(%)	**1.9%**	1.8%	
Gearing — net debt to equity	(%)	**7%**	17%	
Interest cover	(times)			
— excluding the effect of property revaluation		**0.6**	0.6	
— including the effect of property revaluation		**3.9**	3.0	
Discount to net asset value	(%)	**77%**	74%	

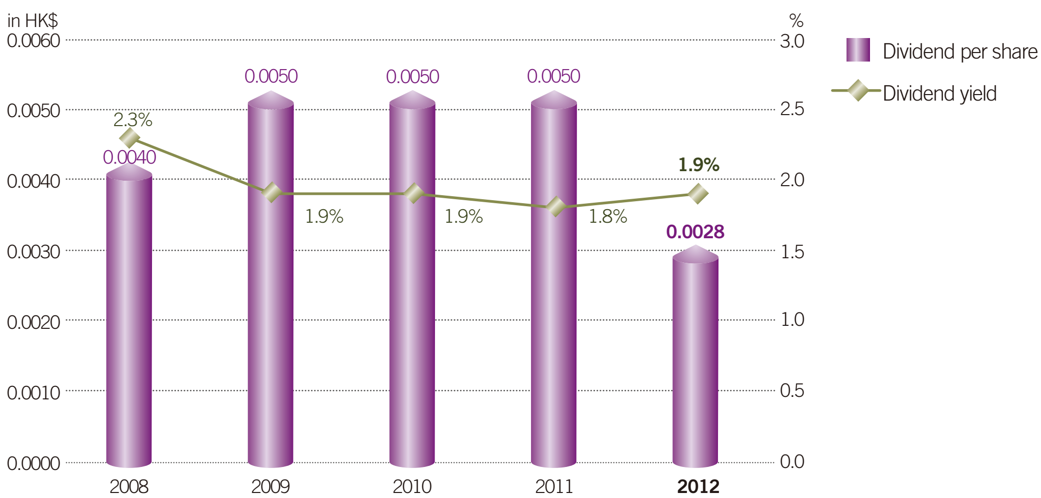
Turnover by Segment

Net Asset & Net Asset Value ("NAV") per share

Profit Attributable to Owners of the Company including & excluding the effect of Property Revaluation



Dividend & Dividend Yield



◆ Guangzhou Eastern Place Phase V - Office Block

◆ Guangzhou Paramount Centre

◆ Guangzhou Dolce Vita

Overview

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

As at 31 July 2012, the Group maintained a property portfolio (excluding car-parking spaces) comprising of completed investment properties with attributable GFA of approximately 2.355 million square feet, properties under development of approximately 10.072 million square feet, and properties held for sale of approximately 1.304 million square feet. The Group will build on this sound asset base with a view to delivering long-term value to its shareholders.

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and car-parking spaces as at 31 July 2012

	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
Investment Properties[1]	1,432	548	368	7	2,355	537
Properties Under Development[2]	1,190	1,706	484	6,692	10,072	6,723
Properties Held for Sale[3]	186	9	290	819	1,304	964
Total GFA	**2,808**	**2,263**	**1,142**	**7,518**	**13,731**	**8,224**

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

Property Portfolio Composition (continued)

Property Investment

Rental Income

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

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

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

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

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

Property Portfolio Composition (continued)

Property Investment (continued)

Review of major investment properties

Shanghai Hong Kong Plaza

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

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Zhabei District in Shanghai. This project is situated near the Zhongshan Road North Metro Station. The Group retained a 95% interest in the retail podium which has approximately 320,311 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility with Lotte Mart as the anchor tenant.

Shanghai Northgate Plaza

Shanghai Northgate Plaza I comprises office units, a retail podium (now closed) and car-parking spaces. Located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal, this property has a total GFA of approximately 322,584 square feet excluding car-parking spaces and ancillary area. Shanghai Northgate Plaza II is a vacant site adjacent to Plaza I. The site area of Plaza II is approximately 44,293 square feet and its buildable GFA is approximately 375,007 square feet. The Group plans to redevelop Shanghai Northgate Plaza I and II together under a comprehensive redevelopment plan. The redeveloped project will include an office tower, a shopping arcade and underground car-parking spaces. The Group is currently discussing the redevelopment proposal with professional consultants and local authorities.

◆ Shanghai Hong Kong Plaza — Serviced Apartments

◆ Zhongshan Palm Spring

Property Portfolio Composition (continued)

Property Investment (continued)

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,852 square feet excluding 136 car-parking areas. The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

Guangzhou West Point

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

Property Development

Recognised Sales

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

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

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

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

\# *Before business tax*
* *After business tax*

Property Portfolio Composition (continued)

Property Development (continued)

Contracted Sales

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

Breakdown of contracted sales for the year is as follows:

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

Before business tax

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

Property Portfolio Composition (continued)

Property Development (continued)

Review of major projects completed for sale and under development

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Zhabei District in Shanghai and situated near the Zhongshan Road North Metro Station.

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

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 914,578 square feet, comprising two residential blocks (GFA 320,291 square feet approximately), an office block and ancillary retail spaces (GFA 594,287 square feet approximately). Construction work is expected to be completed in 2013 and pre-sale of the residential units is expected to start in the second calendar quarter of 2013. The office block and ancillary retail spaces will be kept as investment properties when fully leased in 2014.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd in which the Group has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou will have a total project GFA of approximately 4.857 million square feet. The project will comprise of approximately 2,792 low-rise and high-rise residential units and shopping amenities totaling 3.814 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in north-west Guangzhou.

The project is divided into four phases of similar sizes for development. Phase I comprises 1,033 units and approximately 1.397 million square feet in terms of residential and retail GFA. Completion is expected to take place around the end of 2012. Pre-sale of Phase I of this project commenced in the second quarter of 2011. Up to 31 July 2012, the project had obtained contracted sales for 638 residential units, representing a total GFA of approximately 715,526 square feet, at an average selling price of approximately HK$1,762 per square feet. For the year under review, the total contracted sales was HK$986.2 million, representing approximately 550,737 square feet of GFA.

Guangzhou King's Park

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

Property Portfolio Composition (continued)

Property Development (continued)

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 1.381 million square feet originally and is intended to be developed into an office and commercial complex. The Group has completed substantially most of the resettlement work of the original occupants. However, due to recent changes in government planning of the site, the Group is now in the process of negotiating the buildable area for the site with the city government.

Guangzhou Paramount Centre

The site is located at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The permitted GFA is approximately 80,321 square feet excluding 46 car-parking spaces and ancillary facilities. This project is intended to be developed into a serviced apartment and will be added to the investment property portfolio of the Group. The Group is in discussion with Lai Sun Development Company Limited to manage the operations of the serviced apartments. Construction work is expected to complete before the end of the next financial year.

Guangzhou Guan Lu Road Project

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

Zhongshan Palm Spring

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

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

Outlook

The operating environment remained challenging for most of the year under review given rounds of austerity measures and the government's stringent policy towards the property sector, particularly on residential properties. Against this backdrop the Group has achieved good results from its investment property portfolio and maintained sales momentum for its development projects, such as the joint venture project in Guangzhou called Dolce Vita with CapitaLand, during the year under review.

Outlook (continued)

The Group expects certain restrictive measures such as the home purchase restrictions will remain in force for the foreseeable future. In light of this, the Group has adopted a prudent yet flexible approach with the objective of preserving margin and optimising long-term value for shareholders. The Group believes that it is well-positioned to take advantage of the pent-up demand with our projects currently under development.

Going forward, the Group intends to expand the investment property portfolio through retaining any sizeable commercial and retail elements that we develop to improve recurring income which will form the core rental income portfolio for the future.

The commercial podium and basement of Shanghai May Flower Plaza with a GFA of approximately 320,311 square feet has been added to the portfolio which has been fully opened since the year end. The office and retail tower of Eastern Place V is expected to add attributable GFA of approximately 594,287 square feet to the portfolio in the financial year ending 2014. Phase I of the Palm Spring project in Zhongshan will add approximately another 186,399 square feet of rental GFA when it is fully developed. For serviced apartments, a total attributable GFA of approximately 315,521 square feet will be added from the designated portions of the Shanghai May Flower Plaza and Palm Spring in Zhongshan and the entire Paramount Centre in Guangzhou by financial year ending 2013.

The Group has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan. The remaining two residential towers at Shanghai May Flower Plaza, Guangzhou Dolce Vita Phase I and Zhongshan Palm Spring Phase I are expected to contribute to the profit and loss account in the coming financial year. The Group expects good pre-sales contributions from the residential units of Guangzhou Eastern Place Phase V and Guangzhou King's Park in the coming financial year. The Group continues to adopt its prudent land replenishment plan, including making acquisitions in accordance with its development needs and market conditions.

Capital Structure, Liquidity and Debt Maturity Profile

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

Approximately 42% and 56% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 2% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes which were denominated in United States Dollars ("**USD**"), the Group's other borrowings of HK$1,974.9 million were 70% denominated in Renminbi ("**RMB**"), 29% in USD and 1% in Hong Kong dollars ("**HKD**"). The Group's cash and bank balances of HK$2,638.7 million were 58% denominated in RMB, 40% in HKD and 2% in USD.

Capital Structure, Liquidity and Debt Maturity Profile (continued)

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

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$7,922.1 million, completed properties for sale with a total carrying amount of approximately HK$1,107.6 million, properties under development with a total carrying amount of approximately HK$549.0 million, serviced apartments and related properties with a total carrying amount of approximately HK$729.6 million, a property with carrying amount of approximately HK$40.6 million and bank balances of approximately HK$197.4 million.

Under a litigation being processed in a district court in China, the Group, as the claimant, is claiming for a sum of RMB17.2 million from one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group was required to pledge a leasehold property with a carrying value of approximately HK$44.3 million to the court as collateral.

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

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 2012, 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.

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				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Turnover	**1,394,034**	647,183	1,514,214	937,380	868,001
Profit before tax	**1,374,137**	771,963	817,560	767,735	625,236
Tax	**(494,358)**	(193,663)	(454,297)	(339,590)	(376,733)
Profit for the year	**879,779**	578,300	363,263	428,145	248,503
Attributable to:					
Owners of the Company	**812,758**	530,112	322,106	406,888	206,005
Non-controlling interests	**67,021**	48,188	41,157	21,257	42,498
	879,779	578,300	363,263	428,145	248,503

Assets, liabilities and non-controlling interests

	As at 31 July				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Property, plant and equipment and prepaid land lease payments	**846,764**	937,491	797,505	662,322	681,253
Investment properties	**10,289,369**	9,295,785	7,921,429	5,329,900	5,136,200
Properties under development	**925,588**	1,122,284	1,055,751	3,394,309	3,265,072
Goodwill	**3,400**	4,561	4,561	4,561	4,561
Investments in joint ventures	**319,861**	350,289	329,247	325,837	328,149
Current assets	**5,108,909**	3,224,905	2,802,752	3,087,077	2,944,450
TOTAL ASSETS	**17,493,891**	14,935,315	12,911,245	12,804,006	12,359,685
Current liabilities	**(2,945,643)**	(1,541,626)	(1,391,116)	(2,091,344)	(1,580,093)
Long-term deposits received	**(68,045)**	(81,692)	(52,161)	(26,126)	(22,059)
Non-current interest-bearing bank loans, secured	**(358,342)**	(1,471,241)	(949,702)	(624,275)	(624,430)
Fixed rate senior notes	**(1,427,253)**	(1,427,850)	(1,421,368)	(1,415,475)	(1,518,319)
Advances from a former substantial shareholder	**(57,200)**	(56,474)	(53,535)	(52,976)	(53,284)
Promissory note	**—**	—	—	—	(167,000)
Derivative financial instruments	**—**	—	—	—	(185,462)
Deferred tax liabilities	**(1,566,958)**	(1,283,303)	(1,038,827)	(949,511)	(892,360)
TOTAL LIABILITIES	**(6,423,441)**	(5,862,186)	(4,906,709)	(5,159,707)	(5,043,007)
	11,070,450	9,073,129	8,004,536	7,644,299	7,316,678
Non-controlling interests	**(632,339)**	(558,671)	(479,409)	(433,515)	(407,456)
	10,438,111	8,514,458	7,525,127	7,210,784	6,909,222

Major Investment Properties

Location	Group interest	Tenure	Approximate Attributable Gross Floor Area (square feet) of Use: Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
Shanghai								
Commercial podium and certain office and serviced apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Huangpu District	95%	The property is held for a term of 50 years commencing on 16 September 1992	421,340	342,653	155,993		919,986	333
Serviced apartment units in the North Tower of Hong Kong Plaza, 282 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992			211,759		211,759	
May Flower Plaza, Sujiaxiang, Zhabei District	95%	The property is held for a term of 40 years commencing on 5 February 2007	304,295				304,295	
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	186,581	126,326			312,907	99
Commercial portion of Regents Park, 88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,961				77,961	

Major Investment Properties (continued)

Location	Group interest	Tenure	Approximate Attributable Gross Floor Area (square feet) of Use					No. of car-parking spaces attributable to the Group
			Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carpark & ancillary facilities)	
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	259,144	79,416			338,560	105
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	182,341				182,341	
		Subtotal of major investment properties: *Note*	**1,431,662**	**548,395**	**367,752**	**0**	**2,347,809**	**537**

Note: Being completed and rental generating properties

Major Properties Under Development

Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) *Note 3*	Approximate Attributable Gross Floor Area (square feet) of Expected Use					No. of car-parking spaces attributable to the Group
					Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carpark & ancillary facilities)	
Guangzhou										
Eastern Place Phase V, 787 Dongfeng East Road, Yuexiu District	100%	Construction work in progress	2014	212,587	56,554	537,733		320,291	914,578	355
Haizhu Plaza, Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	*Note 1*	90,708	141,858	972,444			1,114,302	275
King's Park, Donghua Dong Road, Yuexiu District	100%	Construction work in progress	2013	35,123	2,530			93,269	95,799	58
Paramount Centre, Da Sha Tou Road, Yuexiu District	100%	Construction work in progress	2013	23,788	5,350		74,971		80,321	46
Guan Lu Road Project, Guan Lu Road, Yuexiu District	100%	Development under planning	2014	26,178	3,197			139,382	142,579	95
Dolce Vita Jinshazhou Heng Sha Baiyun District	47.5%	Construction work in progress	In phases from 2012 to 2015	3,217,769	25,564			1,786,074	1,811,638	748
Zhongshan										
Various portions of Zhongshan Palm Spring, Caihong Planning Area, Western District	100%	Construction work in progress	In phases from 2012 to 2015	2,114,672	893,329		409,029	4,353,044	5,655,402	4,992

Major Properties Under Development (continued)

Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) *Note 3*	Approximate Attributable Gross Floor Area (square feet) of Expected Use: Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
Shanghai										
Northgate Plaza II, Tian Mu Road West, Zhabei District	99%	Development under planning	*Note 2*	44,293	61,742	195,564			257,306	154
				Subtotal of major properties under development: *Note 4*	**1,190,124**	**1,705,741**	**484,000**	**6,692,060**	**10,071,925**	**6,723**

Note 1: Being in the process of negotiating a land exchange

Note 2: Being in the process of discussing a comprehensive redevelopment proposal with the district government

Note 3: On project basis

Note 4: Being all properties under construction (including investment properties under construction)

Major Completed Properties For Sale

Location	Group interest	Approximate Attributable Gross Floor Area (square feet) of Expected Use					No. of car-parking spaces attributable to the Group
		Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carpark & ancillary facilities)	
Shanghai							
Certain residential & serviced apartment units and car-parking spaces in May Flower Plaza, Sujiaxiang, Zhabei District	95%			191,262	395,736	586,998	435
Certain residential units and car-parking spaces in Regents Park, Phase II, 88 Huichuan Road, Changning District	95%				10,778	10,778	386
Guangzhou							
Certain residential & office units and car-parking spaces in West Point, Zhongshan Qi Road, Liwan District	100%		9,192		6,066	15,258	141
Certain residential unit and car-parking spaces in Eastern Place, 787 Dongfeng East Road, Yuexiu District	100%				893	893	2
Zhongshan							
Certain residential units and commercial centre of Stage I of Zhongshan Palm Spring, Caihong Planning Area, West District	100%	186,399 *Note 2*		98,554	405,271	690,224	
	Subtotal of major completed properties for sale: *Note 1*	**186,399**	**9,192**	**289,816**	**818,744**	**1,304,151**	**964**

Note 1: Being completed properties for sale/lease

Note 2: Portion of the property leased out to third parties will be redesignated to investment properties

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

(1) Corporate Governance Practices

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

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

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

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

Due to other pre-arranged business commitments which must be attended to by him, Dr. Lam Kin Ngok, Peter, the Chairman, was not present at the AGM held on 21 December 2011. However, Mr. Lam Hau Yin, Lester, an executive Director ("**ED**") and the Chief Executive Officer present at the AGM was elected chairman thereof pursuant to the Articles of Association to ensure an effective communication with the Shareholders thereat.

Under code provision A.5.1 of the CG Code, a nomination committee comprising a majority of the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

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

(1) Corporate Governance Practices (continued)

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

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

(2) Recommended Best Practices

The Company and its subsidiaries ("**Group**") had implemented some of the recommended best practices contained in the former CG Code during the period from 1 August 2011 to 31 March 2012 for further enhancement of the Group's corporate governance standard as follows:

(a) the Company had arranged for 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

(b) the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company had 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, independent auditors and/or chambers in Hong Kong so that they could continuously update and further improve their relevant knowledge and skills.

The Company will use its reasonable efforts to identify and implement the best governance practices suitable to the Company's needs.

(3) Board of Directors

(3.1) Responsibilities and delegation

The Board oversees the overall management of the Company's business and affairs. The Board's primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of its 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.

The Board has delegated the day-to-day management of the Company's business to the management and the Executive Committee, and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

(3) Board of Directors (continued)

(3.1) Responsibilities and delegation (continued)

Decisions relating to the aforesaid matters and any acquisitions or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceed the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board; whereas decisions regarding matters set out in the terms of reference of the Executive Committee and those not specifically reserved for the Board are delegated to the Executive Committee and management.

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

(3.2) Composition of the Board

The Board currently comprises fourteen members, of whom nine are EDs, two are NEDs and the remaining three are INEDs, in compliance with the minimum number of INEDs required under Rule 3.10(1) (i.e. at least 3 INEDs) of the Listing Rules. The Company will comply with Rule 3.10A (i.e. INEDs representing at least one-third of the Board by not later than 31 December 2012) of the Listing Rules. The Directors who served the Board during the year ended 31 July 2012 ("**Year**") 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	
Cheng Shin How	
Lui Siu Tsuen, Richard	
Chew Fook Aun	(appointed with effect from 5 June 2012)
Tam Kin Man, Kraven	(retired with effect from 1 May 2012)
Cheung Sum, Sam	(resigned with effect from 1 September 2012)

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

(3) Board of Directors (continued)

(3.2) Composition of the Board (continued)

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 Company Secretary" of this Annual Report on pages 41 to 47.

(3.3) INEDs

The Company has complied with the requirements under Rules 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 also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

(4) Directors' Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

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, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written training materials to develop and refresh their professional skills; the company secretary of the Company ("**Company Secretary**") also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company organised for the Directors and executives an in-house workshop on the Listing Rules conducted by a leading international solicitors' firm, and arranged for the Directors to attend seminars organised by other organisations and professional bodies, chamber(s) and/or the independent auditors of the Company.

(4) Directors' Induction and Continuous Professional Development (continued)

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the period from 1 April to 31 July 2012:

Directors	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read Materials	Attend Seminars/ Briefings	Read Materials	Attend Seminars/ Briefings
Executive Directors				
Lam Kin Ngok, Peter	√	√	—	—
Lam Kin Ming	√	√	—	—
Lam Kin Hong, Matthew	√	√	—	—
Lam Hau Yin, Lester	√	√	—	—
U Po Chu	√	—	—	—
Lau Shu Yan, Julius	√	√	—	—
Cheng Shin How	√	√	—	—
Lui Siu Tsuen, Richard	√	√	√	—
Chew Fook Aun *(Note 1)*	√	√	√	√
Tam Kin Man, Kraven *(Note 2)*	√	√	—	—
Cheung Sum, Sam *(Note 3)*	√	√	√	√
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	√	√	—	—

Notes:

(1) Mr. Chew was appointed an ED with effect from 5 June 2012.

(2) Mr. Tam retired as an ED with effect from 1 May 2012.

(3) Mr. Cheung resigned as an ED with effect from 1 September 2012.

(5) Board Committees

The Executive Committee comprising members appointed by the Board amongst the EDs was established on 18 November 2005 with written terms of reference to assist the Board in monitoring the ongoing management of the Company's business and in implementing the Company's objectives in accordance with the strategy and policies approved by the Board. The Board has also delegated its authority to the following Committees to assist it in the implementation of its functions:

(5.1) Remuneration Committee

The Board established on 18 November 2005 a Remuneration Committee which currently comprises five members, including three INEDs, namely Messrs. Lam Bing Kwan (Chairman), Ku Moon Lun and Law Kin Ho, a NED Mr. Leow Juan Thong, Jason (alternate: Mr. Lucas Ignatius Loh Jen Yuh), and an ED, Mr. Chew Fook Aun who became a member on 1 September 2012. Mr. Cheung Sum, Sam was a member until his resignation as an ED with effect from 1 September 2012 and therefore his cessation as a member of the Remuneration Committee on the same date.

On 29 March 2012, the Board adopted a set of the revised terms of reference of the Remuneration Committee, which has included changes in line with the CG Code's new requirements effective from 1 April 2012. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of the Directors and senior management. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

(a) **Duties of the Remuneration Committee**

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.

(b) **Work performed by the Remuneration Committee**

The Remuneration Committee held two meetings during the Year to discuss remuneration-related matters and consider the terms of appointment of an ED (including the grant of a share option). All members of the Remuneration Committee had also deliberated on matters relating to the salary adjustment of two EDs on an occasion by way of circular resolutions.

(5) Board Committees (continued)

(5.2) Audit Committee

The Board established an Audit Committee on 31 March 2000 which comprised three members, including two of the INEDs, namely Mr. Law Kin Ho (Chairman) and Mr. Lam Bing Kwan, and a NED, 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 Company has complied with Rule 3.21 of the Listing Rules, which requires that at least 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 possesses appropriate professional qualifications or accounting or related financial management expertise.

(a) **Duties of the Audit Committee (including corporate governance functions)**

While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of the Audit Committee who are considered to be better positioned to provide an objective and independent guidance on governance-related matters.

On 29 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy ("**CG Policy**"). On the same date, the terms of reference of the Audit Committee were revised in line with the CG Policy and had incorporated the new corporate governance-related functions required under the CG Code effective from 1 April 2012. Such functions include the responsibilities to develop, review, monitor, and make recommendations to the Board (as appropriate) in respect of, the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), the practices in compliance with legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

Subsequent to the Year-end date, an independent external risk advisory firm ("**Independent Advisor**"), had been retained to conduct a review of the compliance by the Company with the code provisions of the CG Code. The relevant report from the Independent Advisor was presented to and reviewed by the Audit Committee and the Board.

Apart from performing the corporate governance functions, the Audit Committee is principally responsible for 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.

(5) Board Committees (continued)

(5.2) Audit Committee (continued)

(b) **Work performed by the Audit Committee**

The Audit Committee held two meetings during the Year. It has reviewed the audited final results of the Company for the year ended 31 July 2011, the unaudited interim results of the Company for the six months ended 31 January 2012 and other matters related to the financial and accounting policies and practices of the Company. Further, it has reviewed the arrangements for employees to raise concerns about improprieties in financial reporting, internal control or other matters, and the arrangements for the fair and independent investigation of these matters.

On 29 October 2012, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the independent auditors of the Company ("**Independent Auditors**"). It also reviewed this Corporate Governance Report and certain internal control review reports on the Company prepared by the Independent Advisor.

(6) Chairman and Chief Executive Officer

The CG Code provides that the roles of the chairman and the chief executive should be separate and performed by different individuals.

During the Year, 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.

(7) Non-executive Directors

As explained in Paragraph (1) above, none of the existing NEDs (including the INEDs) was appointed for a specific term.

(8) Nomination of Directors

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. The EDs and the full Board followed such procedures in the appointment of Mr. Chew Fook Aun, an ED with effect from 5 June 2012.

(9) Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**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 contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the Year.

(10) Independent Auditors' Remuneration

For the Year, the fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors, Ernst & Young, Certified Public Accountants, Hong Kong amounted to HK$2,721,000 and HK$725,000, respectively. The non-audit services mainly consisted of advisory, review and other reporting services.

(11) Directors' Responsibility for Preparing Financial Statements

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs and results of the Group. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

The Group has early adopted a batch of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") in advance of their respective effective dates for the first time for the financial statements of the Year. They include, amongst others,

(i) HKFRS 10 Consolidated Financial Statements; and

(ii) HKAS 12 (Amendments) Income Taxes-Deferred Tax: Recovery of Underlying Assets.

HKFRS 10 introduces a new definition of control which is used to determine which entities shall be consolidated and includes detailed guidance to explain when an investor that owns less than 50% of the voting shares in an investee has control over the investee.

HKAS 12 (Amendments) introduces a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred tax on investment property at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use.

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

More detailed descriptions of the changes in accounting policies and the related financial impacts are included in the audited consolidated financial statements of the Group.

(12) Independent Auditors' Reporting Responsibility

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

(13) Attendance Record at Meetings

The attendance record of each Director at the AGM, EGM, Board meetings, Audit Committee meetings and Remuneration Committee meetings of the Company during the Year is set out in the following table:

Meetings held during the Year

Directors	2011 AGM*	EGM (Note 5)	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Number of Meetings Held	1	1	8	2	2
		Number of Meetings Attended/ Number of Meetings Held			
Executive Directors					
Lam Kin Ngok, Peter	0/1	0/1	8/8	—	—
Lam Kin Ming	0/1	0/1	2/8	—	—
Lam Kin Hong, Matthew	1/1	0/1	6/8	—	—
Lam Hau Yin, Lester	1/1	1/1	8/8	—	—
U Po Chu	0/1	0/1	3/8	—	—
Lau Shu Yan, Julius	1/1	1/1	8/8	—	—
Cheng Shin How	0/1	1/1	4/4	—	—
Lui Siu Tsuen, Richard	1/1	1/1	8/8	—	—
Chew Fook Aun (Note 1)	N/A	N/A	1/1	—	N/A
Tam Kin Man, Kraven (Note 2)	1/1	N/A	5/5	—	—
Cheung Sum, Sam (Note 3)	1/1	1/1	8/8	—	2/2
Non-executive Directors					
Leow Juan Thong, Jason	0/1	1/1	7/8 (Note 4)	2/2	2/2
Lucas Ignatius Loh Jen Yuh *(also alternate Director to Leow Juan Thong, Jason)*	0/1	1/1	7/8	—	—
Independent Non-executive Directors					
Lam Bing Kwan	1/1	1/1	8/8	2/2	2/2
Ku Moon Lun	1/1	0/1	7/8	—	2/2
Law Kin Ho	1/1	1/1	8/8	2/2	2/2

(13) Attendance Record at Meetings (continued)

Notes:

(1) *Mr. Chew was appointed an ED and a member of the Remuneration Committee with effect from 5 June 2012 and 1 September 2012, respectively.*
(2) *Mr. Tam retired as an ED with effect from 1 May 2012.*
(3) *Mr. Cheung resigned as an ED and ceased to be a member of the Remuneration Committee with effect from 1 September 2012.*
(4) *Including a meeting attended by Mr. Leow's alternate.*
(5) *INEDs and other NEDs are required to attend general meetings pursuant to code provision A.6.7 of the CG Code effective from 1 April 2012.*

* *This meeting was held before 1 April 2012 and from such date, NEDs and INEDs are required to attend general meetings of the Company pursuant to the relevant code provision of the CG Code.*

(14) Internal Controls

The Board acknowledges that it is responsible for the internal control system of the Group, and an effective internal control system enhances the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contributes to the effectiveness and efficiency of its operations. As such, the Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

Since August 2006, the Board has been engaging the Independent Advisor to conduct various agreed reviews over the Company's internal control systems (normally twice a year) in order to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic reviews have covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. Relevant reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board. Appropriate recommendations for further enhancing the internal control system have been taken.

(15) Communication with Shareholders

(15.1) Shareholders' Communication Policy

On 29 March 2012, the Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its 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;

(15) Communication with Shareholders (continued)

(15.1) Shareholders' Communication Policy (continued)

(iii) corporate information is made available on the Company's website and the Memorandum and Articles of Association of the Company is made available on the respective websites of the Stock Exchange and the Company;

(iv) AGMs and EGMs provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

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

(15.2) Details of the Last General Meeting

The last general meeting of the Company was an EGM held at 9:45 a.m. on 11 May 2012 at The Excelsior, Hong Kong, Causeway Bay, Hong Kong ("**2012 EGM**"). At the 2012 EGM, four ordinary resolutions relating to the proposed open offer of the Shares were duly passed by a vast majority of the total votes cast. Further details of the 2012 EGM contained in the Company's circular dated 24 April 2012 and the announcement dated 11 May 2012 regarding the poll results of the 2012 EGM were published on both the websites of the Company and the Stock Exchange.

(16) Shareholders' Rights

(16.1) Procedures for Shareholders to convene an EGM

Pursuant to the Articles of Association, registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**EGM Requisitionists**") can deposit a written request to convene an EGM at the Company's principal place of business in Hong Kong ("**Principal Office**"), which is presently situated at 11/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention of the Company Secretary.

The EGM Requisitionists must state in their request(s) the objects of the EGM, and such request must be signed by all the EGM Requisitionists, and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Share Registrar will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrar that the EGM Requisitionists' request is in order, the Company Secretary will arrange the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of this outcome and accordingly, an EGM will not be convened as requested.

(16) Shareholders' Rights (continued)

(16.1) Procedures for Shareholders to convene an EGM (continued)

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM *provided that* any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. All reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed to the EGM Requisitionists by the Company.

(16.2) Procedures for putting forward proposals at a general meeting

Pursuant to Section 115A of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, either any number of the registered Shareholders holding not less than one-fortieth (2.5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 50 of such registered Shareholders holding Shares on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000 can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Company's Principal Office stated in paragraph (16.1) above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

(16.3) Procedures for proposing a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www. laifung.com.

(16) Shareholders' Rights (continued)

(16.4) Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Fax: (852) 2743 8459
Email: lscomsec@laisun.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

(17) Investor Relations

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our EDs and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

The Company has met with a number of research analysts and investors, as well as attended conferences and non-deal roadshows as follows:

Month	Event	Organiser	Location
March 2012	Post interim results non-deal roadshow	Bank of China International/ HSBC	Hong Kong/ Singapore
August 2012	UBS Hong Kong/ China Property Conference 2012	UBS	Hong Kong
September 2012	Hong Kong Property Corporate Access Day	JP Morgan	Hong Kong

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Investor Relations Department by phone on (852) 2853 6683 during normal business hours, by fax at (852) 2853 6682 or by e-mail at ir@laifung.com.

Executive Directors

Each of the current executive directors of the Company ("**Executive Directors**") named below holds/held directorships in a number or certain of the subsidiaries of the Company and all of them (except Mr. Cheng Shin How) 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**"). 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 ultimate holding company of the Company and MAGH while LSD is the controlling shareholder of eSun and LSG is the ultimate holding company of LSD.

Dr. Lam Kin Ngok, Peter, Chairman, aged 55, was appointed an Executive Director in November 1993 and is a member of the Executive Committee of the Company. Dr. Lam is also the chairman and an executive director of LSD and MAGH, a deputy chairman of LSG as well as an executive director of eSun and Crocodile Garments Limited ("**CGL**"), a company listed on the Main Board of the Stock Exchange. Further , Dr. Lam will step down as chairman of the Board and an Executive Director and cease to be a member of the Executive Committee of the Company with effect from 1 November 2012. 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 ("**CPPCC**"), 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).

Dr. Lam Kin Ming, Deputy Chairman, aged 75, was appointed an Executive Director in September 1997. Dr. Lam is the chairman of LSG, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of CGL. 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 the United States in 2009. He has extensive experience in property development and investment and garment businesses, and has been involved in the 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).

Executive Directors (continued)

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 44, was appointed an Executive Director in December 2001. Mr. Lam is an executive director of LSG and CGL. He graduated from the University College London of the University of London in the United Kingdom with a Bachelor of Science Degree and underwent training as a solicitor with an international law firm, Reed Smith Richards Butler. Mr. Lam is a founding partner of a Hong Kong law firm, CWL Partners and 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 the Mainland China. He is the chairman of the Yangtze River Delta Region of the Hong Kong Real Estate Association, a committee member of the CPPCC in Shanghai and a standing committee member of the CPPCC in Shantou, Guangdong Province.

Mr. Lam also serves as the honorary consul of the Republic of Estonia in Hong Kong, a member of the management committee of the Consumer Legal Action Fund of the Consumer Council in Hong Kong and a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region.

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 31, was appointed an Executive Director in April 2005 and is a member of the Executive Committee of the Company. He is also an executive director of LSG, an alternate director to Madam U Po Chu who is a non-executive director of LSG, and a vice president of LSD. Further, Mr. Lam will be appointed an executive director of both LSD and eSun with effect from 1 November 2012. He holds a Bachelor of Science in Business Administration Degree from the Northeastern University in Boston of 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).

Madam U Po Chu, aged 87, was appointed an Executive Director 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).

The Company does not have any service contract with Madam U. However, in accordance with the provisions of the Articles of Association of the Company (the "**Articles of Association**"), she 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. Madam U is presently entitled to a basic salary and allowance of HK$4,343,920 per annum and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, her performance, duties and responsibilities and the prevailing market conditions.

Save as disclosed above, Madam U has not held any other directorships in listed public companies in the last three years. As at the date of this Annual Report, Madam U does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**").

Please also refer to the Note at the end of this section of "Biographical Details of Directors and Company Secretary".

Executive Directors (continued)

Mr. Lau Shu Yan, Julius, aged 56, was appointed an Executive Director 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.

Mr. Cheng Shin How, aged 46, was appointed an Executive Director 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 the Mainland of 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 PRC 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 56, was appointed an Executive Director in January 2011. He is also an executive director and the chief executive officer of eSun as well as an executive director of LSG, LSD and MAGH. Further, Mr. Lui will resign as an executive director of LSG, LSD and the Company with effect from 1 November 2012. 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, 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 Securities Trading 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 ("**HKICPA**")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.

Mr. Chew Fook Aun, aged 50, was appointed an Executive Director on 5 June 2012 and is a member of the Remuneration Committee of the Company. Mr. Chew is also a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD as well as an executive director of eSun. Further, Mr. Chew will be chairman of the Board and a member of the Executive Committee of the Company with effect from 1 November 2012. Prior to joining the Lai Sun Group, Mr. Chew was an executive director and the group chief financial officer of Esprit Holdings Limited ("**Esprit**") from 1 February 2009 to 1 May 2012, an executive director and the chief financial officer of The Link Management Limited acting as manager of The Link Real Estate Investment Trust (the "**Link REIT**") from February 2007 to January 2009. He was also the chief financial officer of Kerry Properties Limited ("**Kerry Properties**") from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and an executive director of Kyard Limited in charge of the property portfolio of a private family office from 2004 to 2007. The issued shares of Esprit and Kerry Properties and the issued units of the Link REIT are listed and traded on the Main Board of the Stock Exchange.

Mr. Chew has over 25 years of experience in accounting, auditing and finance in the United Kingdom ("**UK**") and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the HKICPA and The Institute of Chartered Accountants in England and Wales. He was also a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the Independent Commission Against Corruption and the standing committee on company law reform of the Companies Registry, and a council member of the Financial Reporting Council, all being organisations established in Hong Kong.

Executive Directors (continued)

The Company and Mr. Chew had entered into an employment contract with no fixed term but such contract is determinable by either the Company or Mr. Chew by serving the other party not less than 3 months' written notice or payment in lieu thereof. In accordance with the provisions of the Articles of Association, Mr. Chew will be subject to retirement from office as director by rotation once every three years if elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Chew presently receives a remuneration of HK$3,000,000 per annum and a yearly discretionary bonus with reference to the results of the Group, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Chew has not held any other directorships in listed public companies in the last three years and 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 an option granted under the share option scheme of the Company to subscribe for a total of 80,479,564 ordinary shares of HK$0.10 each in the share capital of the Company and an option granted under eSun's share option scheme to subscribe for a total of 6,216,060 shares in eSun, Mr. Chew does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors and Company Secretary".

Non-executive Directors

Mr. Leow Juan Thong, Jason, aged 46, was appointed a non-executive director 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 Degree in Business Administration from Fudan University in Shanghai of the People's Republic of China (the "**PRC**"). 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 PRC. He is currently a non-executive director of Central China Real Estate Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Lucas Ignatius Loh Jen Yuh, aged 46, was appointed a non-executive director in July 2010. He is also the alternate director to Mr. Leow Juan Thong, Jason, a non-executive director. Mr. Loh is currently, a Deputy Chief Executive Officer of CapitaLand China, and 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, 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, 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 PRC and concurrently its South China business and operation management. Mr. Loh has more than 10 years' experience in PRC'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 the PRC. Prior to joining the 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 the National University of Singapore in 1991 and a Master's Degree in Business Administration from the 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.

Independent Non-executive Directors

Mr. Lam Bing Kwan, aged 63, was appointed an independent non-executive director 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 actively involved in property development and investment in the PRC 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 LSG, LSD and eForce Holdings Limited as well as a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

Mr. Ku Moon Lun, aged 61, was appointed an independent non-executive director 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 the 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.

The Company does not have any service contract with Mr. Ku. However, in accordance with the provisions of the Articles of Association, 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. Ku will receive an annual director's fee of HK$250,000 as from 1 November 2012 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 the prevailing market practice.

Save as disclosed above, Mr. Ku has not held any other directorships in listed public companies in the last three years and does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Ku does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors and Company Secretary".

Independent Non-executive Directors (continued)

Mr. Law Kin Ho, aged 45, was appointed an independent non-executive director 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 HKICPA and the Association of Chartered Certified Accountants, UK. 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 and Ernst & Young. He is also an independent non-executive director of Coastal Greenland Limited, and was an independent non-executive director of Aurum Pacific (China) Group Limited from July 2008 to March 2010, both being companies listed on the Stock Exchange.

The Company does not have any service contract with Mr. Law. However, in accordance with the provisions of the Articles of Association, 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. Law will receive an annual director's fee of HK$250,000 as from 1 November 2012 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 the prevailing market practice.

Save as disclosed above, Mr. Law has not held any other directorships in listed public companies in the last three years and does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Law does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors and Company Secretary".

Company Secretary

Mr. Kwok Siu Man, aged 53, has been the company secretary of the Company since 1 February 2011 and is concurrently the company secretary of LSG, LSD, eSun and CGL, all listed on the Main Board of the Stock Exchange. The Company's share of his remuneration with such companies for the year ended 31 July 2012 was less than HK$500,000. Prior to joining the Lai Sun Group, he had about 25 years' legal, corporate secretarial and management experience gained from reputable listed companies in Hong Kong (including the Hang Seng Index and Hang Seng Mid-Cap Index Constituent Stock Companies) and overseas. Further, he was the managing director of a leading financial printer in Hong Kong with international affiliation and a director of a property management company for luxury residential properties and has been a director of a charity fund since its incorporation in 1992.

Mr. Kwok is a fellow member of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England and The Hong Kong Institute of Chartered Secretaries (the "**HKICS**") and a member of the Hong Kong Securities and Investment Institute. He also possesses professional qualifications in arbitration, taxation, financial planning and human resources management. Moreover, he holds a bachelor's degree of arts and a post-graduate diploma in laws and has passed the Common Professional Examinations in England and Wales. In 1999, he received induction into the International WHO's WHO of Professionals, an international organisation which establishes a network of international elite professionals. He was one of the adjudicators for the "Best Annual Reports Awards" organised by the Hong Kong Management Association in the early 1990's and the late 2000's.

Company Secretary (continued)

Having been the chief examiner and reviewer of the "Hong Kong Company Secretarial Practice/Corporate Secretaryship" of the international qualifying examinations of the HKICS and participated in the review of the Hong Kong law variant modules thereof for about a decade, Mr. Kwok holds the record of being the HKICS's longest-serving council member and director (i.e. for 18 years). Further, he was a member of the Board of Review appointed by the Hong Kong government under the Inland Revenue Ordinance and has been acting as an external examiner/adviser/member of the validation panel of corporate management courses organised by recognised academic and vocational institutions in Hong Kong.

Note:

Madam U Po Chu and Messrs. Chew Fook Aun, Ku Moon Lun and Law Kin Ho will retire as Directors at the forthcoming AGM in accordance with the Articles of Association of the Company and being eligible, they offer themselves for election/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 discloseabe pursuant to any of the requirements under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.

The directors of the Company ("**Directors**") present their report and the audited financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2012 ("**Year**").

Principal Activities

During the Year, 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 and the state of affairs of the Company and of the Group as at 31 July 2012 are set out in the consolidated financial statements and their accompanying notes on pages 63 to 137.

No interim dividend was paid or declared in respect of the Year (2011: Nil).

The board of Directors ("**Board**") has recommended the payment of a final dividend of HK$0.0028 per ordinary share in respect of the Year (2011: HK$0.0050 per ordinary share) for the shareholders' approval at the forthcoming annual general meeting of the Company ("**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 ("EDs"):

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 ("**Madam U**")	
Lau Shu Yan, Julius	
Cheng Shin How	
Lui Siu Tsuen, Richard	
Chew Fook Aun ("**Mr. F.A. Chew**")	(appointed with effect from 5 June 2012)
Tam Kin Man, Kraven	(retired with effect from 1 May 2012)
Cheung Sum, Sam	(resigned with effect from 1 September 2012)

Non-executive Directors ("NEDs"):

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 ("**Mr. M.L. Ku**")
Law Kin Ho ("**Mr. K.H. Law**")

Directors (continued)

In accordance with Article 99 of the Company's Articles of Association ("**Articles of Association**"), Mr. F.A. Chew (appointed an ED by the Board with effect from 5 June 2012) will retire at the forthcoming AGM and, being eligible, offers himself for election.

In accordance with Article 116 of the Articles of Association, Madam U, Mr. M.L. Ku and Mr. K.H. Law (together with Mr. F.A. Chew, "**Retiring Directors**") will retire from office by rotation at the forthcoming AGM. Being eligible, they offer themselves for re-election.

Details of the Retiring Directors proposed for election/re-election at the forthcoming AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively) are set out in the "Biographical Details of Directors and Company Secretary" of this Annual Report and the section headed "Directors' Interests" of this Report below.

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 ("**Shareholders**").

Biographical Details of Directors and Company Secretary

Brief biographical particulars of the existing Directors and Company Secretary are set out on pages 41 to 47 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

Directors' Service Contracts

No Director proposed for election/re-election at the forthcoming AGM has an unexpired service contract with the Company and/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 Significant Contracts

Save as disclosed in note 35(a) to the financial statements and the section headed "Continuing Connected Transactions" of this Report below, 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 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. Peter Lam**"), Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven (up to 30 April 2012 as he retired as an ED with effect from 1 May 2012), Mr. Cheng Shin How, Mr. Lui Siu Tsuen, Richard, Mr. Cheung Sum, Sam (up to 31 August 2012 as he resigned as an ED with effect from 1 September 2012), Mr. F.A. Chew (from 5 June 2012 when he was appointed an ED), Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh (together, "**Interested Directors**") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in the Mainland of China.

Directors' Interests in Competing Businesses (continued)

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 sections headed "Share Option Scheme" and "Directors' Interests" of this Report below and in note 29 to the financial statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director 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 ("**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 which commenced with effect from 28 August 2003 are set out in note 29 to the financial statements.

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 July 2012 and their respective associates (as defined in the Listing Rules) were interested and were deemed to be interested in 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 ("**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 ("**Register of Directors and Chief Executive**"); 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 ("**Securities Code**"); or (d) as known by the Directors:

(A) Long positions in the ordinary shares of HK$0.10 each of the Company ("Shares")

Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	Owner of controlled corporations	Nil	Nil	7,705,451,422 *(Note 1)*	Nil	7,705,451,422	47.87%
Lau Shu Yan, Julius	Beneficial owner	12,917,658	Nil	Nil	Nil	12,917,658	0.08%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 *(Note 2)*	80,479,564	0.50%

Notes:

1. *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 ("**LSD**") which in turn is owned as to approximately 47.97% by Lai Sun Garment (International) Limited ("**LSG**"). As such, Dr. Peter Lam was deemed to be interested in the same 7,705,451,422 Shares in the Company (representing approximately 47.87% of the Company's issued share capital) held by eSun by virtue of his personal and deemed interests in approximately 38.06% of the issued share capital of LSG.*

2. *A share option comprising a total of 80,479,564 underlying Shares in the Company had been granted to Mr. F.A. Chew at an exercise price of HK$0.133 per Share on 12 June 2012 and is exercisable during the period from 12 June 2012 to 11 June 2020.*

Directors' Interests (continued)

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

Name of Director	Capacity	Nature of Interests	Principal Amount
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate *(Note)*	US$1,025,000
Lau Shu Yan, Julius	Beneficial owner	Personal	US$300,000
Cheung Sum, Sam	Beneficial owner	Personal	US$200,000

Note:

Accuremark Limited (a wholly-owned subsidiary of eSun) is interested in the Senior Notes in a principal amount of US$1,025,000. As disclosed in the Note 1 to (A) above, eSun is the controlling shareholder of the Company. As such, Dr. Peter Lam was deemed to be interested in the Senior Notes in the same principal amount held indirectly by eSun by virtue of his personal and deemed interests in approximately 38.06% of the issued share capital of LSG.

Save as disclosed above, as at 31 July 2012, none of the Directors and the 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, recorded in the Register of Directors and Chief Executive, notified under the Securities Code, or otherwise known by the Directors.

Substantial Shareholders' and Other Persons' Interests

As at 31 July 2012, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals, one being a Director, who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long Positions in the Shares

Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
Substantial Shareholders				
eSun Holdings Limited	Owner of controlled corporations	Corporate	7,705,451,422 *(Note 1)*	47.87%
Lai Sun Development Company Limited	Owner of controlled corporations	Corporate	7,705,451,422 *(Note 1)*	47.87%
Lai Sun Garment (International) Limited	Owner of controlled corporations	Corporate	7,705,451,422 *(Note 1)*	47.87%
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	7,705,451,422 *(Note 2)*	47.87%
Merit Worth Limited ("**MWL**")	Beneficial owner and owner of controlled corporation	Corporate	7,705,451,422 *(Note 3)*	47.87%
CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**")	Owner of controlled corporation	Corporate	3,220,000,000 *(Note 4)*	20%
CapitaLand LF (Cayman) Holdings Co., Ltd ("**CapitaLand Cayman**")	Beneficial owner	Corporate	3,220,000,000	20%
CapitaLand Limited	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20%
CapitaLand Residential Limited ("**CapitaLand Residential**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20%
Temasek Holdings (Private) Limited ("**Temasek**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20%
Silver Glory Securities Limited ("**SGS**")	Beneficial owner	Corporate	3,889,038,698 *(Note 3)*	24.16%

Substantial Shareholders' and Other Persons' Interests (continued)

Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
Other Persons				
Yu Cheuk Yi	Beneficial owner	Personal	1,049,953,000 *(Note 5)*	6.52%
Yu Siu Yuk	Beneficial owner	Personal	1,049,953,000 *(Note 5)*	6.52%

Notes:

1. *These interests in the Company represented all the Shares beneficially owned by MWL (3,816,412,724 Shares or about 23.71% of the total issued Shares) and SGS (3,889,038,698 Shares or about 24.16% of the issued Shares), both being 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 7,705,451,422 Shares of the Company held by eSun.*

2. *Dr. Peter Lam was deemed to be interested in the same 7,705,451,422 Shares of the Company held by eSun by virtue of his personal and deemed interests in approximately 38.06% of the issued share capital of LSG.*

3. *SGS is wholly owned by MWL which in turn is wholly owned by eSun. Therefore, MWL is deemed to be interested in the 3,889,038,698 Shares held by SGS and eSun was deemed to be interested in the 7,705,451,422 Shares held and deemed to be held by MWL.*

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 3,220,000,000 Shares of the Company held by CapitaLand Cayman by virtue of its approximate 39.60% 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 1,049,953,000 Shares of the Company, which were held jointly by them.*

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 July 2012, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Controlling Shareholder's Interests in Significant Contracts

Save as disclosed in note 25 to the financial statements and the section headed "Continuing Connected Transactions" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined by the Listing Rules) 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

The Company had certain continuing connected transactions (as defined by the Listing Rules) during the Year, brief particulars of which are as follows:

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 ("**Ascott Management Agreement**") in relation to the management of the units of serviced apartments owned by the Group and situated in Huangpu District, Shanghai, the People's Republic of China ("**PRC**" and "**Serviced Residences**", respectively) for an initial term of 10 years commencing from the date when the official operations and leasing activity of the Serviced Residences commenced 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 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, such fees paid or payable to Ascott amounted to HK$8,296,000.

   Ascott is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**") and CapitaLand is a substantial shareholder of the Company and therefore a connected person 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 ("**Cinema**") for May Flower for a ten-year period from 1 September 2005 to 31 August 2015 ("**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.

Continuing Connected Transactions (continued)

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 ("**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.

Although the 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 Year, total fees paid or payable to Media Idea amounted to HK$884,000.

The continuing connected transactions listed under paragraphs 1 and 2 above have been reviewed by the INEDs 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, Certified Public Accountants, Hong Kong ("**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 Rule 14A.38 of the Listing Rules. Ernst & Young 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 the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in notes 14 and 16 to the financial statements, respectively. Further details of the Group's investment properties are set out in the "Particulars of Properties" section of this Annual Report.

Properties under Development

Details of the 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 "Particulars of Properties" section in this Annual Report.

Fixed Rate Senior Notes

On 4 April 2007, the Group issued the 9.125% senior notes due 2014 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

In mid-June 2012, the Company issued 8,047,956,478 ordinary shares of HK$0.10 each at HK$0.125 each pursuant to a 1-for-1 open offer.

Details of the movements in the Company's share capital during the Year are set out in note 28 to the financial statements.

Reserves

Details of the 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 2012, the Company's reserves available for distribution amounted to HK$78,511,000 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$4,065,862,000 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.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2012 are set out in note 19 to the financial statements.

Donations for Charitable and Other Purposes

During the Year, the Group made donations for charitable or other purposes totalling HK$889,000.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association 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 21.

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 39.7% of the Group's total purchases, while the largest supplier accounted for approximately 14.3% of the Group's total purchases for the Year.

None of the Directors 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 for the Year.

Disclosure Pursuant to Paragraph 13.21 of Chapter 13 of the Listing Rules

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 certain subsidiaries of the Company 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 2012, the aggregate outstanding loan balances of these facilities amounted to approximately HK$1,083,802,000 with the last instalment repayment falling due in July 2013.

Purchase, Sale or Redemption of Listed Securities

During the Year, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

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

Public Float

Based on the 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

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 27 to 40 of this Annual Report.

Independence of Independent Non-executive Directors

The Company has received from each of the INEDs in writing an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the INEDs to be independent.

Review by Audit Committee

The Audit Committee of the Company comprises three members, namely Messrs. Law Kin Ho, Lam Bing Kwan, both INEDs of the Company and Leow Juan Thong, Jason, a NED. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the Year.

Independent Auditors

The consolidated financial statements of the Company for the Year have been audited by Ernst & Young which will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Ernst & Young 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
30 October 2012

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 2011/2012
Annual results announcement	30 October 2012
Latest time and date for lodging transfer documents with the Hong Kong branch share registrars to ascertain entitlement to attending and voting at the 2012 Annual General Meeting ("**AGM**")	4:30 p.m. on 13 December 2012
2012 AGM	18 December 2012
Dividend ex-entitlement for shares	27 December 2012
Closure of Hong Kong branch register of members	2 and 3 January 2013
Record date for entitlement to the proposed final dividend	3 January 2013
Payment of final dividend	11 January 2013

	For Financial Year 2012/2013
Interim results announcement	on or before 31 March 2013
Annual results announcement	on or before 31 October 2013

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 63 to 137, which comprise the consolidated and company statements of financial position as at 31 July 2012, 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 2012, 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
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

30 October 2012

Consolidated Income Statement

Year ended 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
TURNOVER	5	**1,394,034**	647,183
Cost of sales		**(580,680)**	(264,909)
Gross profit		**813,354**	382,274
Other income and gains	5	**129,672**	119,024
Selling and marketing expenses		**(62,865)**	(38,280)
Administrative expenses		**(244,581)**	(207,190)
Other operating expenses, net		**(104,495)**	(9,966)
Fair value gains on investment properties	16	**965,674**	605,006
PROFIT FROM OPERATING ACTIVITIES	7	**1,496,759**	850,868
Finance costs	6	**(111,295)**	(76,143)
Share of losses of joint ventures		**(11,327)**	(2,762)
PROFIT BEFORE TAX		**1,374,137**	771,963
Tax	10	**(494,358)**	(193,663)
PROFIT FOR THE YEAR		**879,779**	578,300
ATTRIBUTABLE TO:			
Owners of the Company	11	**812,758**	530,112
Non-controlling interests		**67,021**	48,188
		879,779	578,300
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	13		
			(Adjusted)
Basic		**HK$0.085**	HK$0.063
Diluted		**HK$0.085**	N/A

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

Consolidated Statement of Comprehensive Income

Year ended 31 July 2012

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

Consolidated Statement of Financial Position

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**841,164**	931,774
Prepaid land lease payments	17	**5,600**	5,717
Investment properties	16	**10,289,369**	9,295,785
Properties under development	15	**925,588**	1,122,284
Investments in joint ventures	20	**319,861**	350,289
Goodwill	18	**3,400**	4,561
Total non-current assets		**12,384,982**	11,710,410
CURRENT ASSETS			
Properties under development	15	**500,587**	1,231,503
Completed properties for sale		**1,785,003**	193,649
Debtors, deposits and prepayments	21	**135,120**	160,525
Prepaid tax		**49,513**	39,472
Pledged and restricted time deposits and bank balances	22	**943,135**	712,456
Cash and cash equivalents	22	**1,695,551**	887,300
Total current assets		**5,108,909**	3,224,905
CURRENT LIABILITIES			
Creditors and accruals	23	**687,195**	590,206
Deposits received and deferred income		**355,974**	567,815
Interest-bearing bank loans, secured	24	**1,559,357**	118,154
Tax payable		**343,117**	265,451
Total current liabilities		**2,945,643**	1,541,626
NET CURRENT ASSETS		**2,163,266**	1,683,279
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,548,248**	13,393,689
NON-CURRENT LIABILITIES			
Long-term deposits received		**68,045**	81,692
Interest-bearing bank loans, secured	24	**358,342**	1,471,241
Advances from a former substantial shareholder	25	**57,200**	56,474
Fixed rate senior notes	26	**1,427,253**	1,427,850
Deferred tax liabilities	27	**1,566,958**	1,283,303
Total non-current liabilities		**3,477,798**	4,320,560
		11,070,450	9,073,129

Consolidated Statement of Financial Position

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**1,609,591**	804,796
Share premium account		**4,065,862**	3,876,668
Asset revaluation reserve		**36,448**	33,894
Share option reserve		**3,678**	—
Exchange fluctuation reserve		**1,714,155**	1,594,660
Capital reserve		**25,974**	(5,445)
Retained earnings		**2,937,334**	2,169,645
Proposed final dividend	12	**45,069**	40,240
		10,438,111	8,514,458
Non-controlling interests		**632,339**	558,671
		11,070,450	9,073,129

Lam Kin Ngok, Peter
Director

Lam Hau Yin, Lester
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2012

	Notes	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
		Attributable to owners of the Company										
As at 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 differences arising on translation to presentation currency		—	—	—	—	465,474	—	—	—	465,474	30,909	496,383
Share of other comprehensive income of joint ventures		—	—	—	—	17,662	—	—	—	17,662	—	17,662
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 and 1 August 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
Profit for the year		—	—	—	—	—	—	812,758	—	812,758	67,021	879,779
Other comprehensive income for the year, net of tax:												
Reversal of impairment of investment properties under construction		—	—	2,554	—	—	—	—	—	2,554	26	2,580
Exchange differences arising on translation to presentation currency		—	—	—	—	114,764	—	—	—	114,764	6,621	121,385
Share of other comprehensive income of joint ventures		—	—	—	—	4,731	31,419	—	—	36,150	—	36,150
Total comprehensive income for the year, net of tax		—	—	2,554	—	119,495	31,419	812,758	—	966,226	73,668	1,039,894
Open offer	28	804,795	201,199	—	—	—	—	—	—	1,005,994	—	1,005,994
Open offer expenses	28	—	(12,005)	—	—	—	—	—	—	(12,005)	—	(12,005)
Equity-settled share option arrangements		—	—	—	3,678	—	—	—	—	3,678	—	3,678
Final 2011 dividend paid		—	—	—	—	—	—	—	(40,240)	(40,240)	—	(40,240)
Proposed final 2012 dividend	12	—	—	—	—	—	—	(45,069)	45,069	—	—	—
As at 31 July 2012		**1,609,591**	**4,065,862**	**36,448**	**3,678**	**1,714,155**	**25,974**	**2,937,334**	**45,069**	**10,438,111**	**632,339**	**11,070,450**

Consolidated Statement of Cash Flows

Year ended 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,374,137**	771,963
Adjustments for:			
Fair value gains on investment properties		**(965,674)**	(605,006)
Finance costs		**111,295**	76,143
Share of losses of joint ventures		**11,327**	2,762
Interest income	5	**(11,570)**	(15,681)
Depreciation	7	**59,445**	43,506
Amortisation of prepaid land lease payments	7	**191**	183
Foreign exchange differences, net	7	**(6,271)**	(28,626)
Impairment/(reversal of impairment) of properties under development	7	**(1,585)**	22,037
Loss on disposal of items of property, plant and equipment	7	**54,582**	86
Equity-settled share option expense	7	**3,678**	—
Gain on repurchase of fixed rate senior notes	7	**(589)**	—
Impairment of goodwill	18	**1,161**	—
		630,127	267,367
Decrease in completed properties for sale		**479,983**	161,237
Increase in properties under development		**(556,418)**	(473,311)
Decrease/(increase) in debtors, deposits and prepayments		**27,604**	(73,713)
Increase/(decrease) in creditors and accruals, and short-term deposits received and deferred income		**(244,924)**	497,893
Increase/(decrease) in long-term deposits received		**(13,647)**	29,531
Cash generated from operations		**322,725**	409,004
Mainland China taxes paid, net		**(161,778)**	(524,036)
Net cash flow from/(used in) operating activities		**160,947**	(115,032)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**11,570**	15,681
Purchases of items of property, plant and equipment		**(60,746)**	(83,613)
Additions to investment properties		**(192,757)**	(259,610)
Repayment of loans from/(advances of loans to) joint ventures		**55,339**	(6,106)
Increase in pledged and restricted time deposits and bank balances		**(230,679)**	(390,579)
Decrease/(increase) in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired		**4,242**	(4,242)
Net cash flow used in investing activities		**(413,031)**	(728,469)

Consolidated Statement of Cash Flows

Year ended 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**412,108**	539,092
Repayment of bank loans		**(95,410)**	(56,540)
Net proceeds from open offer	28	**993,989**	—
Repurchase of fixed rate senior notes		**(7,098)**	—
Interest paid		**(207,746)**	(176,181)
Dividend paid		**(40,240)**	(40,240)
Net cash flow from financing activities		**1,055,603**	266,131
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**803,519**	(577,370)
Cash and cash equivalents at beginning of year		**883,058**	1,391,295
Effect of foreign exchange rate changes, net		**8,974**	69,133
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,695,551**	883,058
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	22	**391,155**	708,107
Non-pledged and non-restricted time deposits	22	**1,304,396**	179,193
Cash and cash equivalents as stated in the statement of financial position		**1,695,551**	887,300
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		**1,695,551**	883,058

Statement of Financial Position

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**6,557,220**	6,336,913
CURRENT ASSETS			
Deposits and prepayments	21	**1,987**	1,950
Cash and cash equivalents	22	**744,642**	23,067
Total current assets		**746,629**	25,017
CURRENT LIABILITIES			
Creditors and accruals	23	**49,785**	49,692
Due to subsidiaries	19	**47,064**	7,048
Total current liabilities		**96,849**	56,740
NET CURRENT ASSETS/(LIABILITIES)		**649,780**	(31,723)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,207,000**	6,305,190
NON-CURRENT LIABILITIES			
Fixed rate senior notes	26	**1,427,253**	1,427,850
Deferred tax liabilities	27	**22,105**	22,105
Total non-current liabilities		**1,449,358**	1,449,955
		5,757,642	4,855,235
EQUITY			
Issued capital	28	**1,609,591**	804,796
Reserves	30(b)	**4,102,982**	4,010,199
Proposed final dividend	12	**45,069**	40,240
		5,757,642	4,855,235

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

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. 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.

Total comprehensive income within a subsidiary is 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.

2.2 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:

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

The accounting policy for related parties has been revised and the related party disclosures as set out in note 35 to the financial statements have been revised retrospectively as a result of the adoption of HKAS 24 (Revised).

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

2.3 Impact of Issued but not yet effective HKFRSs

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

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

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

The principal changes in accounting policies are as follows:

(a) HKAS 12 (Amendments) "Income Taxes — Deferred Tax: Recovery of Underlying Assets"

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

2.3 Impact of Issued but not yet effective HKFRSs (continued)

(b) New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosure of Interests in Other Entities

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

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

HKFRS 10 "Consolidated Financial Statements"

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

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

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

2.3 Impact of Issued but not yet effective HKFRSs (continued)

(b) New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosure of Interests in Other Entities (continued)

HKFRS 12 "Disclosure of Interests in Other Entities"

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity over which the Group has power to direct the subsidiary's relevant activities, has exposure or rights to variable returns from its involvement with the subsidiary and has ability to use its power over the subsidiary to affect the amount of the returns.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

The results of the subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint arrangements

A joint arrangement is classified as either a joint operation or a joint venture, based on the rights and obligations arising from the contractual arrangements between the parties to the arrangement.

2.4 Summary of Significant Accounting Policies (continued)

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post acquisition results and reserves of joint ventures is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures and is not individually tested for impairment.

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

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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 Group elects whether it measures the non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Business combinations from 1 August 2009 (continued)

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 is recognised in accordance with HKAS 39 either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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 identifiable net 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.

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.

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 (continued)

Business combinations achieved in stages 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 is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 depreciates them accordingly.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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	20%
Motor vehicles	20% - 25%
Computers	20% - 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. 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 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 construction for future use as investment properties are accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction are capitalised as part of the carrying amounts of the investment properties under construction. Investment properties under 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 construction and their carrying amounts is recognised in the income statement in the period in which they arise.

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

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

A transfer from investment property under construction to property under development shall be made when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.

Properties under development

Properties under development represent properties developed for sale and are stated at lower of cost and net realisable value. Cost comprises the prepaid land lease payments or cost of land together with any direct costs attributable to the development of the properties and other related expenses capitalised during the development period. Net realisable value is determined by the directors based on prevailing market prices on an individual property basis less estimated costs of completion and costs to be incurred in selling the property.

Once the development of these properties is completed, these properties are reclassified to appropriate categories of assets.

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 less costs to be incurred in selling the property.

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.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as held-to-maturity debt investments, 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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, amounts due from joint ventures 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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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, in rare circumstances, 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. 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 as these instruments cannot be reclassified after initial recognition.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated 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.

Available-for-sale financial investments

Available-for-sale financial investments are those non-derivative financial assets in listed and unlisted equity investments and debt 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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement. Interest and dividend earned whilst holding the available-for-sale financial investments 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 investments 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 investments are stated at cost less any impairment losses.

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.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

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 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 other expenses 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.

Available-for-sale financial investments

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, less directly attributable transaction costs.

The Group's financial liabilities include creditors and accruals, deposits received and interest-bearing bank loans, advances from a former substantial shareholder, and fixed rate senior notes.

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

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.

2.4 Summary of Significant Accounting Policies (continued)

Fair value of financial instruments

The fair value of financial instruments 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 financial instruments where there is no active market, fair value is determined using appropriate 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.

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when 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, the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

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

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

Mainland China land appreciation tax ("LAT")

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

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

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

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

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

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

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

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

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial 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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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.

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

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 arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain subsidiaries and joint ventures operating overseas/in Mainland China are currencies other than 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 joint ventures 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 joint ventures 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 construction can be reliably determined**

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

The Group has to exercise judgement in determining when the fair value of an investment property under 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 construction or completion. Other indications may also be appropriate in light of the facts and circumstances of individual developments.

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(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.

(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.

The Group's investment properties at fair value are all held to earn rental income and/or for capital appreciation and they are considered to be held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use.

3. Significant Accounting Judgements and Estimates (continued)

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 described 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.

(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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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

4. Operating Segment Information (continued)

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

* Reversal of impairment of HK$1,585,000 (2011: impairment of HK$22,037,000) and reversal of impairment of HK$3,441,000 (2011: reversal of impairment of HK$21,985,000) were recognised in profit or loss and in other comprehensive income, respectively.

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	
	2012	2011
	HK$'000	HK$'000
Turnover:		
Sale of properties	**919,584**	258,387
Rental income from investment properties and serviced apartments	**474,450**	388,796
	1,394,034	647,183
Other income and gains:		
Property management fee income	**92,786**	78,128
Interest income from bank deposits	**11,570**	15,681
Others	**25,316**	25,215
	129,672	119,024

6. Finance Costs

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

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Interest on:			
Bank loans wholly repayable within five years		**77,754**	46,416
Fixed rate senior notes, net		**131,620**	132,221
Amortisation of fixed rate senior notes	26	**7,090**	6,482
Bank financing charges		**1,369**	2,179
		217,833	187,298
Less: Capitalised in properties under development	15	**(75,993)**	(78,799)
Capitalised in investment properties	16	**(30,545)**	(27,092)
Capitalised in property, plant and equipment	14	**—**	(5,264)
		(106,538)	(111,155)
Total finance costs		**111,295**	76,143

7. Profit from Operating Activities

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

	Notes	Group 2012 HK$'000	2011 HK$'000
Cost of completed properties sold		**474,804**	183,012
Outgoings in respect of rental income		**105,876**	81,897
Total cost of sales		**580,680**	264,909
Depreciation #	14	**59,445**	43,506
Amortisation of prepaid land lease payments		**10,038**	9,715
Capitalised in properties under development	15	**(9,847)**	(9,532)
	17	**191**	183
Minimum lease payments under operating leases in respect of land and buildings		**8,726**	3,729
Employee benefit expenses (including directors' remuneration — note 8):			
Salaries, wages and benefits		**196,325**	159,210
Pension scheme contributions *		**509**	524
Equity-settled share option expense		**3,678**	—
		200,512	159,734
Capitalised in properties under development/ investment properties under construction		**(65,042)**	(62,478)
		135,470	97,256
Auditors' remuneration:			
Auditors of the Company		**2,721**	2,440
Other auditors		**947**	373
Foreign exchange differences, net **		**(6,271)**	(28,626)
Impairment/(reversal of impairment) of properties under development **	15	**(1,585)**	22,037
Loss on disposal of items of property, plant and equipment #		**54,582**	86
Gain on repurchase of fixed rate senior notes **	26	**(589)**	—

The depreciation charge of HK$46,332,000 (2011: HK$17,880,000) for serviced apartments and related leasehold improvements and the loss on disposal of items of property, plant and equipment of HK$54,582,000 (2011: Nil) are included in "Other operating expenses, net" on the face of the consolidated income statement.

* As at 31 July 2012, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2011: 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	
	2012	2011
	HK$'000	HK$'000
Fees	**450**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**18,173**	16,338
Equity-settled share option expense	**3,678**	—
Pension scheme contributions	**99**	86
	21,950	16,424
	22,400	16,874
Capitalised in properties under development/ investment properties under construction	**(11,042)**	(11,278)
	11,358	5,596

During the year, a director was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures (2011: Nil).

(a) Independent non-executive directors

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

	2012	2011
	HK$'000	HK$'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 (2011: Nil).

8. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012					
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	—	1,655	—	13	1,668
U Po Chu	—	4,344	—	—	4,344
Chew Fook Aun (appointed on 5 June 2012)	—	467	3,678	3	4,148
Lau Shu Yan, Julius	—	—	—	—	—
Tam Kin Man, Kraven (retired on 1 May 2012)	—	—	—	—	—
Cheung Sum, Sam (resigned on 1 September 2012)	—	1,655	—	13	1,668
Cheng Shin How	—	5,772	—	13	5,785
Lui Siu Tsuen, Richard	—	—	—	—	—
	—	18,173	3,678	99	21,950
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
Total	—	18,173	3,678	99	21,950

8. Directors' Remuneration (continued)

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

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Equity-settled share option expense 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 (resigned on 1 January 2011)	—	—	—	—	—
Cheung Sum, Sam (appointed on 1 March 2011)	—	615	—	5	620
Cheng Shin How	—	5,633	—	12	5,645
Lui Siu Tsuen, Richard (appointed on 1 January 2011)	—	—	—	—	—
	—	16,338	—	86	16,424
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
Total	—	16,338	—	86	16,424

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 (2011: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2011: two) non-director highest paid employees are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,446**	4,080
Pension scheme contributions	**—**	12
	4,446	4,092
Capitalised in properties under development/ investment properties under construction	**(2,251)**	(3,474)
	2,195	618

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 2012 (2011: HK$2,000,001 to HK$2,500,000).

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

		Group	
		2012	2011
	Note	**HK$'000**	HK$'000
Current — Mainland China			
Corporate income tax ("CIT")			
Charge for the year		**75,265**	46,606
Overprovision in prior years		**—**	(10,725)
		75,265	35,881
LAT			
Charge for the year		**151,406**	54,870
Overprovision in prior years		**—**	(69,615)
		151,406	(14,745)
Deferred	27	**267,687**	172,527
Total tax charge for the year		**494,358**	193,663

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	
	2012	2011
	HK$'000	HK$'000
Profit before tax	**1,374,137**	771,963
Tax at the statutory tax rate	**343,534**	192,991
Adjustments for tax rates of other jurisdictions	**7,899**	6,771
Provision for LAT	**151,406**	54,870
Tax effect of provision for LAT	**(37,852)**	(13,718)
Losses attributable to joint ventures	**2,832**	691
Income not subject to tax	**(598)**	(1,935)
Expenses and losses not deductible for tax	**24,201**	23,333
Tax losses not recognised	**2,936**	—
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
Tax charge at the Group's effective tax rate	**494,358**	193,663

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 joint ventures as at 31 October 1997 (the "Property Interests"). These tax indemnities given by LSD apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as "Knight Frank Petty Limited"), independent professionally qualified valuers (the "Valuers"), as at 31 October 1997 (the "Valuation") and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997 together with the amount of unpaid land costs, unpaid land lease payments and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests.

10. Tax (continued)

Tax indemnity (continued)

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Group as set out in the Company's prospectus dated 18 November 1997.

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

11. Profit attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 July 2012 included a loss of HK$55,020,000 (2011: a profit of HK$72,115,000) which had been dealt with in the financial statements of the Company (note 30(b)).

12. Dividend

	2012	2011
	HK$'000	HK$'000
Proposed final — HK$0.0028 (2011: HK$0.0050) per ordinary share	**45,069**	40,240

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

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

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

13. Earnings per share attributable to Owners of the Company (continued)

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

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

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

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

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 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 and 1 August 2011		108,916	840,694	245,345	28,621	15,357	6,195	1,245,128
Additions		—	—	7,942	4,920	2,209	805	15,876
Disposals		—	(76,464)	—	(2,264)	(296)	(172)	(79,196)
Exchange realignment		810	4,703	3,139	303	108	67	9,130
As at 31 July 2012		**109,726**	**768,933**	**256,426**	**31,580**	**17,378**	**6,895**	**1,190,938**
Accumulated depreciation:								
As at 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 and 1 August 2011		22,555	229,922	21,716	23,071	11,429	4,661	313,354
Depreciation provided during the year	7	2,696	18,196	33,297	2,642	1,933	681	59,445
Disposals		—	(22,174)	—	(2,022)	(266)	(152)	(24,614)
Exchange realignment		220	881	135	228	78	47	1,589
As at 31 July 2012		**25,471**	**226,825**	**55,148**	**23,919**	**13,174**	**5,237**	**349,774**
Net book value:								
As at 31 July 2012		**84,255**	**542,108**	**201,278**	**7,661**	**4,204**	**1,658**	**841,164**
As at 31 July 2011		86,361	610,772	223,629	5,550	3,928	1,534	931,774

14. Property, Plant and Equipment (continued)

The Group's leasehold building and serviced apartments with carrying amounts of HK$44,319,000 (2011: HK$45,507,000) and HK$542,108,000 (2011: HK$610,772,000), respectively are situated in Mainland China and were held under medium term leases as at 31 July 2012. The remaining leasehold building with a carrying amount of HK$39,936,000 (2011: HK$40,854,000) is situated in Hong Kong and was held under a medium term lease.

As at 31 July 2012, certain leasehold building and serviced apartments (including related leasehold improvements) with carrying amounts of HK$40,556,000 (2011: HK$41,409,000) and HK$729,567,000 (2011: HK$818,574,000), 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 (2011: RMB17,200,000) (equivalent to approximately HK$21,066,000 (2011: HK$20,798,000)) 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 amount of HK$44,319,000 (2011: HK$45,507,000) to the court as collateral. There was no significant development in the litigation during the year.

15. Properties Under Development

		Group	
		2012	2011
	Notes	**HK$'000**	HK$'000
Carrying amount as at 1 August		**2,353,787**	1,677,551
Finance costs capitalised	6	**75,993**	78,799
Additions		**716,146**	525,429
Transfer to completed properties for sale		**(2,071,337)**	—
Transfer from investment properties	16	**310,914**	—
Reversal of impairment/(impairment)	7	**1,585**	(22,037)
Exchange realignment		**39,087**	94,045
Carrying amount as at 31 July		**1,426,175**	2,353,787
Portion classified as current assets		**(500,587)**	(1,231,503)
Non-current portion		**925,588**	1,122,284

A reversal of impairment of HK$1,585,000 (2011: impairment of HK$22,037,000) was recognised in profit or loss for the year ended 31 July 2012. Such reversal of impairment represented the write-up 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 amounts of the properties under development by lease term is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Long term leases	**1,252,366**	1,896,977
Medium term leases	**173,809**	456,810
	1,426,175	2,353,787

As at 31 July 2012, certain properties under development with an aggregate carrying amount of HK$549,007,000 (2011: HK$1,196,573,000) 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	
		2012	2011
	Note	**HK$'000**	HK$'000
Carrying amount as at 1 August		**577,279**	556,521
Amortised during the year	7	**(9,847)**	(9,532)
Transfer to completed properties for sale		**(61,962)**	—
Transfer from investment properties		**31,755**	—
Exchange realignment		**7,751**	30,290
Carrying amount as at 31 July		**544,976**	577,279

16. Investment Properties

	Group	
	2012	2011
	HK$'000	HK$'000
Completed investment properties	**8,265,100**	6,932,400
Investment properties under construction, at fair value	**849,000**	460,000
Investment properties under construction, at cost *	**1,175,269**	1,903,385
Total	**10,289,369**	9,295,785

* 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	
		2012	2011
	Notes	**HK$'000**	HK$'000
Carrying amount as at 1 August		**9,295,785**	7,921,429
Finance costs capitalised	6	**30,545**	27,092
Additions		**189,110**	268,652
Transfer to properties under development	15	**(310,914)**	—
Net gain from fair value adjustments		**965,674**	605,006
Reversal of impairment		**3,441**	21,985
Exchange realignment		**115,728**	451,621
Carrying amount as at 31 July		**10,289,369**	9,295,785

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

	Group	
	2012	2011
	HK$'000	HK$'000
Long term leases	**177,700**	424,011
Medium term leases	**10,111,669**	8,871,774
	10,289,369	9,295,785

As at the end of the reporting period, 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$3,441,000 (2011: HK$21,985,000) was recognised in other comprehensive income for the year ended 31 July 2012, which represented the write-up 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 6.15% (2011: 6.65%).

As at 31 July 2012, certain investment properties with an aggregate carrying amount of HK$7,922,100,000 (2011: HK$6,248,000,000) 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 2012 HK$'000	2011 HK$'000
Carrying amount as at 1 August		**5,717**	5,598
Amortised during the year	7	**(191)**	(183)
Exchange realignment		**74**	302
Carrying amount as at 31 July		**5,600**	5,717

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

18. Goodwill

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

	Group 2012 HK$'000	2011 HK$'000
Cost:		
As at 1 August and 31 July	**4,561**	4,561
Accumulated impairment:		
As at 1 August	**—**	—
Impairment during the year	**(1,161)**	—
As at 31 July	**(1,161)**	—
Carrying amount as at 31 July	**3,400**	4,561

19. Investments in Subsidiaries

	Company 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**144,270**	144,270
Due from subsidiaries	**6,412,950**	6,192,643
	6,557,220	6,336,913

19. INVESTMENTS IN SUBSIDIARIES (continued)

The aggregate amount due from subsidiaries of HK$6,412,950,000 (2011: HK$6,192,643,000) were unsecured, interest-free and had no fixed terms of repayment, except for an aggregate amount of HK$997,914,000 (2011: HK$997,914,000) which bore interest at approximately 9.2% (2011: 9.2%) per annum.

The aggregate amount due to subsidiaries of HK$47,064,000 (2011: HK$7,048,000) included in the Company's current liabilities was unsecured, interest-free and was repayable on demand.

Details of the principal subsidiaries as at 31 July 2012 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
Farron Assets Limited *	British Virgin Islands/ Hong Kong	US$1,000	—	77.5	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
Good Strategy Limited *	British Virgin Islands/ PRC	US$1	—	100	Property investment
Grand Wealth Limited	Hong Kong	HK$2	—	100	Investment holding
Grosslink Investment Limited	Hong Kong	HK$2	—	77.5	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
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 µ *	PRC	HK$280,000,000	—	100	Property development and investment
Guangzhou Guang Bird Property Development Limited µ *	PRC	US$46,000,000	—	100	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited µ *	PRC	RMB79,733,004	—	100	Property development and investment
Guangzhou Jadepress Real Estate Company Limited @ *	PRC	US$19,150,000	—	100	Property development and investment
Guangzhou Jieli Real Estate Company Limited @ *	PRC	HK$168,000,000	—	77.5	Property investment
Hankey Development Limited	Hong Kong	HK$10,000	—	100	Investment holding
Jadepress Limited	Hong Kong	HK$1	—	100	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Lai Fung Company Limited	Hong Kong	HK$20	100	—	Investment holding
Manful Concept Limited	Hong Kong	HK$2	—	100	Investment holding
Nicebird Company Limited	Hong Kong	HK$2	—	100	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai 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
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 ∅ *	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

µ Registered as co-operative joint ventures under the laws of the PRC

\# Registered as equity joint ventures under the laws of the PRC

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

∅ Registered as a domestic enterprise under the laws of the PRC

19. Investments in Subsidiaries (continued)

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

As at 31 July 2012, shares in certain subsidiaries were pledged to secure certain bank borrowings of the Group (note 24(e)).

As at 31 July 2012, certain subsidiaries had jointly and severally guaranteed the obligations of the Company under the Notes (as defined and disclosed in note 26).

20. Investments in Joint Ventures

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets, other than goodwill	**84,775**	59,952
Due from joint ventures	**235,086**	290,337
	319,861	350,289

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

Particulars of the joint ventures as at 31 July 2012 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	— *	47.5	Property development and investment

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

* This joint venture has registered capital rather than issued share capital.

20. Investments in Joint Ventures (continued)

The joint ventures are accounted for using the equity method in the consolidated financial statements of the Group. Through revisiting the investment arrangements of the Group, the Group's investments in certain joint ventures previously classified as "Interests in associates" in prior years are reclassified to "Investments in joint ventures" in the current year. The Group's share of the losses, other comprehensive income and total comprehensive income of the joint ventures are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
The Group's share of losses	**(11,327)**	(2,762)
The Group's share of other comprehensive income	**36,150**	17,662
The Group's share of total comprehensive income	**24,823**	14,900

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, net				
Within one month	**62,651**	59,269	**—**	—
One to three months	**3,214**	890	**—**	—
	65,865	60,159	**—**	—
Other receivables, deposits and prepayments	**69,255**	100,366	**1,987**	1,950
Total	**135,120**	160,525	**1,987**	1,950

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

		Group		Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**631,637**	1,420,563	**14,865**	15,658
Less: Pledged and restricted bank balances					
Pledged for banking facilities *		**(5,860)**	(5,764)	**—**	—
Pledged for bank loans	24(f)	**(123,662)**	(126,692)	**—**	—
Restricted **		**(110,960)**	(580,000)	**—**	—
Non-pledged and non-restricted cash and bank balances		**391,155**	708,107	**14,865**	15,658
Time deposits		**2,007,049**	179,193	**729,777**	7,409
Less: Pledged time deposits					
Pledged for bank loans	24(f)	**(73,714)**	—	**—**	—
Restricted **		**(628,939)**	—	**—**	—
Non-pledged and non-restricted time deposits ***		**1,304,396**	179,193	**729,777**	7,409
Cash and cash equivalents		**1,695,551**	887,300	**744,642**	23,067

* 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 2012, the balance of such deposits amounted to HK$338,465,000 (2011: HK$521,229,000).

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 2012, the balance of such deposits amounted to HK$33,567,000 (2011: HK$44,340,000).

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 2012, the balance of such deposits amounted to HK$367,867,000 (2011: HK$14,431,000).

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

22. Cash and Cash Equivalents and Pledged and Restricted Time Deposits and Bank Balances (continued)

As at the end of the reporting period, time deposits and cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$1,543,609,000 (2011: HK$1,410,304,000). 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 trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
Within one month	**40,101**	83,740	**—**	—
One to three months	**3,676**	2,252	**—**	—
Over three months	**895**	—	**—**	—
	44,672	85,992	**—**	—
Accruals and other payables	**642,523**	504,214	**49,785**	49,692
Total	**687,195**	590,206	**49,785**	49,692

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

	2012		2011	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Secured bank loans:				
Current	**1.25 - 7.07**	**1,559,357**	1.19 - 7.65	118,154
Non-current	**2.75 - 7.07**	**358,342**	1.19 - 7.65	1,471,241
		1,917,699		1,589,395
Maturity profile:				
Within one year		**1,559,357**		118,154
In the second year		**207,063**		1,443,841
In the third to fifth years, inclusive		**151,279**		27,400
		1,917,699		1,589,395

HK Interpretation 5 *"Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"* 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. A term loan of the Group in the amount of HK$67,651,000 (2011: 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 a 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 amounts of HK$40,556,000 (2011: HK$41,409,000) and HK$729,567,000 (2011: HK$818,574,000) (note 14), respectively;

(b) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$549,007,000 (2011: HK$1,196,573,000) (note 15);

(c) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$7,922,100,000 (2011: HK$6,248,000,000) (note 16);

(d) mortgages over certain completed properties for sale of the Group with an aggregate carrying amount of HK$1,107,600,000 (2011: Nil);

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

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

(f) charges over time deposits and bank balances of the Group with an aggregate carrying amount of HK$197,376,000 (2011: HK$126,692,000) (note 22); and

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

25. Advances from a Former Substantial Shareholder

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.

During the year, the Company repurchased certain Notes with an aggregate principal amount of US$1,000,000 (equivalent to approximately HK$7,800,000) at a discount and a gain of HK$589,000 (2011: Nil) was recognised in the consolidated income statement (note 7). Up to 31 July 2012, Notes with an aggregate principal amount of US$15,253,000 (equivalent to approximately HK$118,973,000) were repurchased. Such repurchased Notes were derecognised from the liabilities under "Fixed rate senior notes" of the statement of financial position.

26. Fixed Rate Senior Notes (continued)

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

	Group and Company	
	2012	2011
	HK$'000	HK$'000
Carrying amount as at 1 August	**1,427,850**	1,421,368
Repurchase of the Notes	**(7,800)**	—
Release of unamortised issue expenses on repurchase of the Notes	**113**	—
Amortisation of the Notes (note 6)	**7,090**	6,482
Carrying amount as at 31 July	**1,427,253**	1,427,850
Fair value of the Notes as at 31 July *	**1,481,433**	1,422,574

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	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
As at 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 and 1 August 2011	251,595	205,122	785,586	41,000	—	1,283,303
Deferred tax charged/(credited) to the income statement during the year (note 10)	83,968	(34,409)	241,418	—	(23,290)	267,687
Deferred tax charged to the asset revaluation reserve during the year	—	861	—	—	—	861
Exchange realignment	3,003	2,721	9,323	—	60	15,107
As at 31 July 2012	**338,566**	**174,295**	**1,036,327**	**41,000**	**(23,230)**	**1,566,958**

As at 31 July 2012, the Group had tax losses arising in Mainland China of HK$11,744,000 (2011: Nil) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

Company

	Withholding tax HK$'000
As at 1 August 2010, 31 July 2011 and 31 July 2012	22,105

27. Deferred Tax (continued)

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

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

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

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

Note:

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

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

28. Share Capital (continued)

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.

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

29. SHARE OPTION SCHEME (CONTINUED)

The movement of share options under the Share Option Scheme during the year is as follows:

Name or category of participants	Date of grant of share options*	Number of underlying shares comprised in share options: As at 1 August 2011	Granted during the year	As at 31 July 2012	Exercise period of share options	Exercise price of share options ** (per share)
Director						
Chew Fook Aun	12/6/2012	—	80,479,564	80,479,564	12/6/2012- 11/6/2020	HK$0.133

* 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 or bonus issues or other similar changes in the Company's share capital.

The closing price of the Company's shares immediately before the date of grant of share options granted during the year was HK$0.135. The fair value of the share options granted during the year was HK$3,678,000 (HK$0.0457 each) of which the Group recognised a share option expense of HK$3,678,000 during the year ended 31 July 2012.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	3.62
Expected volatility (%)	49.349
Historical volatility (%)	49.349
Risk-free interest rate (%)	0.922
Expected life of options (year)	8
Weighted average share price (HK$ per share)	0.133

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Other than the grant of the above share options, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the Share Option Scheme during the year. As at the date of approval of these financial statements (the "Report Date"), further options to subscribe for a maximum of 288,019,674 shares of HK$0.1 each in the Company could be granted under the Share Option Scheme. Together with the underlying 80,479,564 shares of HK$0.1 each comprised in the share options granted during the year and remained outstanding as at 31 July 2012 and the Report Date, a total number of 368,499,238 shares of HK$0.1 each are available for issue under the Share Option Scheme, representing approximately 2.3% of the Company's shares in issue as at the Report Date.

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 67 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 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 and 1 August 2011		3,876,668	—	(9,558)	143,089	4,010,199
Loss for the year	11	—	—	—	(55,020)	(55,020)
Open offer	28	201,199	—	—	—	201,199
Open offer expenses	28	(12,005)	—	—	—	(12,005)
Equity-settled share option arrangements		—	3,678	—	—	3,678
Proposed final 2012 dividend	12	—	—	—	(45,069)	(45,069)
As at 31 July 2012		**4,065,862**	**3,678**	**(9,558)**	**43,000**	**4,102,982**

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 2012 HK$'000	2011 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**1,127,892**	1,140,161

As at 31 July 2012, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$1,083,802,000 (2011: HK$1,096,631,000).

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 property units developed by the Group. 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 of 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 (2011: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2012, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**377,894**	331,493
In the second to fifth years, inclusive	**665,793**	669,985
After five years	**330,968**	197,608
	1,374,655	1,199,086

32. Operating Lease Arrangements (continued)

(b) As lessee

The Group leased certain office properties under operating lease arrangements with lease terms up to two years (2011: two years).

As at 31 July 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**967**	358
In the second to fifth years, inclusive	**387**	40
	1,354	398

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	
	2012	2011
	HK$'000	HK$'000
Contracted, but not provided for:		
Construction, renovation and compensation costs	**51,424**	151,564
Authorised, but not contracted for:		
Construction and resettlement costs	**618,835**	169,852

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.

In addition, under a litigation being processed in a district court in Mainland China, the Group, as the claimant, has lodged a claim to 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 to the court as collateral as detailed in note 14 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	**2012 HK$'000**	2011 HK$'000 (Restated)
Management and other service fees paid or payable to a related company	(i), (vi)	**8,296**	6,502
Advertising and promotion fees paid or payable to related companies	(ii)	**1,339**	1,230
Management fee paid or payable to a related company	(iii), (vi)	**884**	1,255
Underwriting commission paid to a related company	(iv)	**7,931**	—
Consideration for subscription of offer shares received from a related company	(iv)	**545,220**	—
Consideration for subscription of offer shares received from a related company	(v)	**201,250**	—
Consideration for subscription of offer shares received from a director	(v)	**807**	—

Notes:

(i) The related company is a subsidiary of CapitaLand Limited and the Company is an associate of CapitaLand Limited. The related company provides management and other services on 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.

(ii) The related companies are subsidiaries of eSun Holdings Limited ("eSun"). The Company became an associate of eSun with effect from 30 September 2010 following the completion of a corporate restructuring exercise on the same day. In addition, eSun became a holding company of the Company with effect from 11 June 2012 following eSun's early adoption of HKFRS 10 "Consolidated Financial Statements" for the current financial year.

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 also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

35. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

(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 eSun. As further detailed in note 28 to the financial statements, an open offer was made by the Company during the year. eSun has fully taken up its proportionate entitlement under the open offer to subscribe for 3,265,688,037 offer shares at a subscription price of HK$0.125 per share. In addition, pursuant to an underwriting agreement, the open offer was fully underwritten by eSun with an underwriting commission. Based on the acceptance results of the open offer, eSun has procured one of its subsidiaries to subscribe for 1,096,075,348 offer shares at a subscription price of HK$0.125 per share pursuant to its underwriting obligations under the underwriting agreement. The related party transactions also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

(v) The related company is CapitaLand Limited and the director is Mr. Lau Shu Yan, Julius. Both CapitaLand Limited and Mr. Lau have fully taken up their proportionate entitlements under the open offer to subscribe for 1,610,000,000 and 6,458,829 offer shares, respectively at a subscription price of HK$0.125 per share. The related party transactions also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

(vi) Pursuant to the respective agreements, the related party transactions included in (i) and (iii) above of HK$8,296,000 (2011: HK$6,502,000) and HK$884,000 (2011: 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 55 to 56 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

	2012 HK$'000	2011 HK$'000
Short term employee benefits	**18,623**	16,788
Pension scheme contributions	**99**	86
Equity-settled share option expense	**3,678**	—
Total	**22,400**	16,874

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 2012 and 2011 were categorised as loans and receivables.

Financial liabilities

Group

	Financial liabilities at amortised cost HK$'000
2012	
Creditors and accruals	**596,284**
Deposits received	**17,722**
Interest-bearing bank loans, secured	**1,917,699**
Advances from a former substantial shareholder	**57,200**
Fixed rate senior notes	**1,427,253**
	4,016,158
2011	
Creditors and accruals	496,036
Deposits received	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

36. Financial Instruments by Category (continued)

Financial liabilities (continued)

Company

	Financial liabilities at amortised cost HK$'000
2012	
Creditors and accruals	**49,785**
Due to subsidiaries	**47,064**
Fixed rate senior notes	**1,427,253**
	1,524,102
2011	
Creditors and accruals	49,692
Due to subsidiaries	7,048
Fixed rate senior notes	1,427,850
	1,484,590

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.

38. Financial Risk Management Objectives and Policies (continued)

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.

		Group		Company	
	Change in exchange 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
2012					
If USD/HKD weakens against RMB	**5%**	**16,110**	**15,290**	**500**	**500**
If USD/HKD strengthens against RMB	**5%**	**(14,571)**	**(13,829)**	**(454)**	**(454)**
2011					
If USD/HKD weakens against RMB	5%	21,157	20,325	—	—
If USD/HKD strengthens against RMB	5%	(19,152)	(18,400)	—	—

* excluding amounts attributable to non-controlling interests

38. Financial Risk Management Objectives and Policies (continued)

(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 interest 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
2012					
	+0.25%	**(2,460)**	**(2,298)**	**—**	**—**
	-0.25%	**2,436**	**2,275**	**—**	**—**
2011					
	+0.25%	(2,131)	(1,985)	—	—
	-0.25%	1,825	1,689	—	—

* excluding amounts attributable to non-controlling interests

(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 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.

38. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

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

Group

	Less than 12 months HK$'000	**1 to 5 years** HK$'000	**Total** HK$'000
2012			
Creditors and accruals	**596,284**	**—**	**596,284**
Deposits received	**17,722**	**—**	**17,722**
Interest-bearing bank loans, secured	**1,626,527**	**386,449**	**2,012,976**
Advances from a former substantial shareholder	**—**	**57,200**	**57,200**
Fixed rate senior notes	**131,494**	**1,529,785**	**1,661,279**
	2,372,027	**1,973,434**	**4,345,461**
2011			
Creditors and accruals	496,036	—	496,036
Deposits received	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

As detailed in note 24 to the financial statements, included in the current portion of the interest-bearing bank loans is a term loan in the amount of HK$67,651,000 (2011: HK$24,184,000). The relevant loan agreement of this term loan includes a repayment on demand clause which gives the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the said amount is classified as "less than 12 months". Notwithstanding the repayment on demand clause, the directors believe that the loan will not be called in its entirety within 12 months, and consider that the loan will be repaid in accordance with the maturity date as set out in the loan agreement. In accordance with the terms of the term loan, the maturity profile of the loan as at 31 July 2012 was spread with, based on the contractual undiscounted payments, HK$4,800,000 and HK$70,077,000 repayable less than 12 months and in 1 to 5 years, respectively.

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	Total HK$'000
2012			
Creditors and accruals	**49,785**	**—**	**49,785**
Due to subsidiaries	**47,064**	**—**	**47,064**
Fixed rate senior notes	**131,494**	**1,529,785**	**1,661,279**
	228,343	**1,529,785**	**1,758,128**
2011			
Creditors and accruals	49,692	—	49,692
Due to subsidiaries	7,048	—	7,048
Fixed rate senior notes	132,205	1,670,270	1,802,475
	188,945	1,670,270	1,859,215

(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.

38. Financial Risk Management Objectives and Policies (continued)

(e) Capital management (continued)

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on 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.

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity (2011: 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

	2012 **HK$'000**	2011 HK$'000
Interest-bearing bank loans, secured	**1,917,699**	1,589,395
Advances from a former substantial shareholder	**57,200**	56,474
Fixed rate senior notes	**1,427,253**	1,427,850
Less: Pledged and restricted time deposits and bank balances	**(943,135)**	(712,456)
Cash and cash equivalents	**(1,695,551)**	(887,300)
Net debt	**763,466**	1,473,963
Equity attributable to owners of the Company	**10,438,111**	8,514,458
Gearing ratio	**7%**	17%

39. Comparative Amounts

Due to the adoption of certain new and revised HKFRSs during the current year, the presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated or reclassified to conform with the current year's presentation and accounting treatment.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 October 2012.

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the "**AGM**") of the members (the "**Members**") of Lai Fung Holdings Limited (the "**Company**") will be held at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 18 December 2012 at 8:15 a.m. for the following purposes:

1. To consider and adopt the audited financial statements for the year ended 31 July 2012 (the "**Year**") and the reports of the directors and the independent auditors of the Company thereon;

2. To declare a final dividend;

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

4. To re-appoint Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**") as the independent auditors of the Company and to authorise the Board to fix their remuneration.

By Order of the Board
Lai Fung Holdings Limited
Kwok Siu Man
Company Secretary

Hong Kong, 19 November 2012

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**") (or any adjournment thereof) is entitled to appoint one (or, if he/she/it holds two or more ordinary shares of HK$0.10 each in the Company (the "**Shares**"), more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company (the "**Articles of Association**"). A proxy need not be a Member.

(2) A form of proxy for use at the AGM is enclosed with this 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, Tricor Tengis Limited (the "**Registrar**"), at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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 form of 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 number of the Registrar is (852) 2980 1333.

(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 Registrar no later than 4:30 p.m. on Thursday, 13 December 2012 for registration.

(5) Where there are joint registered holders of any Share, 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 were solely entitled thereto, but if more than one of such joint holders are present at the AGM or its adjourned meeting (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the Register of Members or 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 of HK$0.0028 per Share as recommended by the Board is subject to the approval of the Members at the AGM. The record date for the proposed final dividend is Thursday, 3 January 2013. For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Wednesday, 2 January 2013 and Thursday, 3 January 2013, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Registrars for registration no later than 4:30 p.m. on Monday, 31 December 2012.

(7) Concerning agenda item 3 of this Notice,

(i) in accordance with Article 99 of the Articles of Association, Mr. Chew Fook Aun ("**Mr. F.A. Chew**") (appointed by the Board as an executive director of the Company on 5 June 2012) and Mr. Mak Wing Sum, Alvin ("**Mr. A. Mak**") (appointed by the Board as an independent non-executive director of the Company with effect from 1 November 2012) will retire at the AGM and, being eligible, offer themselves for election;

(ii) in accordance with Article 116 of the Articles of Association, Madam U Po Chu ("**Madam U**"), Mr. Ku Moon Lun ("**Mr. M.L. Ku**") and Mr. Law Kin Ho ("**Mr. K.H. Law**") 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 "**Stock Exchange**" and the "**Listing Rules**", respectively), the particulars of Mr. F.A. Chew, Madam U, Mr. M.L. Ku and Mr. K.H. Law are set out in the "Biographical Details of Directors and Company Secretary" of the Annual Report of the Company for the Year while the particulars of Mr. A. Mak are summarized below:

Mr. A. Mak, aged 60, is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of I.T. Limited, a company listed on the Main Board of the Stock Exchange, and Crystal International Limited. After working in Citibank for over 26 years, Mr. A. Mak retired on 1 May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he had held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong's corporate finance business, regional asset management business and was the Chief Financial Officer of North Asia. Before joining Citibank in 1985, Mr. A. Mak was an audit group manager at Coopers & Lybrand (now known as PricewaterhouseCoopers). He worked for Coopers & Lybrand for eight years, five of which was in Toronto, Canada. He graduated from the University of Toronto with a Bachelor of Commerce degree in 1976.

Mr. A. Mak has entered into a service contract with the Company with no fixed term. In accordance with the provisions of the Articles of Association, he is due to retire from office as Director at the AGM of the Company and is eligible for election thereat. If elected, he will be subject to retirement by rotation once every three years since then and will be eligible for re-election at future AGMs. Mr. A. Mak is entitled to receive an annual director's fee of HK$250,000 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 time allocated to the Company as well as the prevailing market conditions.

To the best knowledge of the Board, saved as disclosed above, Mr. A. Mak does not hold any other directorship in listed public companies in the last three years and does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Notice, Mr. A. Mak does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

(8) Concerning agenda item 4 of this Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed independent auditors of the Company for the year ending 31 July 2013 (the "**Year 2013**"). Members should note that in practice, independent auditors' remuneration for the Year 2013 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of the 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 independent auditors' remuneration as operating expenses for the Year 2013, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for the Year 2013 is required, and is hereby sought, at the AGM.

(9) In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be decided by way of a poll.

(10) If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 6:00 a.m. and 5:00 p.m. on the date of the AGM, the AGM will be postponed and the Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 6:00 a.m. on the date of the AGM and where conditions permit, the AGM will be held as scheduled.

The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether or not they would attend the AGM under any bad weather condition and if they do so, they are advised to exercise care and caution.