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LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 191)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2012

RESULTS

The board of directors (the "**Board**") of Lai Sun Garment (International) Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 July 2012 together with the comparative figures of 2011 as follows:

Consolidated Income Statement

For the year ended 31 July 2012

	Notes	2012 HK\$'000	2011 HK\$'000 (Restated)
TURNOVER	3	947,247	1,058,386
Cost of sales		<u>(360,729)</u>	<u>(573,191)</u>
Gross profit		586,518	485,195
Other revenue and gain	4	20,942	53,212
Selling and marketing expenses		(14,378)	(34,948)
Administrative expenses		(359,694)	(283,067)
Other operating expenses, net		(56,213)	(40,918)
Fair value gains on investment properties		1,175,491	1,084,917
Reversal of provision/(provision) for tax indemnity	5	<u>53,213</u>	<u>(48,379)</u>
PROFIT FROM OPERATING ACTIVITIES	6	1,405,879	1,216,012
Finance costs	7	(67,640)	(57,038)
Gain on Shares Swap Transactions	8	-	2,884,095
Share of profits and losses of associates		442,304	(17,751)
Share of profits of joint ventures		676,730	539,957
Discount on acquisition of additional interest in an associate		88,695	-
Loss on deemed disposal of interest in an associate		<u>-</u>	<u>(3,552)</u>
PROFIT BEFORE TAX		2,545,968	4,561,723
Tax	9	<u>(35,080)</u>	<u>(34,741)</u>
PROFIT FOR THE YEAR		<u><u>2,510,888</u></u>	<u><u>4,526,982</u></u>

Consolidated Income Statement (continued)

	<i>Note</i>	2012 HK\$'000	2011 <i>HK\$'000</i> (Restated)
Attributable to:			
Ordinary equity holders of the Company		1,385,898	3,790,454
Non-controlling interests		1,124,990	736,528
		<u>2,510,888</u>	<u>4,526,982</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY 10			
Basic		<u>HK\$0.857</u>	<u>HK\$2.344</u>
Diluted		<u>HK\$0.857</u>	<u>N/A</u>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
PROFIT FOR THE YEAR	<u>2,510,888</u>	<u>4,526,982</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	92,842	262,153
Exchange realignments:		
Subsidiaries	(3,845)	242
Associates	(72,744)	116,749
Share of asset revaluation reserve of an associate	-	3,786
Release of share of exchange fluctuation reserve upon disposal of an associate	-	(542,299)
Release of investment revaluation reserve and exchange fluctuation reserve to the income statement upon an available-for-sale financial asset treated as if it was disposed of and re-acquired	<u>-</u>	<u>(110,547)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	<u>16,253</u>	<u>(269,916)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,527,141</u>	<u>4,257,066</u>
Attributable to:		
Ordinary equity holders of the Company	1,393,694	3,376,056
Non-controlling interests	<u>1,133,447</u>	<u>881,010</u>
	<u>2,527,141</u>	<u>4,257,066</u>

Consolidated Statement of Financial Position

As at 31 July 2012

	Notes	31 July 2012 HK\$'000	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		672,960	688,318	316
Prepaid land lease payments		25,010	26,038	-
Investment properties		10,254,611	9,057,631	1,046,600
Properties under development for sale		1,435,473	1,224,250	-
Interests in associates		3,115,115	2,532,854	3,348,488
Interests in joint ventures		3,914,401	2,906,528	-
Available-for-sale financial assets		1,185,810	1,035,937	243,709
Pledged bank balances and time deposits		-	99,591	-
Deposits paid		61,500	90,000	-
Total non-current assets		20,664,880	17,661,147	4,639,113
CURRENT ASSETS				
Completed properties for sale		106,580	196,799	-
Equity investments at fair value through profit or loss		1,648	13,638	-
Inventories		5,305	5,878	-
Debtors, deposits paid and other receivables	11(a)	104,692	132,762	6,262
Tax recoverable		-	-	682
Held-to-maturity debt investments		-	33,963	-
Pledged bank balances and time deposits		106,037	-	-
Cash and cash equivalents		1,746,822	1,455,110	317,449
Total current assets		2,071,084	1,838,150	324,393
CURRENT LIABILITIES				
Creditors, deposits received and accruals	11(b)	273,070	251,782	66,537
Tax payable		65,843	62,896	-
Interest-bearing bank and other borrowings		1,417,818	249,097	16,000
Total current liabilities		1,756,731	563,775	82,537
NET CURRENT ASSETS		314,353	1,274,375	241,856
TOTAL ASSETS LESS CURRENT LIABILITIES		20,979,233	18,935,522	4,880,969
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		(1,739,149)	(2,544,185)	(376,745)
Note payable		(195,000)	(195,000)	(195,000)
Accrued interest payable		(100,875)	(89,525)	(78,188)
Amounts due to associates		(20,799)	(15,854)	-
Deferred tax		(171,224)	(165,052)	(1,791)
Provision for tax indemnity	5	(716,608)	(769,821)	-
Long term rental deposits received		(65,929)	(70,491)	(12,910)
Total non-current liabilities		(3,009,584)	(3,849,928)	(664,634)
		17,969,649	15,085,594	4,216,335

Consolidated Statement of Financial Position *(continued)*

	31 July 2012 HK\$'000	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	16,174	16,174	16,174
Share premium account	1,908,840	1,908,840	1,908,840
Investment revaluation reserve	140,492	95,955	41,458
Share option reserve	8,658	174	682
Asset revaluation reserve	55,494	55,494	62,624
Capital reserve	-	-	146,670
Other reserve	35,432	1,249	-
Exchange fluctuation reserve	422	37,163	509,844
Retained profits	6,861,232	5,475,334	1,530,043
	9,026,744	7,590,383	4,216,335
Non-controlling interests	8,942,905	7,495,211	-
	17,969,649	15,085,594	4,216,335

Notes to Consolidated Financial Statements

1. BASIS OF PREPARATION

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

2. IMPACT OF NEW AND REVISED HKFRSs

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group for the first time for the current year's financial statements:

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
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

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

In addition, 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

HKAS 12 (Amendments) "Income taxes-Deferred tax: Recovery of Underlying Assets"

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 amendments, deferred tax on investment property at fair value is measured to reflect the tax consequence of recovering the carrying amounts of the investment properties through use. Upon the adoption, the Group's deferred tax liability with respect to investment properties is reduced.

2. IMPACT OF NEW AND REVISED HKFRSs (continued)

The Group measures its investment properties using the fair value model. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale, unless the presumption is rebutted as set out in HKAS 12 (Amendments). As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the reporting date. The adoption of HKAS 12 (Amendments) has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties. Previously, the Group recognised deferred taxes on changes in fair value of the investment properties on the basis that the entire carrying amounts of the properties are recovered through use. HKAS 12 (Amendments) has been adopted retrospectively.

In the current year, no deferred tax has been provided for changes in fair value of the Group's investment properties. The impact on the financial statements is detailed in the tables below.

New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities

HKICPA has issued a package of five standards on consolidation, joint arrangements, associates and disclosure of interests in other entities including HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure 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 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.

2. IMPACT OF NEW AND REVISED HKFRSs (continued)

The adoption of HKFRS 10 has affected the accounting for the Company's 47.97% interest in Lai Sun Development Company Limited ("**LSD**"). Before 30 September 2010, the Company held 11.25% interest in LSD. Upon completion of the Shares Swap Transactions as detailed in note 8 on 30 September 2010, the Company held 47.97% interest in LSD and held the same per cent of the voting rights in LSD. There has been no change in the Company's ownership in LSD since then. The remaining 52.03% of the ordinary shares of LSD are owned by numerous widely dispersed shareholders. No individual shareholder holds more than 5% interest in LSD since 30 September 2010 and up to the date of this announcement.

The directors assessed whether or not the Group has control over LSD in accordance with the new definition of control and the related guidance set out in HKFRS 10. After assessment, the directors concluded that the Group has had control over LSD since 30 September 2010 on the basis of the Company's absolute size of holding in LSD and the relative size and dispersion of the shareholdings owned by the other shareholders who acted as principal of their investments in LSD. Therefore, in accordance with the requirements of HKFRS 10, LSD has been a subsidiary of the Company since 30 September 2010. Before the adoption of HKFRS 10, LSD was treated as an associate of the Company and accounted for using the equity method of accounting.

The change in accounting of the Company's investment in LSD has been applied in accordance with the relevant transitional provisions as if the ownership of the 47.97% interest in LSD had been accounted for in accordance with HKFRS 3 at 30 September 2010.

eSun Holdings Limited ("**eSun**"), a 37.93%-owned associate of LSD, has also early adopted HKFRS 10 in the current year. eSun increased its shareholding in Lai Fung Holdings Limited ("**Lai Fung**") from 40.58% to 47.39% upon the completion of an open offer exercise of Lai Fung on 11 June 2012. With early adoption of HKFRS 10, the directors of eSun concluded that eSun has had control over Lai Fung since 11 June 2012 and eSun has accounted for Lai Fung as a subsidiary.

The above changes in accounting have affected the amounts reported in the financial statements and the impact is detailed in the tables below.

HKFRS 11 "Joint Arrangements"

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HKSIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures and removes the option to account for joint ventures using proportionate consolidation.

The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g., a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

Upon the adoption of HKFRS 11, the directors reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investments in joint arrangements.

2. IMPACT OF NEW AND REVISED HKFRSs (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.

Effects on the consolidated financial statements of the early adoption of new and revised HKFRSs

Impact on the consolidated income statement for the year ended 31 July 2012

	<u>For the year ended 31 July 2012</u>		
	HKAS 12		
	(Amendments)	HKFRS 10	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in turnover	-	874,164	874,164
Increase in cost of sales	-	(350,114)	(350,114)
Increase in other revenue and gain	-	19,346	19,346
Increase in selling and marketing expenses	-	(13,544)	(13,544)
Increase in administrative expenses	-	(327,669)	(327,669)
Increase in other operating expenses, net	-	(48,339)	(48,339)
Increase in fair value gains on investment properties	-	793,709	793,709
Increase in reversal of provision for tax indemnity	-	53,213	53,213
Increase in finance costs	-	(49,823)	(49,823)
Increase/(decrease) in share of profits and losses of associates	113,694	(464,513)	(350,819)
Increase in share of profits of joint ventures	-	676,730	676,730
Increase in discount on acquisition of additional interest in an associate	-	88,695	88,695
Decrease/(increase) in tax	<u>62,994</u>	<u>(29,273)</u>	<u>33,721</u>
 Increase in profit for the year	 <u>176,688</u>	 <u>1,222,582</u>	 <u>1,399,270</u>
 Increase in profit for the year attributable to:			
Ordinary equity holders of the Company	176,688	97,592	274,280
Non-controlling interests	<u>-</u>	<u>1,124,990</u>	<u>1,124,990</u>
	<u>176,688</u>	<u>1,222,582</u>	<u>1,399,270</u>

2. **IMPACT OF NEW AND REVISED HKFRSs** (continued)

Impact on the consolidated income statement for the year ended 31 July 2011

	For the year ended 31 July 2011		
	HKAS 12	HKFRS 10	Total
	(Amendments)		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in turnover	-	999,320	999,320
Increase in cost of sales	-	(561,600)	(561,600)
Increase in other revenue and gain	-	51,937	51,937
Increase in selling and marketing expenses	-	(33,374)	(33,374)
Increase in administrative expenses	-	(249,608)	(249,608)
Increase in other operating expenses, net	-	(36,402)	(36,402)
Increase in fair value gains on investment properties	-	821,163	821,163
Increase in provision for tax indemnity	-	(48,379)	(48,379)
Increase in finance costs	-	(39,010)	(39,010)
Increase in gain on Shares Swap Transactions	607,781	-	607,781
Increase/(decrease) in share of profits and losses of associates	99,882	(673,128)	(573,246)
Increase in share of profits of joint ventures	-	539,957	539,957
Increase in loss on deemed disposal of interest in an associate	-	(3,552)	(3,552)
Decrease/(increase) in tax	<u>43,519</u>	<u>(30,796)</u>	<u>12,723</u>
Increase in profit for the year	<u>751,182</u>	<u>736,528</u>	<u>1,487,710</u>
Increase in profit for the year attributable to:			
Ordinary equity holders of the Company	751,182	-	751,182
Non-controlling interests	<u>-</u>	<u>736,528</u>	<u>736,528</u>
	<u>751,182</u>	<u>736,528</u>	<u>1,487,710</u>

2. **IMPACT OF NEW AND REVISED HKFRSs** (continued)

Impact on the Group's net assets and equity as at 31 July 2012

	Group		
	HKAS 12	HKFRS 10	Total
	(Amendments)		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in property, plant and equipment	-	672,850	672,850
Increase in prepaid land lease payments	-	25,010	25,010
Increase in investment properties	-	8,571,411	8,571,411
Increase in properties under development for sale	-	1,435,473	1,435,473
Increase/(decrease) in interests in associates	842,930	(4,667,927)	(3,824,997)
Increase in interests in joint ventures	-	3,914,401	3,914,401
Increase in available-for-sale financial assets	-	1,185,810	1,185,810
Increase in deposits paid	-	61,500	61,500
Increase in completed properties for sale	-	106,580	106,580
Increase in equity investments at fair value through profit or loss	-	1,648	1,648
Increase in inventories	-	5,305	5,305
Increase in debtors, deposits paid and other receivables	-	98,993	98,993
Increase in pledged bank balances and time deposits	-	106,037	106,037
Increase in cash and cash equivalents	-	1,565,105	1,565,105
Increase in creditors, deposits received and accruals	-	(243,002)	(243,002)
Increase in tax payable	-	(61,627)	(61,627)
Increase in interest-bearing bank and other borrowings	-	(2,812,222)	(2,812,222)
Increase in amounts due to associates	-	(20,799)	(20,799)
Decrease/(increase) in deferred tax	190,763	(163,898)	26,865
Increase in provision for tax indemnity	-	(716,608)	(716,608)
Increase in long term rental deposits received	-	(60,032)	(60,032)
	<u>1,033,693</u>	<u>9,004,008</u>	<u>10,037,701</u>
Net assets			
Increase in investment revaluation reserve	20,306	-	20,306
Decrease in other reserve	-	(36,489)	(36,489)
Increase in retained profits	1,013,387	97,592	1,110,979
Increase in non-controlling interests	-	8,942,905	8,942,905
	<u>1,033,693</u>	<u>9,004,008</u>	<u>10,037,701</u>
Total equity			

2. **IMPACT OF NEW AND REVISED HKFRSs** (continued)

Impact on the Group's net assets and equity as at 31 July 2011

	Group			
	Originally	HKAS 12	HKFRS 10	Restated
	stated	(Amendments)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment	131	-	688,187	688,318
Prepaid land lease payments	-	-	26,038	26,038
Investment properties	1,300,200	-	7,757,431	9,057,631
Properties under development for sale	-	-	1,224,250	1,224,250
Interests in associates	5,814,172	723,410	(4,004,728)	2,532,854
Interests in joint ventures	-	-	2,906,528	2,906,528
Available-for-sale financial assets	-	-	1,035,937	1,035,937
Pledged bank balances and time deposits	-	-	99,591	99,591
Deposits paid	-	-	90,000	90,000
Completed properties for sale	-	-	196,799	196,799
Equity investments at fair value through profit or loss	3,480	-	10,158	13,638
Inventories	-	-	5,878	5,878
Debtors, deposits paid and other receivables	8,724	-	124,038	132,762
Held-to-maturity debt investments	-	-	33,963	33,963
Cash and cash equivalents	452,305	-	1,002,805	1,455,110
Creditors, deposits received and accruals	(30,472)	-	(221,310)	(251,782)
Tax payable	-	-	(62,896)	(62,896)
Interest-bearing bank and other borrowings	(376,745)	-	(2,416,537)	(2,793,282)
Amounts due to associates	-	-	(15,854)	(15,854)
Deferred tax	(133,505)	127,769	(159,316)	(165,052)
Provision for tax indemnity	-	-	(769,821)	(769,821)
Long term rental deposits received	(14,561)	-	(55,930)	(70,491)
Other assets and liabilities	(284,525)	-	-	(284,525)
Net assets	<u>6,739,204</u>	<u>851,179</u>	<u>7,495,211</u>	<u>15,085,594</u>
Investment revaluation reserve	81,475	14,480	-	95,955
Retained profits	4,638,635	836,699	-	5,475,334
Other reserves	2,019,094	-	-	2,019,094
Non-controlling interests	-	-	7,495,211	7,495,211
Total equity	<u>6,739,204</u>	<u>851,179</u>	<u>7,495,211</u>	<u>15,085,594</u>

2. IMPACT OF NEW AND REVISED HKFRSs (continued)

Impact on the Group's net assets and equity as at 1 August 2010

	Group			
	Originally stated <i>HK\$'000</i>	HKAS 12 (Amendments) <i>HK\$'000</i>	HKFRS 10 <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Interests in associates	3,347,221	1,267	-	3,348,488
Deferred tax	(86,041)	84,250	-	(1,791)
Other assets and liabilities	<u>869,638</u>	<u>-</u>	<u>-</u>	<u>869,638</u>
Net assets	<u>4,130,818</u>	<u>85,517</u>	<u>-</u>	<u>4,216,335</u>
Equity attributable to ordinary equity holders of the Company:				
Retained profits	1,444,526	85,517	-	1,530,043
Other reserves	<u>2,686,292</u>	<u>-</u>	<u>-</u>	<u>2,686,292</u>
Total equity	<u>4,130,818</u>	<u>85,517</u>	<u>-</u>	<u>4,216,335</u>

Impact on the Group's earnings per share

	Profit for the year attributable to ordinary equity holders of the Company		Basic earnings per share		Diluted earnings per share	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$</i> <i>per share</i>	2011 <i>HK\$</i> <i>per share</i>	2012 <i>HK\$</i> <i>per share</i>	2011 <i>HK\$</i> <i>per share</i>
Amounts before restatements	1,111,618	3,039,272	0.688	1.879	0.688	N/A
Adjustments arising from changes in accounting policies in relation to:						
HKAS 12 (Amendments)	176,688	751,182	0.109	0.465	0.109	
HKFRS 10	<u>97,592</u>	<u>-</u>	<u>0.060</u>	<u>-</u>	<u>0.060</u>	
Amounts after restatement	<u>1,385,898</u>	<u>3,790,454</u>	<u>0.857</u>	<u>2.344</u>	<u>0.857</u>	

2. IMPACT OF NEW AND REVISED HKFRSs (continued)

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

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

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2015

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2014

The Group is in the process of making an assessment of the impact upon initial adoption 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 of operations and financial position.

3. SEGMENT INFORMATION

Segment revenue and results

The following table presents revenue and results for the Group's reportable segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)	
Segment revenue:												
Sales to external customers	92,122	345,429	468,228	367,937	362,759	327,239	24,138	17,781	-	-	947,247	1,058,386
Intersegment sales	-	-	11,585	6,856	-	-	26,094	21,303	(37,679)	(28,159)	-	-
Other revenue	5,444	5,962	2,388	376	2	-	973	-	-	-	8,807	6,338
Total	<u>97,566</u>	<u>351,391</u>	<u>482,201</u>	<u>375,169</u>	<u>362,761</u>	<u>327,239</u>	<u>51,205</u>	<u>39,084</u>	<u>(37,679)</u>	<u>(28,159)</u>	<u>956,054</u>	<u>1,064,724</u>
Segment results	<u>5,349</u>	<u>930</u>	<u>368,502</u>	<u>287,553</u>	<u>68,442</u>	<u>69,818</u>	<u>4,214</u>	<u>196</u>	<u>-</u>	<u>-</u>	<u>446,507</u>	<u>358,497</u>
Interest income and unallocated gain											12,135	46,874
Fair value gains on investment properties	-	-	1,175,491	1,084,917	-	-	-	-	-	-	1,175,491	1,084,917
Unallocated expenses											(281,467)	(225,897)
Reversal of provision/ (provision) for tax indemnity											53,213	(48,379)
Profit from operating activities											1,405,879	1,216,012
Finance costs											(67,640)	(57,038)
Gain on Shares Swap Transactions											-	2,884,095
Share of profits and losses of associates	768	(60)	2,697	13,000	(1,538)	787	-	-	-	-	1,927	13,727
Share of profits and losses of associates - unallocated											440,377	(31,478)
Share of profits of joint ventures	28,293	113,597	648,437	426,360	-	-	-	-	-	-	676,730	539,957
Discount on acquisition of additional interest in an associate											88,695	-
Loss on deemed disposal of interest in an associate											-	(3,552)
Profit before tax											2,545,968	4,561,723
Tax											(35,080)	(34,741)
Profit for the year											<u>2,510,888</u>	<u>4,526,982</u>

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2012 HK\$'000	2011 HK\$'000 (Restated)	2012 HK\$'000	2011 HK\$'000 (Restated)	2012 HK\$'000	2011 HK\$'000 (Restated)	2012 HK\$'000	2011 HK\$'000 (Restated)	2012 HK\$'000	2011 HK\$'000 (Restated)	2012 HK\$'000	2011 HK\$'000 (Restated)
Segment assets	1,555,210	1,434,970	10,389,688	9,094,740	781,934	789,548	56,819	55,143	-	-	12,783,651	11,374,401
Interests in associates	14,734	13,934	23,998	20,701	27,516	4,975	-	-	-	-	66,248	39,610
Interests in associates - unallocated											3,048,867	2,493,244
Interests in joint ventures	281,506	1,059,404	3,632,895	1,847,124	-	-	-	-	-	-	3,914,401	2,906,528
Unallocated assets											2,922,797	2,685,514
Total assets											22,735,964	19,499,297
Segment liabilities	44,301	33,382	138,343	125,667	56,456	47,743	6,115	14,690	-	-	245,215	221,482
Bank and other borrowings											3,156,967	2,793,282
Other unallocated liabilities											1,364,133	1,398,939
Total liabilities											4,766,315	4,413,703

Other Segment information

Amortisation of prepaid land lease payments	-	-	-	-	1,028	856	-	-	-	-	1,028	856
Depreciation	127	103	10	24	25,450	20,718	102	131	-	-	25,689	20,976
Depreciation - unallocated											8,835	7,198
											34,524	28,174
Capital expenditure	211,730	187,550	91,832	238,435	16,435	5,430	61	10	-	-	320,058	431,425
Capital expenditure - unallocated											6,494	1,385
											326,552	432,810

3. SEGMENT INFORMATION (continued)

The following table presents revenue and assets by geographical location of the assets for the year ended 31 July 2012 and 2011:

	Hong Kong		Vietnam		Others		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)		(Restated)		(Restated)		(Restated)	
Segment revenue								
Sales to external customers	627,296	763,752	302,324	273,799	17,627	20,835	947,247	1,058,386
Other revenue	8,807	6,338	-	-	-	-	8,807	6,338
Total	<u>636,103</u>	<u>770,090</u>	<u>302,324</u>	<u>273,799</u>	<u>17,627</u>	<u>20,835</u>	<u>956,054</u>	<u>1,064,724</u>
Segment assets								
Non-current assets	11,543,235	10,075,783	518,173	526,065	216,992	220,889	12,278,400	10,822,737
Current assets	207,276	306,540	238,774	220,722	59,201	24,402	505,251	551,664
	<u>11,750,511</u>	<u>10,382,323</u>	<u>756,947</u>	<u>746,787</u>	<u>276,193</u>	<u>245,291</u>	<u>12,783,651</u>	<u>11,374,401</u>

Information about major customers

For both the years ended 31 July 2012 and 31 July 2011, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

4. OTHER REVENUE AND GAIN

	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Interest income from bank deposits	4,616	2,756
Interest income from held-to-maturity debt investments	1,203	1,649
Other interest income	1,231	1,479
Gain on disposal of an available-for-sale financial asset	-	27,795
Dividend income from listed equity investments		
at fair value through profit or loss	391	87
Dividend income from unlisted available-for-sale financial assets	160	3,926
Project management fee income received from a joint venture	-	3,600
Others	13,341	11,920
	<u>20,942</u>	<u>53,212</u>

5. PROVISION FOR TAX INDEMNITY

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

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

Upon completion of the Shares Swap Transactions, LSD became a subsidiary of the Company. In accordance with HKFRS 3 "Business Combination", the Group recognised the provision for tax indemnity at its fair value as at 30 September 2010. After initial recognition, the Group measures the provision for tax indemnity at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised on 30 September 2010 until the tax indemnity is settled, cancelled or expired.

The fair value at initial recognition was HK\$721,442,000 as at 30 September 2010. After taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group subsequently recorded the provision for tax indemnity of HK\$716,608,000 and HK\$769,821,000 as at 31 July 2012 and 31 July 2011, respectively. Therefore, a reversal of provision for tax indemnity of HK\$53,213,000 (2011 (restated): provision for tax indemnity of HK\$48,379,000) was recognised in the income statement for the year ended 31 July 2012.

6. PROFIT FROM OPERATING ACTIVITIES

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

	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Depreciation [#]	34,524	28,174
Amortisation of prepaid land lease payments*	1,028	856
Loss on disposal of items of property, plant and equipment*	4,331	31
Fair value loss on equity investments at fair value through profit or loss*	803	11,463
Loss/(gain) on disposal of equity investments at fair value through profit or loss*	18,078	(201)

[#] Depreciation charge of HK\$31,856,000 (2011 (restated): HK\$26,158,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the consolidated income statement.

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

7. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Interest on:		
Bank borrowings wholly repayable within five years	56,946	39,891
Other borrowings and note payable wholly repayable within five years	11,350	11,337
Bank financing charges	<u>9,623</u>	<u>8,976</u>
	77,919	60,204
Less: Amount capitalised in properties under development for sale	<u>(10,279)</u>	<u>(3,166)</u>
	<u>67,640</u>	<u>57,038</u>

8. GAIN ON SHARES SWAP TRANSACTIONS

On 26 July 2010, the Company entered into a conditional shares swap agreement with eSun pursuant to which (i) the Company transferred its entire shareholding interest in Lai Fung, representing approximately 40.58% of the issued share capital of Lai Fung, to eSun (the "**Lai Fung Transaction**") whereby eSun transferred its entire shareholding interest in LSD, representing approximately 36.72% of the issued share capital of LSD, to the Company (the "**LSD Transaction**" and referred to as the "**Shares Swap Transactions**" together with the Lai Fung Transaction); and (ii) cash consideration of approximately HK\$178.4 million was paid by eSun to the Company. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Shares Swap Transactions took place on 30 September 2010 (the "**Completion**").

Upon the Completion, Lai Fung ceased to be an associate of the Group and LSD became a 47.97%-owned subsidiary of the Group. As at 30 September 2010 and prior to the Completion, the Group held an 11.25% equity interest in LSD which was accounted for as an available-for-sale financial asset. Gain on Shares Swap Transactions, after taking into account the effect of the adoption of HKAS 12 (Amendments), were recognised in the Group's consolidated income statement for the year ended 31 July 2011 as below:

	<i>HK\$'000</i> (Restated)
Lai Fung Transaction	
Gain on disposal of 40.58% interest in Lai Fung	1,271,659
LSD Transaction	
Release of reserves upon 11.25% interest in LSD treated as if it was disposed of and reacquired	110,547
Gain on bargain purchase of 47.97% interest in LSD	<u>1,501,889</u>
Gain on Shares Swap Transactions	<u><u>2,884,095</u></u>

9. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2012 HK\$'000	2011 <i>HK\$'000</i> (Restated)
Current tax		
Hong Kong	31,281	13,804
Overseas	14,894	14,301
	46,175	28,105
Deferred tax	6,172	6,853
Prior years' overprovision – Hong Kong	(17,267)	(217)
Tax charge for the year	35,080	34,741

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Earnings		
Earnings for the purpose of basic earnings per share	1,385,898	<u>3,790,454</u>
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	<u>(173)</u>	
Earnings for the purpose of diluted earnings per share	<u>1,385,725</u>	
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,617,423	<u>1,617,423</u>
Effect of dilutive potential ordinary shares arising from share options	<u>391</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,617,814</u>	

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

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

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Trade debtors:		
Not yet due or less than 30 days past due	5,362	7,713
31 – 60 days past due	1,287	2,207
61 – 90 days past due	348	549
Over 90 days past due	<u>3,059</u>	<u>2,645</u>
	10,056	13,114
Deposits paid, prepayments and other receivables	<u>94,636</u>	<u>119,648</u>
	<u>104,692</u>	<u>132,762</u>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Trade creditors:		
Not yet due or less than 30 days past due	8,278	15,829
31 – 60 days past due	1,319	1,273
61 – 90 days past due	153	395
Over 90 days past due	<u>486</u>	<u>481</u>
	10,236	17,978
Deposits received, other payables and accruals	<u>262,834</u>	<u>233,804</u>
	<u>273,070</u>	<u>251,782</u>

DIVIDEND

As at 31 July 2012, the Company did not have any reserves available for distribution in accordance with the provisions of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. Accordingly, the Board of the Company has not declared any dividend for the financial year ended 31 July 2012. No dividend was declared in respect of the last corresponding period for the same reason.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has early adopted a number of new and revised HKFRSs this year. One of which, HKAS 12 (Amendments) led to an increase in the consolidated profits attributable to the shareholders of the Company of HK\$751.2 million and an increase in the consolidated net assets of HK\$851.2 million for and as at the year ended 31 July 2011. The Group has restated the financial information of 2011 for comparison purpose.

Overview of final results

For the year ended 31 July 2012, the Group recorded a turnover of HK\$947.2 million (2011 (restated): HK\$1,058.4 million) and a gross profit of HK\$586.5 million (2011 (restated): HK\$485.2 million), representing a decrease of approximately 11% and an increase of 21% respectively over last year. Net profit attributable to shareholders was approximately HK\$1,385.9 million (2011 (restated): HK\$3,790.5 million), representing a decrease of approximately 63%. Accordingly, basic earnings per share declined to HK\$0.857 (2011 (restated): HK\$2.344). The decrease in turnover was due to the conclusion of the sale of the Emerald 28 project. The decrease in profit was also mainly due to the absence of gain from the group reorganisation completed in September 2010. Excluding the effect of property revaluations and the gain from the group reorganisation in last year, net profit attributable to shareholders was approximately HK\$312.3 million (2011 (restated): HK\$42.2 million), representing an increase of approximately 640%. Basic earnings per share excluding revaluation effect and the gain from group reorganisation correspondingly increased to HK\$0.193 (2011 (restated): HK\$0.026).

Shareholders' equity as at 31 July 2012 amounted to HK\$9,026.7 million (2011 (restated): HK\$7,590.4 million). Net asset value per share attributable to shareholders of the Company increased to HK\$5.581 (2011 (restated): HK\$4.693).

The Hong Kong property market weathered the global economic challenges well as a whole primarily due to the chronic lack of short term supply, robust underlying demand and low interest rate environment. Against such backdrop the Group achieved a solid set of results from its investment properties and the remaining units from Emerald 28 and The Oakhill.

As at 31 July 2012, the Group maintained a property portfolio comprising, in gross floor area ("GFA") excluding carparks, completed investment properties of approximately 838,885 square feet, properties under development of approximately 173,207 square feet, and properties held for sale of approximately 7,450 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 as at 31 July 2012

	Commercial / Retail	Office	Industrial	Residential	Total	No. of Carparks
Investment Properties	306	354	179	-	839	491
Properties Under Development	53	55	-	65	173	29
Properties Held for Sale	6	-	-	1	7	6
Total GFA	365	409	179	66	1,019	526

The above table does not include GFA of properties held by Lai Fung.

Property Investment

Rental Income

During the year under review, the Group's rental operations recorded a turnover of HK\$468.2 million (2011 (restated): HK\$367.9 million). The annualized increase is primarily due to the management of tenant mix and rental reversion at our major investment properties.

The Group wholly owns a number of properties in Hong Kong and London. Major properties include Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Lai Sun Commercial Centre, commercial podium of Crocodile Center and Por Yen Building. During the year under review, these properties had in aggregate a total GFA representing 90% of the total GFA of approximately 1,454,510 square feet.

Breakdown of rental turnover by major investment properties is as follows:

	Year ended 31 July		Period end occupancy (%)
	2012 HK\$ million	2011* HK\$ million	
Cheung Sha Wan Plaza (including carparks)	212.7	165.9	99.4
Causeway Bay Plaza 2 (office, retail and carparks)	120.8	95.6	95.4
Lai Sun Commercial Centre (including carparks)	47.3	34.8	98.2
Crocodile Center	59.7	47.6	100.0
Por Yen Building	10.8	9.2	96.7
Other	16.9	14.8	N/A
Total	468.2	367.9	

*Includes 10 months contribution from LSD

Review of major investment properties

Cheung Sha Wan Plaza

The asset comprises of two 8-storey and 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of approximately 690,006 square feet excluding carparks. The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.

Causeway Bay Plaza 2

The asset comprises of a 28-storey commercial/office building with car parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of approximately 208,432 square feet excluding carparks. Key tenants include the HSBC's branch and commercial offices and major restaurants.

Lai Sun Commercial Centre

The asset comprises a 13-storey commercial / carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of approximately 188,537 square feet excluding carparks.

Crocodile Center

Crocodile Center is a 25-storey commercial / office building which was completed in 2009 and located near the Kwun Tong MTR station. The Group owns the retail podium which has a total GFA of approximately 97,800 square feet. Tenants dominated by local restaurant groups.

Por Yen Building

The Por Yen Building, being a 13-storey industrial building with total GFA of approximately 123,207 square feet excluding carparks, is located at the hub of Cheung Sha Wan Business Area and is near to the Lai Chi Kok MTR station.

The Group has interest in the following joint venture projects in Hong Kong:

3 Connaught Road Central

The Group has a 50:50 interest with China Construction Bank Corporation ("**CCB**") in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. The redeveloped project will be an office tower that is expected to become a landmark property in Central featuring underground access to the MTR station in Central. Part of the redeveloped property, upon its completion, will be mostly used by CCB as offices for its Hong Kong operations. The total construction cost of the project is estimated to be approximately HK\$950 million with a total GFA of approximately 229,165 square feet excluding carparks.

The building is expected to be completed before the end of 2012 and pre-leasing of the remaining space is in progress.

2-12 Observatory Road

The Group completed the acquisition of a 50% interest in a project at Observatory Road, Kowloon with the buildings previously erected there known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon in November 2011.

The Group is now in discussions with the joint venture partner as regards the overall re-development plan including the designs, features and quality of the new building. The site is being planned to be redeveloped into a multi-storey commercial building with a total GFA of approximately 162,448 square feet excluding carparks. Subject to the finalisation of the re-development plan with the joint venture partner, the total development cost is estimated to be approximately HK\$2.3 billion including an estimated land value of approximately HK\$1.7 billion. The new building is expected to be completed in 2015.

Property Development

During the year under review, recognised turnover from sales of properties was HK\$92.1 million (2011 (restated): HK\$345.4 million), representing a decrease of 73% over the corresponding period last year. The decrease was due to the conclusion of the sale of the Emerald 28 project where all the remaining units have been sold virtually.

Review of major projects under development

Ocean One, Yau Tong, Kowloon

The Group wholly owns this development project located at No. 6 Shung Shun Street, Yau Tong, Kowloon. The Group is developing the site into a residential-cum-commercial property with a total saleable GFA of about 132,092 square feet excluding carparks. The estimated total development cost (including land cost and lease modification premium) is about HK\$700 million and expected to be completed by end of 2012. The Group is in the process of pre-sale of the residential units currently.

335-339 Tai Hang Road, Hong Kong

The Group wholly owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group is developing the site into a luxury residential property with a total GFA of about 30,479 square feet excluding carparks. The Group completed the lease modification of the site. The total development cost (including land cost and lease modification premium) is estimated to be about HK\$650 million. Completion is expected to be in the second quarter of 2013.

Hotel and Restaurant Operations

The hotel and restaurant operations include the Group's interests in the historic Caravelle Hotel in Ho Chi Minh City, Vietnam and a number of acclaimed restaurants in Hong Kong including the only Michelin 3 star Italian restaurant 8¹/₂ Otto e Mezzo BOMBANA; Michelin 1 star Japanese restaurant Wagyu Kaiseki Den; Michelin 1 star Cantonese restaurant Island Tang; as well as other high profile restaurants such as Kowloon Tang and Chiu Tang.

During the year under review, hotel and restaurant operations contributed HK\$362.8 million to the Group's turnover (2011 (restated): HK\$327.2 million), representing an increase of approximately 11% from the same period last year. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of the Caravelle Hotel. For the year under review, Caravelle Hotel achieved an average occupancy rate of 67% (2011: 69%) and an average daily room rate of US\$149 (2011: US\$147). Caravelle Hotel will undergo a comprehensive renovation and upgrade programme which will commence in the first quarter of 2013. The renovation is expected to finish in the third quarter of 2014.

The hotel and restaurant operations are managed by Furama Hotels and Resorts International Limited ("FHRI"), the Group's hotels and resorts management operation. FHRI has extensive experience in providing consultancy and management services to hotels in China, Hong Kong and other Asian countries. FHRI's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou and Zhongshan. FHRI will provide technical advisory services to the service apartments in Shanghai May Flower Plaza, Guangzhou Paramount Centre and Zhongshan Palm Spring when the relevant developments are completed. All the three properties are expected to complete in 2013.

Interests in associates

During the year under review, contribution from associates increased to HK\$442.3 million (2011 (restated): losses of HK\$17.8 million). This is primarily due to eSun's gain on the bargain purchase of the additional interest in Lai Fung as part of Lai Fung's open offer.

eSun expects its momentum to continue given an underlying schedule of new releases in movies, events and music albums in the coming financial year. Despite the challenging operating environment characterized by stringent austerity measures in the property market in China, Lai Fung was able to deliver a good performance for the year under review. Net asset value and net profit attributable to shareholders increased steadily.

Interests in joint ventures

During the year under review, contribution from joint ventures increased to HK\$676.7 million (2011 (restated): HK\$540.0 million), representing an increase of 25%. This is primarily due to the revaluation gain on the 3 Connaught Road Central project.

Outlook

The monetary easing as a result of central banks around the world attempting to revive major economies around the world is expected to remain for some time which sustains a generally low interest rate environment for the foreseeable future. In Hong Kong, the low interest rate environment, together with the robust underlying demand and lack of near term supply, are expected to be countered by the fiscal policies implemented to cool the property market. The Group believes the Hong Kong property market as a whole will remain stable. Rental of retail properties and sale of residential properties are expected to provide the main impetus.

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 its project pipelines. The Group intends to expand the investment property portfolio through retaining any sizeable commercial and retail elements that it develops to improve recurring income which will form the bedrock for securing funding to develop other projects.

The addition of 3 Connaught Road and the Observatory Road project will add to the critical mass of the investment property portfolio. The Group expects the sale of Ocean One and the Tai Hang Road project to deliver a strong set of results.

Stable Financial Position

In line with the Group's prudent financing strategy aimed at optimising its financial structure and strengthening working capital, it has HK\$1,852.9 million of cash on hand with a net debt to equity ratio of 18% as at 31 July 2012. Since the year end, the Group has self arranged a secured loan facility of HK\$2,200 million from a syndicate of twelve banks with a total of HK\$6.04 billion being committed at the Lai Sun Development level. This strong oversubscription shows the confidence of the banks in the Company and will provide it with additional resources to capitalise on any future opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2012, the Group had consolidated net assets attributable to shareholders of the Company of approximately HK\$9,026.7 million (as at 31 July 2011 (restated): HK\$7,590.4 million).

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

As at 31 July 2012, the Group had secured bank facilities (excluding amounts repaid and cancelled pursuant to the respective terms of the facilities) of approximately HK\$3,440.0 million.

As at 31 July 2012, total borrowings amounted to HK\$3,352.0 million, comprising secured banking facilities of HK\$3,125.2 million, a note payable of HK\$195.0 million and a loan of HK\$31.8 million payable to the late Mr. Lim Por Yen ("**Mr. Lim**"). As at 31 July 2012, there was an outstanding amount of accrued interest of HK\$100.9 million in relation to the above-mentioned note and loan payable to the late Mr. Lim. All of the Group's borrowings were maintained as floating rate debts. The net debt to equity ratio expressed as a percentage of the total outstanding net borrowings (being the total outstanding borrowings and accrued interest payable to the late Mr. Lim less the pledged and unpledged bank balances and time deposits) to consolidated net assets was approximately 18%.

As at 31 July 2012, the maturity profile of the bank borrowings of HK\$3,125.2 million was spread over a period of less than 5 years with HK\$1,417.8 million repayable within 1 year, HK\$357.5 million repayable in the second year and HK\$1,349.9 million repayable in the third to fifth years. The note payable of HK\$195.0 million and the loan of HK\$31.8 million payable to the late Mr. Lim have maturity dates on 30 April 2006 and 30 November 2005, respectively. The Group has received confirmation from the executor of the estate of the late Mr. Lim that such note and loan payables together with the accrued interest are not repayable within one year from the end of the reporting period.

As at 31 July 2012, certain investment properties with carrying amounts of approximately HK\$9,854.4 million, certain property, plant and equipment with carrying amounts of approximately HK\$458.3 million, prepaid land lease payments of approximately HK\$25.0 million, certain properties under development for sale of approximately HK\$1,251.0 million, and certain bank balances and time deposits with banks of approximately HK\$106.0 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares in an associate held by the Group were pledged to a bank to secure a loan facility granted to an associate of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars or United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has an investment in United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK\$124.0 million which only accounted for a small portion of the consolidated net assets of the Group as at 31 July 2012. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

The Company has complied with all the code provisions respectively set out in (a) the former CG Code for the period from 1 August 2011 to 31 March 2012 and (b) the CG Code for the period from 1 April 2012 to 31 July 2012 save for the deviations 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 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 subject to re-election.

None of the existing non-executive directors (including the independent non-executive directors ("**INEDs**")) of the Company is appointed for a specific term. However, all directors of the Company (the "**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 shareholders of the Company (the "**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a non-executive Director ("**NED**")) will hold office only until the next annual general meeting of the Company (the "**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 causal 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.

The Chairman was not present at the AGM held on 21 December 2011 as he did not feel well that day. However, Mr. Lui Siu Tsuen, Richard, an Executive Director who was present at that 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 INEDs should be established and chaired by the chairman of the board or an INED.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors. 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.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises three INEDs, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu and a NED Mr. Wan Yee Hwa, Edward. The Committee has reviewed the consolidated results (including the consolidated financial statements) of the Company for the year ended 31 July 2012.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 July 2012 as set out in this preliminary result announcement have been agreed by the Group's independent auditors, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**") to the amounts set out in the Company's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Ernst & Young on the preliminary results announcement.

ANNUAL GENERAL MEETING

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

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 30 October 2012

As at the date of this announcement, the Board comprises seven executive directors, namely Dr. Lam Kin Ming (Chairman), Dr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Chew Fook Aun (Deputy Chairman), Messrs. Shiu Kai Wah, Lam Kin Hong, Matthew, Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Lui Siu Tsuen, Richard; two non-executive directors, namely Madam U Po Chu and Mr. Wan Yee Hwa, Edward; and three independent non-executive directors, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu.