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## LAI SUN DEVELOPMENT

Lai Sun Development Company Limited  
(Incorporated in Hong Kong with limited liability)

(Stock Code: 488)

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2012

#### RESULTS

The board of directors (the "**Board**") of Lai Sun Development Company 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	875,156	1,192,914
Cost of sales		<u>(330,732)</u>	<u>(581,278)</u>
Gross profit		544,424	611,636
Other revenue and gain	4	19,346	54,330
Selling and marketing expenses		(13,784)	(37,784)
Administrative expenses		(310,865)	(295,898)
Other operating expenses, net		(38,388)	(33,261)
Fair value gains on investment properties		793,709	1,074,933
Reversal of provision/(provision) for tax indemnity	5	<u>171,435</u>	<u>(48,379)</u>
PROFIT FROM OPERATING ACTIVITIES	6	1,165,877	1,325,577
Finance costs	7	(49,823)	(47,076)
Share of profits and losses of associates	10	441,121	271,061
Share of profits of joint ventures		710,968	990,753
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		2,356,838	2,536,763
Tax	8	<u>(31,110)</u>	<u>(38,042)</u>
PROFIT FOR THE YEAR		<u><u>2,325,728</u></u>	<u><u>2,498,721</u></u>

**Consolidated Income Statement (continued)**

	<i>Note</i>	<b>2012</b> <b>HK\$'000</b>	2011 <i>HK\$'000</i> (Restated)
Attributable to:			
Ordinary equity holders of the Company		<b>2,282,568</b>	2,449,128
Non-controlling interests		<b>43,160</b>	49,593
		<u><b>2,325,728</b></u>	<u>2,498,721</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY 9</b>			
Basic		<u><b>HK\$0.125</b></u>	<u>HK\$0.160</u>
Diluted		<u><b>HK\$0.125</b></u>	<u>N/A</u>

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
PROFIT FOR THE YEAR	<u>2,325,728</u>	<u>2,498,721</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	92,842	264,673
Exchange realignments:		
Subsidiaries	(3,845)	370
Associates	(72,744)	70,856
Share of investment revaluation reserve of an associate	-	9,872
Share of an associate's release of reserves to the income statement upon disposal of its interest in an associate	<u>-</u>	<u>(117,997)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>16,253</u>	<u>227,774</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><b>2,341,981</b></u>	<u><b>2,726,495</b></u>
Attributable to:		
Ordinary equity holders of the Company	2,298,818	2,676,760
Non-controlling interests	<u>43,163</u>	<u>49,735</u>
	<u><b>2,341,981</b></u>	<u><b>2,726,495</b></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)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		350,817	356,226	368,231
Prepaid land lease payments		25,010	26,038	27,066
Investment properties		8,570,911	7,756,931	6,444,930
Properties under development for sale		1,309,418	1,098,195	900,378
Interests in associates	10	3,083,687	2,503,210	2,267,671
Interests in joint ventures		3,889,258	2,847,147	1,851,040
Available-for-sale financial assets		1,185,810	1,035,937	770,516
Held-to-maturity debt investments		-	-	35,840
Pledged bank balances and time deposits		-	99,591	99,154
Deposits paid		61,500	90,000	-
<b>Total non-current assets</b>		<b>18,476,411</b>	<b>15,813,275</b>	<b>12,764,826</b>
<b>CURRENT ASSETS</b>				
Completed properties for sale		76,480	147,197	465,085
Equity investments at fair value through profit or loss		1,648	10,158	12,552
Inventories		5,305	5,878	4,780
Debtors, deposits paid and other receivables	11(a)	99,594	124,827	121,315
Held-to-maturity debt investments		-	33,963	144,812
Pledged bank balances and time deposits		106,037	-	-
Cash and cash equivalents		1,565,105	1,002,805	1,124,778
<b>Total current assets</b>		<b>1,854,169</b>	<b>1,324,828</b>	<b>1,873,322</b>
<b>CURRENT LIABILITIES</b>				
Creditors, deposits received and accruals	11(b)	243,603	222,099	216,621
Tax payable		61,627	62,896	51,829
Bank borrowings		1,104,818	217,097	390,323
<b>Total current liabilities</b>		<b>1,410,048</b>	<b>502,092</b>	<b>658,773</b>
<b>NET CURRENT ASSETS</b>		<b>444,121</b>	<b>822,736</b>	<b>1,214,549</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>18,920,532</b>	<b>16,636,011</b>	<b>13,979,375</b>
<b>NON-CURRENT LIABILITIES</b>				
Bank borrowings		(1,707,404)	(2,199,440)	(2,313,493)
Amounts due to associates		(20,799)	(15,854)	(15,808)
Deferred tax		(100,880)	(94,461)	(89,227)
Provision for tax indemnity	5	(347,135)	(518,570)	(470,191)
Long term rental deposits received		(60,032)	(55,930)	(47,523)
<b>Total non-current liabilities</b>		<b>(2,236,250)</b>	<b>(2,884,255)</b>	<b>(2,936,242)</b>
		<b>16,684,282</b>	<b>13,751,756</b>	<b>11,043,133</b>

**Consolidated Statement of Financial Position** *(continued)*

		<b>31 July 2012 HK\$'000</b>	31 July 2011 HK\$'000 (Restated)	1 August 2010 HK\$'000 (Restated)
<b>EQUITY</b>				
Equity attributable to ordinary equity holders of the Company				
Issued capital	12	<b>200,629</b>	141,620	141,620
Share premium account		<b>7,429,332</b>	6,974,701	6,974,701
Investment revaluation reserve		<b>1,079,452</b>	986,610	829,475
Share option reserve		<b>11,139</b>	1,092	12,417
Capital redemption reserve		<b>1,200,000</b>	1,200,000	1,200,000
General reserve	12	<b>630,400</b>	504,136	504,136
Other reserve		<b>78,823</b>	7,565	3,734
Special capital reserve	12	<b>-</b>	126,264	126,264
Exchange fluctuation reserve		<b>35,787</b>	112,379	35,058
Retained profits		<b>5,692,023</b>	3,409,455	954,597
		<b>16,357,585</b>	13,463,822	10,782,002
Non-controlling interests		<b>326,697</b>	287,934	261,131
		<b>16,684,282</b>	13,751,756	11,043,133

## 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.

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.

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

### *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.

eSun Holdings Limited ("**eSun**"), a 37.93%-owned associate of the Group has also early adopted HKFRS 10 in the current year. As detailed in note 10, the directors of eSun concluded that eSun has had control over Lai Fung Holdings Limited ("**Lai Fung**") and Lai Fung has become a subsidiary of eSun upon the completion of the Open Offer (as defined in note 10) on 11 June 2012. The impact on the financial statements 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	HKFRS 10	HKFRS 11	Total
	(Amendments)	HK\$'000	HK\$'000	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in share of profits and losses of associates	-	203,444	(606,729)	(403,285)
Increase in share of profits of joint ventures	104,239	-	606,729	710,968
Decrease in tax	<u>131,912</u>	<u>-</u>	<u>-</u>	<u>131,912</u>
Increase in profit for the year	<u>236,151</u>	<u>203,444</u>	<u>-</u>	<u>439,595</u>
Increase in profit for the year attributable to ordinary equity holders of the Company	<u>236,151</u>	<u>203,444</u>	<u>-</u>	<u>439,595</u>

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

	<u>For the year ended 31 July 2011</u>		
	HKAS 12	HKFRS 11	Total
	(Amendments)	HK\$'000	HK\$'000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in share of profits and losses of associates	-	(899,362)	(1,064,520)
Increase in share of profits of joint ventures	91,391	899,362	990,753
Decrease in tax	<u>179,188</u>	<u>-</u>	<u>179,188</u>
Increase in profit for the year	<u>105,421</u>	<u>-</u>	<u>105,421</u>
Increase in profit for the year attributable to ordinary equity holders of the Company	<u>105,421</u>	<u>-</u>	<u>105,421</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 (Amendments)	HKFRS 10	HKFRS 11	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(decrease) in interests in associates	-	127,377	(3,498,828)	(3,371,451)
Increase in interests in joint ventures	390,430	-	3,498,828	3,889,258
Increase in available-for-sale financial assets	164,900	-	-	164,900
Decrease in deferred tax	<u>1,197,748</u>	<u>-</u>	<u>-</u>	<u>1,197,748</u>
Increase in net assets	<u>1,753,078</u>	<u>127,377</u>	<u>-</u>	<u>1,880,455</u>
Increase in investment revaluation reserve	164,900	-	-	164,900
Decrease in other reserve	-	(76,067)	-	(76,067)
Increase in retained profits	<u>1,588,178</u>	<u>203,444</u>	<u>-</u>	<u>1,791,622</u>
Increase in equity	<u>1,753,078</u>	<u>127,377</u>	<u>-</u>	<u>1,880,455</u>

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

	Group			
	Originally stated	HKAS 12 (Amendments)	HKFRS 11	Restated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests in associates (including amounts due to associates)	5,048,312	-	(2,560,956)	2,487,356
Interests in joint ventures	-	286,191	2,560,956	2,847,147
Available-for-sale financial assets	883,183	152,754	-	1,035,937
Deferred tax	(1,160,297)	1,065,836	-	(94,461)
Other assets and liabilities	<u>7,475,777</u>	<u>-</u>	<u>-</u>	<u>7,475,777</u>
Net assets	<u>12,246,975</u>	<u>1,504,781</u>	<u>-</u>	<u>13,751,756</u>
Investment revaluation reserve	833,856	152,754	-	986,610
Retained profits	2,057,428	1,352,027	-	3,409,455
Other reserves	9,067,757	-	-	9,067,757
Non-controlling interests	<u>287,934</u>	<u>-</u>	<u>-</u>	<u>287,934</u>
Total equity	<u>12,246,975</u>	<u>1,504,781</u>	<u>-</u>	<u>13,751,756</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 11 <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Interests in associates (including amounts due to associates)	3,725,761	182,342	(1,656,240)	2,251,863
Interests in joint ventures	-	194,800	1,656,240	1,851,040
Available-for-sale financial assets	657,994	112,522	-	770,516
Deferred tax	(975,875)	886,648	-	(89,227)
Other assets and liabilities	<u>6,258,941</u>	<u>-</u>	<u>-</u>	<u>6,258,941</u>
Net assets	<u>9,666,821</u>	<u>1,376,312</u>	<u>-</u>	<u>11,043,133</u>
Investment revaluation reserve	699,769	129,706	-	829,475
Retained profits/(accumulated losses)	(292,009)	1,246,606	-	954,597
Other reserves	8,997,930	-	-	8,997,930
Non-controlling interests	<u>261,131</u>	<u>-</u>	<u>-</u>	<u>261,131</u>
Total equity	<u>9,666,821</u>	<u>1,376,312</u>	<u>-</u>	<u>11,043,133</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 restatement	1,842,973	2,343,707	0.101	0.153	0.101	N/A
Restatement in relation to:						
HKAS 12 (Amendments)	236,151	105,421	0.013	0.007	0.013	
HKFRS 10	<u>203,444</u>	<u>-</u>	<u>0.011</u>	<u>-</u>	<u>0.011</u>	
Amounts after restatement	<u>2,282,568</u>	<u>2,449,128</u>	<u>0.125</u>	<u>0.160</u>	<u>0.125</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 <sup>1</sup>
Amendments to HKFRS 1	Government Loans <sup>1</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>3</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>1</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>4</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> 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. OPERATING 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
Segment revenue:												
Sales to external customers	92,122	414,521	395,777	367,455	362,759	389,419	24,498	21,519	-	-	875,156	1,192,914
Intersegment sales	-	-	10,953	7,670	-	-	25,734	24,916	(36,687)	(32,586)	-	-
Other revenue	5,444	6,099	2,388	507	2	-	973	-	-	-	8,807	6,606
Total	<u>97,566</u>	<u>420,620</u>	<u>409,118</u>	<u>375,632</u>	<u>362,761</u>	<u>389,419</u>	<u>51,205</u>	<u>46,435</u>	<u>(36,687)</u>	<u>(32,586)</u>	<u>883,963</u>	<u>1,199,520</u>
Segment results	<u>11,308</u>	<u>60,036</u>	<u>306,508</u>	<u>283,523</u>	<u>76,228</u>	<u>85,816</u>	<u>4,574</u>	<u>1,119</u>	<u>-</u>	<u>-</u>	<u>398,618</u>	<u>430,494</u>
Interest income and unallocated gain											10,539	47,724
Fair value gains on investment properties	-	-	793,709	1,074,933	-	-	-	-	-	-	793,709	1,074,933
Unallocated expenses											(208,424)	(179,195)
Reversal of provision/ (provision) for tax indemnity											171,435	(48,379)
Profit from operating activities											1,165,877	1,325,577
Finance costs											(49,823)	(47,076)
Share of profits and losses of associates (restated)	2,016	62	-	-	(1,538)	785	-	-	-	-	478	847
Share of profits and losses of associates – unallocated (restated)											440,643	270,214
Share of profits of joint ventures (restated)	62,531	436,445	648,437	554,308	-	-	-	-	-	-	710,968	990,753
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											2,356,838	2,536,763
Tax (restated)											(31,110)	(38,042)
Profit for the year											<u>2,325,728</u>	<u>2,498,721</u>

### 3. OPERATING 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	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
Segment assets	<b>1,398,555</b>	1,258,813	<b>8,705,592</b>	7,794,466	<b>558,074</b>	557,901	<b>56,819</b>	55,143	-	-	<b>10,719,040</b>	9,666,323
Interests in associates (restated)	<b>9,503</b>	7,600	-	-	<b>11,214</b>	4,975	-	-	-	-	<b>20,717</b>	12,575
Interests in associates - unallocated (restated)											<b>3,062,970</b>	2,490,635
Interests in joint ventures (restated)	<b>256,363</b>	713,832	<b>3,632,895</b>	2,133,315	-	-	-	-	-	-	<b>3,889,258</b>	2,847,147
Unallocated assets											<b>2,638,595</b>	2,121,423
Total assets											<b>20,330,580</b>	17,138,103
Segment liabilities	<b>44,301</b>	33,382	<b>119,140</b>	106,291	<b>56,456</b>	47,743	<b>6,115</b>	14,690	-	-	<b>226,012</b>	202,106
Bank borrowings											<b>2,812,222</b>	2,416,537
Other unallocated liabilities (restated)											<b>608,064</b>	767,704
Total liabilities											<b>3,646,298</b>	3,386,347
<b>Other Segment information</b>												
Amortisation of prepaid land lease payments	-	-	-	-	<b>1,028</b>	1,028	-	-	-	-	<b>1,028</b>	1,028
Depreciation	<b>127</b>	124	<b>10</b>	29	<b>17,664</b>	17,044	<b>102</b>	135	-	-	<b>17,903</b>	17,332
Depreciation - unallocated											<b>6,615</b>	6,137
											<b>24,518</b>	23,469
Capital expenditure	<b>211,751</b>	197,816	<b>90,613</b>	237,068	<b>16,435</b>	11,183	<b>61</b>	21	-	-	<b>318,860</b>	446,088
Capital expenditure - unallocated											<b>6,417</b>	780
											<b>325,277</b>	446,868

### 3. OPERATING SEGMENT INFORMATION *(continued)*

#### Geographical information

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

	Hong Kong		Vietnam		Others		Consolidated	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Segment revenue								
Sales to external customers	555,205	843,028	302,324	324,622	17,627	25,264	875,156	1,192,914
Other revenue	8,807	6,606	-	-	-	-	8,807	6,606
Total	<u>564,012</u>	<u>849,634</u>	<u>302,324</u>	<u>324,622</u>	<u>17,627</u>	<u>25,264</u>	<u>883,963</u>	<u>1,199,520</u>
Segment assets								
Non-current assets	9,733,407	8,648,940	294,313	294,418	216,992	220,889	10,244,712	9,164,247
Current assets	176,353	256,952	238,774	220,722	59,201	24,402	474,328	502,076
Total	<u>9,909,760</u>	<u>8,905,892</u>	<u>533,087</u>	<u>515,140</u>	<u>276,193</u>	<u>245,291</u>	<u>10,719,040</u>	<u>9,666,323</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 HK\$'000	2011 HK\$'000
Interest income from bank deposits	3,862	3,002
Interest income from held-to-maturity debt investments	1,203	2,175
Other interest income	575	737
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	244	113
Dividend income from unlisted available-for-sale financial assets	160	3,926
Project management fee income received from a joint venture	-	3,600
Others	13,302	12,982
	<u>19,346</u>	<u>54,330</u>

## 5. PROVISION FOR TAX INDEMNITY

Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between the Company and Lai Fung, the Company 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 the Company 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 the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (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.

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2012 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK\$1,345,265,000 (2011: HK\$1,336,996,000).

As at 31 July 2012, the directors of the Company, 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, considered it is probable that an estimated amount of HK\$347,135,000 (2011: HK\$518,570,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, a reversal of provision for tax indemnity of HK\$171,435,000 (2011: an additional provision for the tax indemnity amount 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Depreciation #	24,518	23,469
Amortisation of prepaid land lease payments *	1,028	1,028
Loss on disposal of items of property, plant and equipment*	4,331	30
Fair value loss on equity investments at fair value through profit or loss*	803	7,215
Loss on disposal of equity investments at fair value through profit or loss*	<u>10,334</u>	<u>782</u>

# Depreciation charge of HK\$21,901,000 (2011: HK\$21,321,000) 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>
Interest on bank borrowings wholly repayable within five years	51,021	40,889
Bank financing charges	<u>9,081</u>	<u>9,979</u>
	60,102	50,868
Less : Amount capitalised in properties under development for sale	<u>(10,279)</u>	<u>(3,792)</u>
	<u>49,823</u>	<u>47,076</u>



## 8. 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.

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Current tax		
Hong Kong	<b>27,064</b>	16,776
Overseas	<b>14,894</b>	16,248
	<b>41,958</b>	33,024
Deferred tax	<b>6,419</b>	5,234
Prior years' overprovision – Hong Kong	<b>(17,267)</b>	(216)
Tax charge for the year	<b>31,110</b>	38,042

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Earnings		
Earnings for the purpose of basic earnings per share	<b>2,282,568</b>	2,449,128
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share	<b>(19)</b>	
Earnings for the purpose of diluted earnings per share	<b>2,282,549</b>	
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>18,326,701</b>	15,320,755
Effect of dilutive potential ordinary shares arising from share options	<b>2,490</b>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>18,329,191</b>	

The weighted average number of shares in issue for both years used in the basic earnings per share calculation has been adjusted or restated to reflect the effect of the rights issue completed in December 2011 as set out in note 12.

## 10. INTERESTS IN ASSOCIATES/SHARE OF PROFITS AND LOSSES OF ASSOCIATES

On 26 July 2010, Lai Sun Garment (International) Limited ("**LSG**"), a substantial shareholder of the Company, entered into a conditional shares swap agreement with eSun pursuant to which (i) LSG 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 the Company, representing approximately 36.72% of the issued share capital of the Company, to LSG (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 LSG. 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**").

Prior to the Completion, a crossholding position existed between eSun and its subsidiaries (the "**eSun Group**") and the Company that the Group's interest in eSun was 36.08% and the eSun Group held 36.72% of the issued share capital of the Company. Upon the Completion, eSun no longer holds any interest in the Company but the Company continues to hold a 36.08% equity interest in eSun. Accordingly, the cross-holding relationship between eSun and the Company was eliminated.

Included in the share of results of the eSun Group for the year ended 31 July 2011 (restated) were (i) the eSun Group's gain on disposal of 36.72% interest in the Company shared by the Group of HK\$234,223,000; and (ii) the eSun Group's impairment loss on goodwill arising from acquisition of 40.58% interest in Lai Fung shared by the Group of HK\$191,634,000.

In April 2011, certain share options granted by eSun under its share option scheme were exercised to subscribe for ordinary shares of eSun. Accordingly, the Group's interest in eSun was diluted from 36.08% to 36.00%.

In August 2011, the Group acquired 1.93% additional interest in eSun at a cost of HK\$43,301,000 and the Group's interest in eSun was increased from 36.00% to 37.93%. A discount on acquisition of HK\$88,695,000 was arising from such acquisition and recognised in the consolidated income statement for the year ended 31 July 2012.

On 27 February 2012, eSun and Lai Fung issued a joint announcement in respect of the proposed open offer of Lai Fung (the "**Open Offer**") and an underwriting arrangement between eSun and Lai Fung, pursuant to which eSun irrevocably undertook to take up all shares offered in the Open Offer. The Open Offer became unconditional on 6 June 2012. eSun increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer on 11 June 2012. With early adoption of HKFRS 10 "Consolidated Financial Statements" in the current year, the directors of eSun concluded that eSun has had control over Lai Fung and Lai Fung has become a subsidiary of eSun since 11 June 2012. Subsequent to the Open Offer, eSun further acquired shares of Lai Fung from the market and increased its interest in Lai Fung to 47.87% in June 2012.

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade debtors:		
Not yet due or less than 30 days past due	<b>4,881</b>	7,252
31 – 60 days past due	<b>1,282</b>	2,143
61 – 90 days past due	<b>347</b>	385
Over 90 days past due	<b>2,721</b>	2,559
	<b>9,231</b>	12,339
Deposits paid, prepayments and other receivables	<b>90,363</b>	112,488
	<b>99,594</b>	124,827

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade creditors:		
Not yet due or less than 30 days past due	<b>7,398</b>	7,004
31 – 60 days past due	<b>480</b>	1,273
61 – 90 days past due	<b>148</b>	374
Over 90 days past due	<b>486</b>	481
	<b>8,512</b>	9,132
Deposits received, other payables and accruals	<b>235,091</b>	212,967
	<b>243,603</b>	222,099

## 12. SHARE CAPITAL

	2012		2011	
	Number of shares '000	Nominal value HK\$ '000	Number of shares '000	Nominal value HK\$ '000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>27,000,000</u>	<u>270,000</u>	<u>17,200,000</u>	172,000
Preference shares of HK\$1.00 each	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
		<u>1,470,000</u>		<u>1,372,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>20,062,893</u>	<u>200,629</u>	<u>14,162,042</u>	<u>141,620</u>

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 22 September 2011, the authorised share capital of the Company was increased from HK\$172,000,000 divided into 17,200,000,000 shares to HK\$270,000,000 divided into 27,000,000,000 shares by the creation of 9,800,000,000 additional shares of HK\$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

In December 2011, the Company completed a rights issue of 5,900,850,966 ordinary shares of HK\$0.01 each on the basis of five rights shares for every twelve shares held of the Company at a subscription price of HK\$0.09 per rights share (the "**Rights Issue**"). The net proceeds from the Rights Issue was approximately HK\$513,640,000, after deduction of share issue expenses of approximately HK\$17,437,000.

Movements in the Company's issued capital during the year are summarised as follows:

	Number of ordinary shares '000	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
As at 1 August 2011	14,162,042	141,620	6,974,701	7,116,321
Rights Issue	5,900,851	59,009	472,068	531,077
Share issue expenses	-	-	(17,437)	(17,437)
As at 31 July 2012	<u>20,062,893</u>	<u>200,629</u>	<u>7,429,332</u>	<u>7,629,961</u>

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "**Capital Reduction**") which took effect on 18 October 2006. The paid-up capital on each of its issued ordinary shares of HK\$0.50 was cancelled to the extent of HK\$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK\$0.50 per share to HK\$0.01 per share. A total credit of HK\$6,245,561,000 had arisen as a result of the Capital Reduction. An amount of HK\$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK\$626,561,000 was credited to the share premium account of the Company.

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1 August 2005 in respect of the Company's:

## 12. SHARE CAPITAL (continued)

- (1) 50% investment in Fortune Sign Venture Inc. ("**Fortune Sign**"), up to an aggregate amount of HK\$1,556,000,000;
- (2) 10% investment in Bayshore Development Group Limited ("**Bayshore**"), up to an aggregate amount of HK\$2,923,000,000; and/or
- (3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK\$1,140,000,000

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18 October 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisos:

- (i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserve of the Company and the same shall become available for distribution;
- (ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets being the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and
- (iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

In prior years, an aggregate amount of HK\$630,400,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow Profits Limited, a wholly-owned subsidiary of the Company which holds a 10% equity interest in Bayshore, to the extent of HK\$372,072,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK\$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company.

After the effective date of the Capital Reduction, the Company entered into a placing agreement dated 17 November 2006 pursuant to which a total of 1,416,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company were allotted and issued for net cash proceeds of HK\$504,136,000. With such increase in the Company's issued share capital and share premium account resulting from the placing of new shares for cash, an aggregate amount of HK\$504,136,000 was then transferred from special capital reserve to general reserve (a distributable reserve) of the Company in prior years pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

As a result of the Rights Issue with net cash proceeds of approximately HK\$513,640,000 as detailed above, the Company's issued share capital and share premium account was increased by an aggregate amount of HK\$513,640,000. The entire remaining balance of the special capital reserve of HK\$126,264,000 was further transferred to the general reserve (a distributable reserve) of the Company pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

As at 31 July 2012, the outstanding balance of the general reserve of the Company was HK\$630,400,000 (2011: HK\$504,136,000). There was no remaining balance in the special capital reserve (2011: HK\$126,264,000).

## **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. The Board has resolved not to recommend the payment of an ordinary dividend for the year ended 31 July 2012 (2011: Nil). No interim ordinary dividend was declared or paid during the year ended 31 July 2012 (2011: Nil).

## **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\$105.4 million and an increase in the consolidated net assets of HK\$1,504.8 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 the final results

For the year ended 31 July 2012, the Group recorded a turnover of HK\$875.2 million (2011: HK\$1,192.9 million) and a gross profit of HK\$544.4 million (2011: HK\$611.6 million), representing a decrease of approximately 27% and 11%, respectively over last year. Net profit attributable to shareholders was approximately HK\$2,282.6 million (2011 (restated): HK\$2,449.1 million), representing a decrease of approximately 7%. Accordingly, basic earnings per share declined to HK\$0.125 (2011 (restated): HK\$0.160). The decrease in turnover was due to the conclusion of the sale of the Emerald 28 project. The decrease in profit was due to conclusion of the sale of the Emerald 28 and The Oakhill projects, as well as a smaller increase in property valuation, which were partially off-set by a good rental performance from its investment property portfolio, gain on acquisition of additional interests in eSun and a reversal of provision for tax indemnity. Excluding the effect of property revaluations, net profit attributable to shareholders was approximately HK\$845.5 million (2011 (restated): HK\$819.5 million), representing an increase of approximately 3%. Basic earnings per share excluding the property revaluation effect correspondingly decreased to HK\$0.046 (2011 (restated): HK\$0.053).

Shareholders' equity as at 31 July 2012 amounted to HK\$16,357.6 million (2011 (restated): HK\$13,463.8 million). Net asset value per share attributable to shareholders of the Company decreased to HK\$0.815 (2011 (restated): HK\$0.951) after completion of the rights issue in December 2011.

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 with attributable GFA of 1,183,211 square feet, properties under development of 361,073 square feet, and properties held for sale of 15,531 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

*Attributable GFA in '000 square feet as at 31 July 2012*

	<b>Commercial / Retail</b>	<b>Office</b>	<b>Industrial</b>	<b>Residential</b>	<b>Total</b>	<b>No. of carparks</b>
Investment properties	434	738	11	-	1,183	943
Properties Under Development	111	115	-	135	361	61
Properties Held for Sale	13	-	-	3	16	13
<b>Total GFA</b>	<b>558</b>	<b>853</b>	<b>11</b>	<b>138</b>	<b>1,560</b>	<b>1,017</b>

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\$395.8 million (2011: HK\$367.5 million), representing an 8% increase over 2011. The increase is primarily due to the management of tenant mix and rental reversion at its major investment properties.

The Group wholly owns three major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. During the year under review, these properties had in aggregate a total GFA of approximately 1,086,975 square feet, excluding carparks.

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

	<b>Year ended 31 July</b>			<b>Period end occupancy(%)</b>
	<b>2012 HK\$ million</b>	<b>2011 HK\$ million</b>	<b>% Change</b>	
Cheung Sha Wan Plaza (including carparks)	212.7	198.2	7%	99.4
Causeway Bay Plaza 2 (office, retail and carparks)	120.8	113.9	6%	95.4
Lai Sun Commercial Centre (including carparks)	48.0	42.4	13%	98.2
Other	14.3	13.0	10%	N/A
<b>Total</b>	<b>395.8</b>	<b>367.5</b>	<b>8%</b>	

### *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).

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: HK\$414.5 million), representing a decrease of 78% over 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 8 1/2 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: HK\$389.4 million), representing a decrease of approximately 7% from 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: 68%) and an average daily room rate of US\$149 (2011: US\$146). 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 three properties are expected to complete in 2013.

## Interests in associates (eSun)

During the year under review, contribution from eSun increased to HK\$440.6 million (2011: HK\$270.2 million), representing an increase of 63%. 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 characterised 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 decreased to HK\$711.0 million (2011 (restated): HK\$990.8 million), representing a decrease of 28%. This is primarily due to the conclusion of the sale of The Oakhill.

## 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 projects will add to the critical mass of the investment property portfolio. The Group expects the sale of Ocean One and the Tai Hang Road projects 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\$1,671.1 million of cash on hand with a net debt to equity ratio of 7% 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. This strong oversubscription shows the confidence of the banks in the Company and will provide us 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\$16,357.6 million (as at 31 July 2011 (restated) : HK\$13,463.8 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\$3,127.0 million. The amount of outstanding borrowings under these secured banking facilities was approximately HK\$2,812.2 million (as at 31 July 2011: HK\$2,416.5 million). The net debt to equity ratio expressed as a percentage of the total outstanding net borrowings (being the total outstanding borrowings less the pledged and unpledged bank balances and time deposits) to consolidated net assets was approximately 7%. As at 31 July 2012, the maturity profile of the bank borrowings of HK\$2,812.2 million was spread over a period of less than 5 years with HK\$1,104.8 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. As at 31 July 2012, all the Group's borrowings carried interest on a floating rate basis.

As at 31 July 2012, certain investment properties with carrying amounts of approximately HK\$8,554.4 million, certain property, plant and equipment with carrying amounts of approximately HK\$234.4 million, prepaid land lease payments of approximately HK\$25.0 million, certain properties under development for sale of approximately HK\$1,200.5 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 deviation from code provisions A.4.1 and E.1.2 of the former CG Code and the CG Code and 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, 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 (the "**Directors**") are subject to the retirement provisions in the Articles of Association of the Company (the "**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 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 casual vacancy 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. Lau Shu Yan, Julius, an executive Director and the Chief Executive Officer 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 two INEDs, namely Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan, and a NED, Mr. Wan Yee Hwa, Edward. Such committee has reviewed the consolidated results (including the consolidated financial statements) of the Company for the year ended 31 July 2012.

## REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY INDEPENDENT AUDITORS

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

## ANNUAL GENERAL MEETING

The AGM of the Company 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.

On behalf of the Board  
**Lam Kin Ngok, Peter**  
*Chairman*

Hong Kong, 30 October 2012

*As at the date of this announcement, the Board comprises the following members:*

*Executive Directors:* Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Chew Fook Aun (Deputy Chairman), Lau Shu Yan, Julius (Chief Executive Officer) and Lui Siu Tsuen, Richard;

*Non-Executive Directors:* Dr. Lam Kin Ming, Madam U Po Chu and Mr. Wan Yee Hwa, Edward; and

*Independent Non-Executive Directors:* Messrs. Lam Bing Kwan, Leung Shu Yin, William and Ip Shu Kwan, Stephen.