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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 2011

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 2011 together with the comparative figures for the previous year as follows:

Consolidated Income Statement

For the year ended 31 July 2011

	Notes	2011 HK\$'000	2010 HK\$'000
TURNOVER	3	59,066	36,554
Cost of sales		<u>(11,591)</u>	<u>(7,217)</u>
Gross profit		47,475	29,337
Other revenue and gain	4	1,275	7,135
Selling and marketing expenses		(1,574)	(3,628)
Administrative expenses		(33,459)	(27,971)
Other operating expenses		(4,516)	-
Fair value gains on investment properties		<u>263,754</u>	<u>321,772</u>
PROFIT FROM OPERATING ACTIVITIES	5	272,955	326,645
Finance costs	6	(18,028)	(15,809)
Gains on Shares Swap Transactions	7	2,276,314	-
Share of profits and losses of associates		<u>555,495</u>	<u>190,823</u>
PROFIT BEFORE TAX		3,086,736	501,659
Tax	8	<u>(47,464)</u>	<u>(54,889)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		<u><u>3,039,272</u></u>	<u><u>446,770</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u><u>HK\$1.88</u></u>	<u><u>HK\$0.28</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<u>3,039,272</u>	<u>446,770</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale equity investment	62,121	31,960
Share of investment revaluation reserve of an associate	81,475	-
Share of exchange fluctuation reserve of associates	76,586	30,211
Share of asset revaluation reserve of an associate	3,786	(11,995)
Release of share of exchange fluctuation reserve upon disposal of an associate	(542,299)	-
Release of investment revaluation reserve and exchange fluctuation reserve to income statement upon an available-for-sale equity investment being treated as if it were disposed of and re-acquired	<u>(110,547)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	<u>(428,878)</u>	<u>50,176</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<u><u>2,610,394</u></u>	<u><u>496,946</u></u>

Consolidated Statement of Financial Position

As at 31 July 2011

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		131	316
Investment properties		1,300,200	1,046,600
Interests in associates	7	5,814,172	3,347,221
Available-for-sale equity investment		-	243,709
Total non-current assets		7,114,503	4,637,846
CURRENT ASSETS			
Debtors, deposits paid and other receivables	10	8,724	6,262
Tax recoverable		-	682
Equity investments at fair value through profit or loss		3,480	-
Cash and cash equivalents		452,305	317,449
Total current assets		464,509	324,393
CURRENT LIABILITIES			
Creditors, deposits received and accruals	11	30,472	66,537
Interest-bearing bank borrowing		32,000	16,000
Total current liabilities		62,472	82,537
NET CURRENT ASSETS		402,037	241,856
TOTAL ASSETS LESS CURRENT LIABILITIES		7,516,540	4,879,702
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(344,745)	(376,745)
Note payable		(195,000)	(195,000)
Accrued interest payable		(89,525)	(78,188)
Deferred tax liabilities		(133,505)	(86,041)
Long term rental deposits received		(14,561)	(12,910)
Total non-current liabilities		(777,336)	(748,884)
		6,739,204	4,130,818
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		16,174	16,174
Share premium account		1,908,840	1,908,840
Asset revaluation reserve		55,494	62,624
Share option reserve		174	682
Investment revaluation reserve		81,475	41,458
Capital reserve		-	146,670
Exchange fluctuation reserve		37,163	509,844
Other reserve		1,249	-
Retained earnings		4,638,635	1,444,526
		6,739,204	4,130,818

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 ("HKICPA"), accounting principles generally accepted in Hong Kong 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 available-for-sale equity investment, 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:

Improvements to HKFRSs 2009	
Improvements to HKFRSs 2010 ¹	
HK Interpretation 4 Amendments	Amendments to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of financial statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause

¹The amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 27 are included in these improvements, which became effective or early adopted in the current financial period.

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

Impact of issued but not yet effective HKFRSs

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

Improvements to HKFRSs 2010 ¹	
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 24 (Revised)	Related Party Disclosures ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁵
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁵
HKFRS 7 Amendments	Financial Instruments: Disclosures – Transfers of Financial Assets ⁶
HKFRS 9	Financial Instruments ⁵
HKFRS 10	Consolidated Financial Statements ⁵
HKFRS 11	Joint Arrangements ⁵
HKFRS 12	Disclosure of Interests in Other Entities ⁵
HKFRS 13	Fair Value Measurement ⁵

2. IMPACT OF NEW AND REVISED HKFRSs (continued)

Impact of issued but not yet effective HKFRSs (continued)

¹ The amendments to HKAS 34 and HKFRS 7 included in these improvements are effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 January 2011

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

⁴ Effective for annual periods beginning on or after 1 January 2012

⁵ Effective for annual periods beginning on or after 1 January 2013

⁶ Effective for annual periods beginning on or after 1 July 2011

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

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

3. OPERATING SEGMENT INFORMATION

Segment revenue and results

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

	Property development		Property investment		Consolidated	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	<u>-</u>	<u>-</u>	<u>59,066</u>	<u>36,554</u>	<u>59,066</u>	<u>36,554</u>
Segment results	<u>-</u>	<u>-</u>	<u>45,901</u>	<u>25,709</u>	<u>45,901</u>	<u>25,709</u>
Interest income and unallocated other revenue and gain					1,275	7,135
Fair value gains on investment properties	-	-	263,754	321,772	263,754	321,772
Unallocated expenses					<u>(37,975)</u>	<u>(27,971)</u>
Profit from operating activities					272,955	326,645
Finance costs					(18,028)	(15,809)
Gains on Shares Swap Transactions					2,276,314	-
Share of profits and losses of associates	-	-	1,395	6,842	1,395	6,842
Share of profits and losses of associates – unallocated					<u>554,100</u>	<u>183,981</u>
Profit before tax					3,086,736	501,659
Tax					<u>(47,464)</u>	<u>(54,889)</u>
Profit for the year					<u>3,039,272</u>	<u>446,770</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		Property investment		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Segment assets	-	-	1,301,063	1,047,439	1,301,063	1,047,439
Interests in associates	-	-	19,134	17,068	19,134	17,068
Interests in associates - unallocated					5,795,038	3,330,153
Unallocated assets					463,777	567,579
Total assets					7,579,012	4,962,239
Segment liabilities	-	38,870	19,721	17,255	19,721	56,125
Unallocated liabilities					820,087	775,296
Total liabilities					839,808	831,421

Other segment information

	Property development		Property investment		Consolidated	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Depreciation – unallocated					215	484
Capital expenditure	-	73,257	1,367	2,113	1,367	75,370
Capital expenditure – unallocated					30	133
					1,397	75,503

Information about a major customer

For the year ended 31 July 2011, revenue of approximately HK\$9,185,000 (2010: HK\$5,498,000) was derived from a single customer of the property investment segment which contributed more than 10% of the Group's revenue for the year.

4. OTHER REVENUE AND GAIN

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest income from bank deposits	311	39
Other interest income	879	7,096
Others	85	-
	<u>1,275</u>	<u>7,135</u>

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Depreciation	215	484
Fair value loss on equity investments at fair value through profit or loss*	4,516	-
	<u>4,516</u>	<u>-</u>

* This item is included in "other operating expenses" on the face of the consolidated income statement.

6. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interests on:		
Bank loans wholly repayable within five years	6,135	4,335
Other borrowings and note payable wholly repayable within five years	11,337	11,337
	<u>17,472</u>	<u>15,672</u>
Total interest expenses	17,472	15,672
Bank financing charges	556	734
	<u>18,028</u>	<u>16,406</u>
Less: Amount capitalised in properties under development	-	(597)
	<u>18,028</u>	<u>15,809</u>

7. INTERESTS IN ASSOCIATES / GAINS ON SHARES SWAP TRANSACTIONS

On 26 July 2010, the Company entered into a conditional shares swap agreement with eSun Holdings Limited ("eSun") pursuant to which:

- (a) The Company agreed to transfer or procure the transfer of, and eSun agreed to accept the transfer of, the Company's direct and indirect interests in 3,265,688,037 shares in the capital of Lai Fung Holdings Limited ("Lai Fung") (the "Lai Fung Transaction"), representing approximately 40.58% of the then existing issued share capital of Lai Fung and the Company's entire shareholding interest in Lai Fung. The consideration was satisfied by (i) the transfer to the Company of eSun's entire shareholding interest in Lai Sun Development Company Limited ("LSD"); and (ii) cash consideration of approximately HK\$178.4 million paid by eSun to the Company (HK\$100 million paid on the date of completion of the Shares Swap Transactions (see definition below), and approximately HK\$78.4 million paid, without interest, six months after the date of completion); and
- (b) eSun agreed to procure the transfer of, and the Company agreed to accept the transfer of, eSun's indirect interest in 5,200,000,000 shares in the capital of LSD (the "LSD Transaction", together with the Lai Fung Transaction collectively referred to as "Shares Swap Transactions"), representing approximately 36.72% of the then existing issued share capital of LSD and eSun's entire shareholding interest in LSD. The consideration was satisfied by the transfer to eSun of the Company's entire shareholding interest in Lai Fung less the cash consideration of approximately HK\$178.4 million received by the Company from eSun.

For the purposes of both Lai Fung Transaction and LSD Transaction, eSun was treated as an associate of a director of the Company and thereby a connected person of the Company under the Rules Governing the Listing of Securities on The Stock of Exchange of Hong Kong Limited (the "Listing Rules"). The Lai Fung Transaction constituted a very substantial disposal and connected transaction for the Company and the LSD Transaction constituted a very substantial acquisition and connected transaction for the Company under the Listing Rules. Further details of the Shares Swap Transactions were set out in the joint announcement of the Company and eSun dated 26 July 2010 and the circulars of the Company and eSun both dated 30 August 2010. Resolutions for approving the shares swap agreement were duly passed at an extraordinary general meeting of the Company and a special general meeting of eSun on 20 September 2010. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Shares Swap Transactions took place on 30 September 2010.

Upon completion of the Shares Swap Transactions, Lai Fung ceased to be an associate of the Group as at 30 September 2010. Prior to the completion of the Shares Swap Transactions, the Group held an 11.25% equity interest in LSD which was accounted for as an available-for-sale investment. Upon completion of the Shares Swap Transactions, LSD became a 47.97%-owned associate of the Group. Gains on Shares Swap Transactions were recognised in the Group's consolidated income statement for the year ended 31 July 2011 as below:

	<i>Notes</i>	<i>HK\$'000</i>
Lai Fung Transaction		
Gain on disposal of 40.58% interest in Lai Fung	(i)	1,271,659
LSD Transaction		
Release of reserves upon 11.25% interest in LSD treated as if it were disposed of and reacquired	(ii)	110,547
Discount on acquisition of 47.97% interest in LSD	(iii)	894,108
Gains on Shares Swap Transactions		<u>2,276,314</u>

7. INTERESTS IN ASSOCIATES / GAINS ON SHARES SWAP TRANSACTIONS (continued)

Notes:

- (i) Taking into account the consideration received by the Group of approximately HK\$4,114 million (being 40.58% of the fair value of Lai Fung's identifiable net assets as at 30 September 2010) for the disposal of its 40.58% equity interest in Lai Fung and the Group's share of net assets of Lai Fung as at 30 September 2010 of approximately HK\$3,384 million, the gain on disposal (including release of exchange fluctuation reserve of Lai Fung shared by the Group up to the date of disposal of approximately HK\$542 million) recognised by the Group in its consolidated income statement was approximately HK\$1,272 million.
- (ii) As at 30 September 2010, the carrying amount of the 11.25% equity interest in LSD held by the Group was approximately HK\$306 million (based on the closing price of LSD's shares as at 30 September 2010) and the corresponding cumulative fair value gains recognised in the investment revaluation reserve and exchange fluctuation reserve retained by the Group were approximately HK\$104 million and HK\$7 million, respectively.

In accordance with the prevailing Hong Kong Financial Reporting Standards, such 11.25% equity interest in LSD is treated as if it were disposed of and reacquired at its carrying value as at the date of the completion based on the market price of the LSD shares. Therefore, the carrying value of such 11.25% equity interest in LSD would become part of the acquisition cost of the 47.97% equity interest in LSD in stages as an associate. The abovementioned reserves in a sum of HK\$111 million were recycled and released to the consolidated income statement of the Group as a gain.

- (iii) Taking into account the fair value of the consideration given by the Group for its acquisition of approximately HK\$3,936 million (being 40.58% of the fair value of Lai Fung's identifiable net assets as at 30 September 2010 less cash consideration of approximately HK\$178.4 million) and the carrying value of the Group's 11.25% equity interest in LSD of approximately HK\$306 million as at 30 September 2010 as mentioned above, the total cost of acquisition of the LSD shares in stages, as an associate, was approximately HK\$4,242 million. The excess of the Group's 47.97% share of the fair value of LSD's identifiable net assets as at 30 September 2010 of approximately HK\$5,136 million over the total cost of acquisition of approximately HK\$4,242 million was treated as a discount on acquisition of approximately HK\$894 million and was recognised as a gain in the consolidated income statement of the Group.

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current tax		
Charge for the year	-	-
Under provision in prior years	-	5
Deferred tax	<u>47,464</u>	<u>54,884</u>
Tax charge for the year	<u><u>47,464</u></u>	<u><u>54,889</u></u>

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$3,039,272,000 (2010: HK\$446,770,000) and the weighted average number of 1,617,423,423 (2010: 1,617,423,423) ordinary shares in issue during the year.

The diluted earnings per share amounts for the years ended 31 July 2011 and 2010 have not been disclosed as no diluting events existed during both years.

10. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

The Group's major businesses are property development and property investment. The major income derived is rental income. 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.

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Debtors:		
Not yet due or less than 90 days past due	688	636
91 to 180 days past due	33	83
181 to 365 days past due	54	22
	<hr/>	<hr/>
	775	741
Deposits paid and other receivables	7,949	5,521
	<hr/>	<hr/>
	8,724	6,262
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11. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Creditors not yet due or less than 90 days past due	8,846	32,579
Deposits received and accruals	21,626	33,958
	<hr/>	<hr/>
	30,472	66,537
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FINAL DIVIDEND

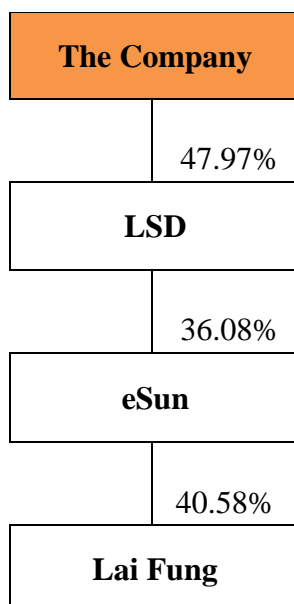
The Board of the Company has resolved not to recommend the payment of a final dividend for the financial year ended 31 July 2011 (2010: Nil). No interim dividend was paid or declared in respect of the year ended 31 July 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP REORGANISATION

On 30 September 2010, the Company and eSun Holdings Limited (“eSun”) completed a group reorganisation (the “Group Reorganisation”). Pursuant to the Group Reorganisation, the Company transferred its entire shareholding interest in Lai Fung Holdings Limited (“Lai Fung”) (approximately 40.58% of the issued share capital of Lai Fung) to eSun whereby eSun transferred its entire shareholding interest in Lai Sun Development Company Limited (“LSD”) (approximately 36.72% of the issued share capital of LSD) to the Company. In order to account for the difference between the agreed value of the Lai Fung shares and the LSD shares being swapped, eSun further agreed to pay to the Company an additional cash balance of approximately HK\$178.4 million.

Immediately following the completion of the Group Reorganisation, the group structure involving the Company, LSD, eSun and Lai Fung has become as follows:



As a result of the Group Reorganisation, the cross-shareholding structure between LSD and eSun that existed since 2004 was dismantled. Further, LSD has become an associate of the Company and the Company’s shareholding interest in Lai Fung is now held indirectly through eSun.

The Group Reorganisation simplified the ownership structure of the group involving the Company, LSD, eSun and Lai Fung and eliminated the circular effect of the accounting treatment of the cross-shareholdings between LSD and eSun. More importantly, the directors of the Company believe that the simplified shareholding structure provides greater clarity to shareholders and the market with regard to the core businesses of each of the above companies.

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2011, the Group recorded a turnover of HK\$59,066,000 (2010: HK\$36,554,000) and a gross profit of HK\$47,475,000 (2010: HK\$29,337,000), representing an increase of approximately 61.6% and 61.8% respectively from the previous year. The Group derived its turnover and gross profit mainly from rental and related income from the industrial properties held for investment and the retail portion of the Crocodile Center which was opened at the end of 2009. The substantial increase in turnover and gross profit was mainly due to the rental income contributed from the retail portion of the Crocodile Center.

During the year, the Group booked a fair value gain on investment properties of HK\$263,754,000 (2010: HK\$321,772,000) and recorded a profit from operating activities of HK\$272,955,000 (2010: HK\$326,645,000).

For the year ended 31 July 2011, the Group recorded a share of profits of associates of HK\$555,495,000 (2010: HK\$190,823,000). Prior to the Group Reorganisation, the Group held a 40.58% shareholding interest in Lai Fung and a 11.25% shareholding interest in LSD. Following the Group Reorganisation, the Group now holds a 47.97% shareholding interest in LSD while the Group's shareholding interest in Lai Fung is held through eSun. As a result of the Group Reorganisation, Lai Fung ceased to be an associate of the Company and LSD became an associate of the Company. Accordingly, the Group's share of profits of associates during the year was mainly attributable to (i) the share of profits of Lai Fung during the period from 1 August 2010 to 30 September 2010 (being the date of the completion of the Group Reorganisation), and (ii) the share of profits of LSD during the period from 1 October 2010 to 31 July 2011. Lai Fung contributed approximately HK\$11,300,000 to the Group's share of profits of associates from 1 August 2010 to 30 September 2010 whereas LSD contributed approximately HK\$542,800,000 to the Group's share of profits of associates from 1 October 2010 to 31 July 2011. The amount contributed by LSD was mainly attributable to the fair value gain on LSD's interests in investment properties. The Group's share of profits of associates in the year of 2010 was mainly attributable to its share of profits of Lai Fung.

During the year, finance costs were HK\$18,028,000 (2010: HK\$15,809,000). Further, as a result of the completion of the Group Reorganisation, the Group booked a one-off gain of HK\$2,276,314,000. Due to the reasons stated above, the Group recorded a consolidated profit attributable to ordinary equity holders of the Company for the year of HK\$3,039,272,000 (2010: HK\$446,770,000).

Shareholders' equity as at 31 July 2011 amounted to HK\$6,739,204,000, up by 63.1% from HK\$4,130,818,000 as at 31 July 2010. Net asset value per share as at 31 July 2011 was HK\$4.17, as compared to HK\$2.55 as at 31 July 2010.

PROSPECTS

In 2011, Hong Kong's economy and property market continues to benefit from the global low interest rate environment and strong retail spending from Mainland visitors. This has resulted in very favourable operating conditions for most businesses in the property sectors in Hong Kong and China as property prices remained robust. The continued economic growth, a low interest rate environment, ample liquid funds and a tight market supply of residential units have extended the bullish sentiment towards Hong Kong's residential properties since early 2010. As pre-cautionary measures against the rising risks of inflation and the development of a property bubble, the Hong Kong Government and the Hong Kong Monetary Authority in November 2010 introduced a series of tightening measures, including the levy of a special stamp duty on short-term property transactions and the direction to mortgage lenders to lower the loan-to-value ratio for mortgage loans to ease property speculation. Between November 2010 and early 2011, the market experienced a short-term consolidation, evidenced by a sharp drop in the transaction volume. Starting from early 2011, the market gradually stabilised as transaction volume and prices of residential properties edged up modestly. The recovery has reinforced market sentiment and re-opened the window for the primary sale of residential projects. The low interest rate environment and a tight supply of new residential units in urban areas are expected to contribute towards a steady development of the residential market in Hong Kong. Under these macro-economic circumstances, the Group and its associate companies will continue to manage their operations on a prudent basis, and will strive to position their businesses for long term capital growth.

Crocodile Center in Kwun Tong

The Group retained the retail portion comprising 9 floors with a total gross floor area of approximately 100,000 square feet of this development for investment purposes. The retail portion owned by the Group is 100% leased. This property is expected to continue to contribute further to the Group's rental income in future years.

LSD

Investment Properties

Rent levels for office and commercial properties in prime locations in Hong Kong have remained strong in 2010 and 2011. The operating conditions for most retail, consumption and commercial sectors in Hong Kong have performed favorably given the strong retail spending from Mainland visitors. The demand for high quality commercial properties in traditional commercial districts is strong given the lack of new supply coming on stream and this has resulted in an uptick of rental rates. Improved local consumption expenditure and strong retail spending by the Mainland visitors provide further impetus to the retail property market. In the coming year, the LSD group will continue to upgrade its commercial investment properties as well as tenant mix so that it can continue to maintain high occupancy rates and strong rental cashflow.

Development Properties

The LSD group currently owns a number of residential projects under development in Hong Kong. In 2010, the LSD group has managed to capture the strong growth in the Hong Kong residential property market by achieving satisfactory sales performances for The Oakhill and Emerald 28 projects that it owns 50% and 100% respectively. In 2011, the LSD group intends to sell the remaining units at The Oakhill and Emerald 28 and start the preparation work for the pre-sale of the residential development project in Yau Tong.

Liquidity and Financial Resources

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

As at 31 July 2011, the Group had secured bank facilities (excluding amounts repaid and cancelled pursuant to the respective terms of the facilities) of approximately HK\$405 million.

As at 31 July 2011, total borrowings amounted to HK\$572 million, comprising a secured bank loan of HK\$345 million, a note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen ("Mr. Lim"). As at 31 July 2011, there was an outstanding amount of accrued interests of HK\$90 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.

As at 31 July 2011, the maturity profile of the secured bank loan of HK\$345 million was spread over a period of less than 2 years with HK\$32 million repayable within 1 year and HK\$313 million repayable in the second year. The note payable of HK\$195 million and the loan of HK\$32 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 are not repayable within one year from the end of the reporting period.

As at 31 July 2011, certain investment properties with carrying value of approximately HK\$1,292 million and a share in a subsidiary were pledged to banks to secure banking facilities granted to the Group.

As at 31 July 2011, the Group had cash and bank balances amounting to approximately HK\$452 million and unutilised banking facility of HK\$60 million, which together were considered adequate to cover the working capital requirement of the Group.

As at 31 July 2011, consolidated net assets of the Group amounted to HK\$6,739 million. The debt to equity ratio expressed as a percentage of total borrowings to consolidated net assets as at that date was approximately 8%.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollar. The Group does not have any significant exposure to exchange rate risk.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2011, the Company did not redeem any of its shares listed and traded on The Stock Exchange 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 has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 July 2011 save for the deviation from code provision A.4.1.

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

REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises three independent non-executive Directors, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu and a non-executive Director 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 2011.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group’s results for the year ended 31 July 2011 as set out in this preliminary announcement have been agreed by the Group’s independent auditors, 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 Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, 21 December 2011. Notice of such AGM together with the Company’s Annual Report for 2010-2011 will be published on the respective websites of the Stock Exchange and the Company and despatched to shareholders in about late November 2011.

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 28 October 2011

As at the date of this announcement, the Board of the Company comprises seven executive Directors, namely Dr. Lam Kin Ming (Chairman), Dr. Lam Kin Ngok, Peter (Deputy Chairman) and Messrs. Shiu Kai Wah, Lam Kin Hong, Matthew, Tam Kin Man, Kraven, 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.