LAI FUNG HOLDINGS

Lai Fung Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

**(Stock Code : 1125)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2011

## RESULTS

The board of directors (the "Board") of Lai Fung Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 January 2011 together with the comparative figures of the last corresponding period as follows:

**Condensed Consolidated Income Statement**

*For the six months ended 31 January 2011*

| | | **For the six months ended 31 January** | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **(Unaudited)** | (Unaudited) |
| | Notes | **HK$'000** | HK$'000 |
| TURNOVER | 3 | **383,418** | 877,341 |
| Cost of sales | | **(193,013)** | (238,229) |
| Gross profit | | **190,405** | 639,112 |
| Other income and gains | | **56,888** | 45,525 |
| Selling and marketing expenses | | **( 21,096)** | ( 15,149) |
| Administrative expenses | | **( 99,645)** | ( 75,291) |
| Other operating expenses, net | | **( 7,954)** | ( 54,879) |
| Fair value gains on investment properties | | **533,849** | 275,915 |
| PROFIT FROM OPERATING ACTIVITIES | 4 | **652,447** | 815,233 |
| Finance costs | 5 | **( 34,580)** | ( 44,187) |
| Share of losses of associates | | **( 350)** | ( 227) |
| PROFIT BEFORE TAX | | **617,517** | 770,819 |
| Tax | 6 | **(195,710)** | (382,351) |
| PROFIT FOR THE PERIOD | | **421,807** | 388,468 |
| ATTRIBUTABLE TO: | | | |
| Owners of the Company | | **389,783** | 356,678 |
| Non-controlling interests | | **32,024** | 31,790 |
| | | **421,807** | 388,468 |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY: | | | |
| Basic and diluted | 7 | **HK4.84 cents** | HK4.43 cents |

**Condensed Consolidated Statement of Comprehensive Income**
*For the six months ended 31 January 2011*

| | For the six months ended 31 January | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| PROFIT FOR THE PERIOD | **421,807** | 388,468 |
| OTHER COMPREHENSIVE INCOME, NET OF TAX | | |
| Exchange realignments: | | |
| Subsidiaries | **279,456** | 33,510 |
| Associates | **10,243** | 1,230 |
| Reversal of impairment losses of investment properties under construction | **14,284** | - |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | **303,983** | 34,740 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | **725,790** | 423,208 |
| ATTRIBUTABLE TO: | | |
| Owners of the Company | **678,851** | 389,725 |
| Non-controlling interests | **46,939** | 33,483 |
| | **725,790** | 423,208 |

## Condensed Consolidated Statement of Financial Position

*As at 31 January 2011*

| | Notes | **31 January 2011 (Unaudited) HK$'000** | 31 July 2010 (Audited) HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **929,300** | 791,907 |
| Properties under development | | **988,273** | 1,055,751 |
| Investment properties | | **8,928,881** | 7,921,429 |
| Prepaid land lease payments | | **5,684** | 5,598 |
| Goodwill | | **4,561** | 4,561 |
| Interests in associates | | **338,696** | 329,247 |
| Total non-current assets | | **11,195,395** | 10,108,493 |
| CURRENT ASSETS | | | |
| Properties under development | | **921,741** | 621,800 |
| Completed properties for sale | | **220,293** | 354,886 |
| Debtors, deposits and prepayments | 8 | **133,455** | 91,186 |
| Tax recoverable | | **18,059** | 21,708 |
| Pledged and restricted time deposits and bank balances | | **465,061** | 321,877 |
| Cash and cash equivalents | | **1,322,105** | 1,391,295 |
| Total current assets | | **3,080,714** | 2,802,752 |
| CURRENT LIABILITIES | | | |
| Creditors and accruals | 9 | **600,249** | 496,186 |
| Deposits received and deferred income | | **154,322** | 29,138 |
| Rental deposits received | | **15,988** | 22,487 |
| Interest-bearing bank loans, secured | | **82,797** | 131,584 |
| Tax payable | | **751,039** | 711,721 |
| Total current liabilities | | **1,604,395** | 1,391,116 |
| NET CURRENT ASSETS | | **1,476,319** | 1,411,636 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **12,671,714** | 11,520,129 |

## Condensed Consolidated Statement of Financial Position (continued)

*As at 31 January 2011*

| | **31 January 2011 (Unaudited) HK$'000** | 31 July 2010 (Audited) HK$'000 |
|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | **12,671,714** | 11,520,129 |
| | | |
| NON-CURRENT LIABILITIES | | |
| Long term rental and other deposits received | **71,754** | 52,161 |
| Interest-bearing bank loans, secured | **1,202,054** | 949,702 |
| Advances from a former substantial shareholder | **55,231** | 53,535 |
| Fixed rate senior notes | **1,424,532** | 1,421,368 |
| Deferred tax liabilities | **1,228,057** | 1,038,827 |
| Total non-current liabilities | **3,981,628** | 3,515,593 |
| | | |
| | **8,690,086** | 8,004,536 |
| | | |
| EQUITY | | |
| **Equity attributable to owners of the Company** | | |
| Issued capital | **804,796** | 804,796 |
| Share premium account | **3,876,668** | 3,876,668 |
| Asset revaluation reserve | **31,712** | 17,571 |
| Share option reserve | **-** | 1,680 |
| Exchange fluctuation reserve | **1,386,451** | 1,111,524 |
| Capital reserve | **( 5,445)** | ( 5,445) |
| Retained earnings | **2,069,556** | 1,678,093 |
| Proposed dividends | **-** | 40,240 |
| | **8,163,738** | 7,525,127 |
| | | |
| **Non-controlling interests** | **526,348** | 479,409 |
| | | |
| | **8,690,086** | 8,004,536 |

**Notes to Condensed Consolidated Financial Statements**
*As at 31 January 2011*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited consolidated financial statements for the year ended 31 July 2010.

The condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

## 2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs", which also include HKASs and Interpretations)

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 interim financial statements:

| | |
|---|---|
| Improvements to HKFRSs 2010[1] | |
| HKAS 24 (Revised) [1] | Related Party Disclosures |
| HKAS 12 (Amendments) [2] | Deferred Tax: Recovery of Underlying Assets |
| HKFRS 9[3] | Financial Instruments |

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 January 2013

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

For 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. SEGMENT INFORMATION

| | For the six months ended 31 January (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | **Property development** | | **Property investment** | | **Consolidated** | |
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Segment revenue/results:** | | | | | | |
| Segment revenue | | | | | | |
| Sales to external customers | **201,413** | 799,050 | **182,005** | 78,291 | **383,418** | 877,341 |
| Other revenue | **205** | 701 | **43,236** | 31,815 | **43,441** | 32,516 |
| Total | **201,618** | 799,751 | **225,241** | 110,106 | **426,859** | 909,857 |
| Segment results | **12,133** | 513,217 | **646,782** | 309,146 | **658,915** | 822,363 |
| Unallocated gains | | | | | **13,447** | 13,009 |
| Unallocated expenses, net | | | | | **( 19,915)** | ( 20,139) |
| Profit from operating activities | | | | | **652,447** | 815,233 |
| Finance costs | | | | | **( 34,580)** | ( 44,187) |
| Share of losses of associates | **( 350)** | ( 227) | - | - | **( 350)** | ( 227) |
| Profit before tax | | | | | **617,517** | 770,819 |
| Tax | | | | | **(195,710)** | (382,351) |
| Profit for the period | | | | | **421,807** | 388,468 |
| **Other segment information:** | | | | | | |
| Fair value gains on investment properties | - | - | **533,849** | 275,915 | **533,849** | 275,915 |
| Reversal of impairment/ (Impairment) of properties under development/investment properties under construction* | **( 20,755)** | ( 35,375) | **19,047** | - | **( 1,708)** | ( 35,375) |

* *Impairment losses of HK$20,755,000 (six months ended 31 January 2010: HK$35,375,000) and reversal of impairment losses of HK$19,047,000 (six months ended 31 January 2010: Nil) were recognised in profit or loss and in other comprehensive income respectively.*

| | **Property development** | | **Property investment** | | **Consolidated** | |
|---|---|---|---|---|---|---|
| | **31 January 2011 (Unaudited) HK$'000** | 31 July 2010 (Audited) HK$'000 | **31 January 2011 (Unaudited) HK$'000** | 31 July 2010 (Audited) HK$'000 | **31 January 2011 (Unaudited) HK$'000** | 31 July 2010 (Audited) HK$'000 |
| **Segment assets:** | | | | | | |
| Segment assets | **2,200,877** | 2,082,940 | **9,874,749** | 8,712,275 | **12,075,626** | 10,795,215 |
| Interests in associates | **338,696** | 329,247 | - | - | **338,696** | 329,247 |
| Unallocated assets | | | | | **1,861,787** | 1,786,783 |
| Total assets | | | | | **14,276,109** | 12,911,245 |

## 4. PROFIT FROM OPERATING ACTIVITIES

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

| | For the six months ended 31 January | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Cost of completed properties sold | **153,530** | 220,894 |
| Impairment of properties under development ## | **20,755** | 35,375 |
| Depreciation # | **13,361** | 14,044 |
| Foreign exchange differences, net ## | **( 16,095)** | ( 1,302) |
| Loss on disposal of items of property, plant and equipment | **47** | 453 |
| Amortisation of prepaid land lease payments | **90** | 89 |
| Equity-settled share option expense | **-** | 120 |

\# *The depreciation charge of HK$8,888,000 (six months ended 31 January 2010: HK$8,629,000) for serviced apartments is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.*

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

## 5. FINANCE COSTS

| | For the six months ended 31 January | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Interest on: | | |
| Bank loans wholly repayable within five years | **19,374** | 17,905 |
| Bank loans repayable beyond five years | **-** | 234 |
| Fixed rate senior notes, net | **66,111** | 66,111 |
| Promissory note | **-** | 4,209 |
| Amortisation of fixed rate senior notes | **3,164** | 2,877 |
| Bank charges | **805** | - |
| | **89,454** | 91,336 |
| Less: Capitalised in properties under development | **( 37,069)** | ( 43,998) |
| Capitalised in investment properties | **( 12,616)** | ( 2,296) |
| Capitalised in property, plant and equipment | **( 5,189)** | ( 855) |
| | **( 54,874)** | ( 47,149) |
| Total finance costs | **34,580** | 44,187 |

## 6. TAX

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the period (six months ended 31 January 2010: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

| | For the six months ended 31 January | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Current - Mainland China | | |
| Corporate income tax | **22,116** | 84,603 |
| Land appreciation tax | **23,561** | 216,673 |
| Deferred | **150,033** | 81,075 |
| Total tax charge for the period | **195,710** | 382,351 |

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts was based on the profit for the period attributable to owners of the Company of HK$389,783,000 (six months ended 31 January 2010: HK$356,678,000), and the weighted average number of ordinary shares of 8,047,956,478 (six months ended 31 January 2010: 8,047,956,478) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 31 January 2011.

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

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartments charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

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

| | 31 January 2011 (Unaudited) HK$'000 | 31 July 2010 (Audited) HK$'000 |
|---|---|---|
| Trade receivables, net: | | |
| Within one month | **61,389** | 46,559 |
| One to three months | **738** | 1,176 |
| Over three months | **-** | 31 |
| | **62,127** | 47,766 |
| Other receivables, deposits and prepayments | **71,328** | 43,420 |
| Total | **133,455** | 91,186 |

## 9. CREDITORS AND ACCRUALS

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

| | 31 January 2011 (Unaudited) HK$'000 | 31 July 2010 (Audited) HK$'000 |
|---|---|---|
| Trade payables: | | |
| Within one month | **26,566** | 27,051 |
| One to three months | **1,606** | 1,804 |
| Over three months | **635** | - |
| | **28,807** | 28,855 |
| Accruals and other payables | **571,442** | 467,331 |
| Total | **600,249** | 496,186 |

## INTERIM DIVIDEND

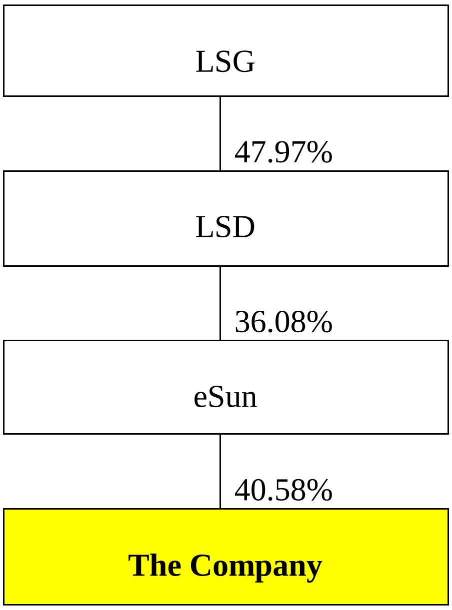
The Board has resolved not to pay an interim dividend for the six months ended 31 January 2011 (six months ended 31 January 2010: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Group Reorganisation

On 30 September 2010, Lai Sun Garment (International) Limited ("LSG") and eSun Holdings Limited ("eSun") completed a group reorganisation ("Group Reorganisation"). Pursuant to the Group Reorganisation, LSG transferred its entire interest in the Company (approximately 40.58% of the issued share capital of the Company) to eSun; whereby eSun transferred its entire interest in Lai Sun Development Company Limited ("LSD") (approximately 36.72% of the issued share capital of LSD) to LSG.

Immediately following the completion of the Group Reorganisation, the ownership structure involving the Company is set out below.




### Overview of Interim Results

For the six months ended 31 January 2011, the Group recorded a turnover of HK$383,418,000 (2010: HK$877,341,000) and a gross profit of HK$190,405,000 (2010: HK$639,112,000), representing a decrease of approximately 56.3% and 70.2% respectively from the previous corresponding period.

Out of the total turnover, rental income increased substantially by 132.5% to HK$182,005,000 (2010: HK$78,291,000), which was mainly due to the re-opening of the shopping arcades and serviced apartments portions of Shanghai Hong Kong Plaza during the period. Turnover from sales of properties decreased by 74.8% to HK$201,413,000 (2010: HK$799,050,000). Property development turnover recognised in the previous corresponding period was entirely made up of sales of residential units at Shanghai Regents Park Phase II, while property development turnover recognised during the period under review was mainly made of sales of office units at Guangzhou West Point, and to a lesser extent, residential units at Shanghai Regents Park Phase II and carparking spaces at Guangzhou Eastern Place. Sales of residential units at Shanghai Regents Park Phase II achieved higher gross profit margin compared to sales of other property units. As a result, overall gross profit margin during the period was 49.7%, compared to 72.8% in the previous corresponding period.

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

— a fair value gain on its completed investment properties of HK$527,179,000 (2010: a gain of HK$151,074,000);

— a fair value gain on its investment properties under construction of HK$6,670,000 (2010: a gain of HK$124,841,000);

— a provision for impairment loss on certain properties under development of HK$20,755,000 (2010: a provision of HK$35,375,000); and

— an exchange gain of HK$16,095,000 (2010: a gain of HK$1,302,000).

For the six months ended 31 January 2011, profit from operating activities was HK$652,447,000 (2010: HK$815,233,000), representing a decrease of approximately 20.0% from the previous corresponding period. Finance costs expensed during the period reduced to HK$34,580,000 (2010: HK$44,187,000), after finance costs of HK$54,874,000 (2010: HK$47,149,000) had been capitalised in properties under development, investment properties and property, plant and equipment during the period.

For the six months ended 31 January 2011, profit attributable to owners of the Company was HK$389,783,000 (2010: HK$356,678,000), representing an increase of approximately 9.3% from the previous corresponding period.

Basic earnings per share was HK4.84 cents for the six months ended 31 January 2011 compared to HK4.43 cents for the previous corresponding period.

Shareholders' equity as at 31 January 2011 amounted to HK$8,163,738,000, up from HK$7,525,127,000 as at 31 July 2010. Net asset value per share attributable to owners of the Company was HK$1.01 as at 31 January 2011, as compared to HK$0.94 as at 31 July 2010.

**Business Review**

***Investment properties***

*Property rental results*

During the six months ended 31 January 2011, the Group recorded a turnover of HK$182,005,000 from rental income. Breakdown of turnover from rental income is as follows:

| | **Six months ended 31 January** | | |
|---|---|---|---|
| | **2011** | 2010 | Change |
| | **HK$** | HK$ | % |
| Shanghai Hong Kong Plaza | **129,082,000** | 32,044,000 | 302.8 |
| Shanghai Regents Park (commercial podium and carparking spaces) | **4,038,000** | 3,491,000 | 15.7 |
| Shanghai Northgate Plaza I | **8,985,000** | 9,632,000 | -6.7 |
| Guangzhou May Flower Plaza | **35,447,000** | 32,630,000 | 8.6 |
| Guangzhou West Point commercial portion | **4,394,000** | - | n/a |
| Others | **59,000** | 494,000 | -88.1 |
| Total | **182,005,000** | 78,291,000 | 132.5 |

During the period, rental income from Shanghai Hong Kong Plaza substantially increased due to re-opening of its shopping arcades and serviced apartments after renovation. As the Group is now still considering renovation plan for Shanghai Northgate Plaza I, rental income for this property continued to record negative growth as some of the previous tenants opted to move out of the property.

On the other hand, rental income from Guangzhou May Flower Plaza recorded a healthy growth during the period. During the period, Guangzhou West Point commercial portion started to generate rental income for the Group.

***Development properties***

*Contracted sales of development properties*

| | During the six months ended 31 January 2011 | | |
|---|---|---|---|
| | **Contracted sales area sq.m.** | **Approximate average contracted selling price# HK$/sq.m.** | **Total contracted sales amount# HK$** |
| Shanghai May Flower Plaza, Residential Units | 7,457 | 42,300 | 315,617,000 |
| Shanghai Regents Park, Phase II, Residential Units | 720 | 50,900 | 36,621,000 |
| Guangzhou West Point Office Units | 8,334 | 18,300 | 152,741,000 |
| Sub-total | 16,511 | | 504,979,000 |
| Guangzhou Eastern Place Carparking Spaces | | | 23,555,000 |
| Total | | | 528,534,000 |

*# Before business tax*

The contracted sales at Shanghai Regents Park, Guangzhou West Point and Guangzhou Eastern Place shown above were recorded as turnover in the six months ended 31 January 2011, while the contracted sales at Shanghai May Flower Plaza will be recognised as turnover upon its completion.

*Sales of development properties recorded*

| | During the six months ended 31 January 2011 | | |
|---|---|---|---|
| | **Recorded sales area sq.m.** | **Approximate average recorded selling price# HK$/sq.m.** | **Total recorded sales amount* HK$** |
| Shanghai Regents Park, Phase II, Residential Units | 720 | 50,900 | 34,564,000 |
| Guangzhou West Point Office Units | 8,334 | 18,300 | 144,610,000 |
| Sub-total | 9,054 | | 179,174,000 |
| Guangzhou Eastern Place Carparking Spaces | | | 22,239,000 |
| Total | | | 201,413,000 |

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

## Market Overview and Operating Environment

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

During the period under review, the operating environment for the property market in China had become more challenging. Since April 2010, the soaring property prices and transaction volumes led the central and local city governments in China to introduce several rounds of measures aiming at suppressing the non-end user demand and preventing a bubble in the property market. Since September 2010, the control measures have turned more drastic and include raising lending rates and bank's required reserve ratios, increasing down-payment requirement on mortgage loans, more limits to developers for domestic bank financing, restrictions on new purchases by local and non-local residents, implementation of new residential property tax in Shanghai and Chongqing, and massive build-up of policy housing. As a result, there have been obvious drop in transaction volume and softening of property prices since September 2010. To this end, the Group has turned more cautious towards the China property market and will continue to implement and adjust its business plan according to market developments.

## Review of Major Property Projects

### *Shanghai*

*Shanghai Hong Kong Plaza*

Shanghai Hong Kong Plaza is a twin-tower prime property located at Huaihaizhong Road, Luwan District, Shanghai comprising office, shopping arcades and serviced apartments. The property is directly above Huangpi South Road Metro Station and is within walking distance of Xintiandi. Rental income for the six months ended 31 January 2011 amounted to HK$129,082,000, up substantially by 302.8% from HK$32,044,000 in the previous corresponding period. Such increase in rental income was mainly due to re-opening of its shopping arcades and serviced apartments after renovation.

Shanghai Hong Kong Plaza's shopping arcades were grand-opened in October 2010. After its re-opening, Shanghai Hong Kong Plaza's shopping arcades are one of the most visible high-end retail venues for global luxury brands in Huaihaizhong Road area. As at 31 January 2011, about 97% of the leasable areas of the shopping arcades portion have been leased. The premises has successfully secured The Apple Store, Cartier, Coach, GAP and Tiffany as anchor tenants and their flagship stores were opened since the middle of 2010. Other tenants include international renowned luxury brands and high-end restaurants.

Shanghai Hong Kong Plaza's serviced apartments portion are now managed by the Ascott Group, which enables the Group to leverage on the Ascott Group's extensive experience and expertise in operating serviced apartments and to establish a high-end brand image.

Due to completion of the renovation work at the shopping arcades and serviced apartments portions during the period under review, occupancy at the office tower of Shanghai Hong Kong Plaza were also improved. As at 31 January 2011, the office tower was about 95% leased.

*Shanghai Regents Park Phase II*

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

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

During the period under review, the Group sold a total of 2 units with a total saleable GFA of 720 sq.m. at an average price of RMB43,800 per sq.m. As at 31 January 2011, the Group only had 6 units with a total saleable GFA of 2,085 sq.m. remaining in this project.

*Shanghai May Flower Plaza*

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

The project has a total GFA of approximately 111,000 sq.m. (GFA attributable to the Group of approximately 105,000 sq.m.), comprising residential and office apartments, and commercial spaces. Total saleable area of residential and office apartment units is approximately 77,450 sq.m. The Group now expects to obtain the completion certificate of this project in the third quarter of 2011.

The residential portion of Shanghai May Flower Plaza is now branded "The Mid-town" which offers 628 residential units. The Group started the pre-sale of this project in November 2010. Up to 31 January 2011, the Group made a contracted sales of 69 units with a total saleable GFA of 7,457 sq.m. at an average price of RMB36,500 per sq.m.

*Shanghai Northgate Plaza*

Shanghai Northgate Plaza I is a block of office units with retail podium located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal. Shanghai Northgate Plaza I has a total GFA of approximately 36,500 sq.m. including carparking spaces.

The Group plans to develop Shanghai Northgate Plaza II on the vacant site located adjacent to Phase I. The Group has 99% interest in Phase II. Phase II development will have a total GFA of approximately 28,800 sq.m. comprising serviced apartments with retail podium and carparking spaces. Foundation work was completed in August 2009.

The Group is now considering the feasibility of a major renovation plan for Shanghai Northgate Plaza I with potential synergy with the Phase II development. Accordingly, the Group may adjust and re-consider the design and development of Phase II in due course.

**Guangzhou and Zhongshan**

*Guangzhou May Flower Plaza*

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

This 13-storey complex has a total GFA of approximately 51,000 sq.m. (GFA attributable to the Group of approximately 39,000 sq.m.) comprising retail spaces, restaurants and fast food outlets, cinema and office units. The property is fully leased to various tenants that are well-known corporations, consumer brands, cinemas and restaurants. Rental income from Guangzhou May Flower Plaza was HK$35,447,000 for the six months ended 31 January 2011, representing a growth of approximately 8.6% from the previous corresponding period.

*Guangzhou Eastern Place*

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

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

*Guangzhou West Point*

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

Residential blocks were completed in February 2010 and the office and commercial blocks were completed in June 2010. During the period under review, the Group sold a total of 94 office units with a total saleable GFA of 8,334 sq.m. at an average price of RMB15,800 per sq.m. As at 31 January 2011, the Group had 25 residential units with a total saleable GFA of 2,278 sq.m. and 21 office units with a total saleable GFA of 2,669 sq.m. remaining in this project.

The commercial portion of Guangzhou West Point was grand-opened in December 2010. Up to 31 January 2011, around 94% of the retail spaces available were leased. Tenants in Guangzhou West Point include renowned restaurants and retail brands. During the period under review, rental income from Guangzhou West Point commercial portion was HK$4,394,000.

*Guangzhou Jinshazhou Project*

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

The project will be divided into four phases of similar sizes for development. Construction of Phase I commenced in the second quarter of 2010 and completion is expected to take place around the end of 2012. Pre-sale of Phase I residential units will commence by mid-2011.

*Guangzhou Haizhu Plaza*

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

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

*Guangzhou Kingspark*

The site is located on Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 10,000 sq.m. The project is intended to be developed into a residential block, carparking spaces and ancillary facilities. Construction commenced in December 2010 and is expected to complete in 2012.

*Guangzhou Paramount Centre*

The site is located at the junction of Da Sha Tou Road and Yuan Jiang Dong Road in Yuexiu District. The permitted GFA is approximately 8,000 sq.m. The project is intended to be developed into an office/serviced apartment block, carparking spaces and ancillary facilities. Construction commenced in December 2010 and is expected to complete in 2012.

*Guangzhou Guan Lu Road Project*

The site is located on Guan Lu Road in Yuexiu District. The permitted GFA is approximately 14,000 sq.m. The project is intended to be developed into a residential block, carparking spaces and ancillary facilities. Construction is expected to commence this year and is expected to complete in 2013.

*Zhongshan Palm Springs*

The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 406,000 sq.m.

Phase I of the project will comprise high-rise residential towers with a total saleable GFA of approximately 44,000 sq.m., commercial areas with a total GFA of approximately 16,000 sq.m. and low-rise townhouses and semi-detached villas with a total saleable GFA of approximately 27,000 sq.m. Construction of Phase I development has commenced and is now expected to complete in 2012. Pre-sale of residential units will start this year.

## Capital Structure, Liquidity and Debt Maturity Profile

As at 31 January 2011, the Group had total borrowings in the amount of HK$2,765 million (as at 31 July 2010: HK$2,556 million), representing an increase of HK$209 million. The consolidated net assets attributable to the owners of the Company amounted to HK$8,164 million (as at 31 July 2010: HK$7,525 million). The total debt to equity ratio was 34% (as at 31 July 2010: 34%) and the total debt to total capitalisation (long-term debt + equity) ratio was 26% (as at 31 July 2010: 26%). The maturity profile of the Group's borrowings of HK$2,765 million was spread with HK$83 million repayable within 1 year, HK$648 million repayable in the second year and HK$2,034 million repayable in the third to fifth years.

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

Apart from the fixed rate senior notes which are denominated in United States Dollars ("USD"), the Group's other borrowings of HK$1,340 million were 54% denominated in Renminbi ("RMB"), 45% in USD and 1% in Hong Kong dollars ("HKD"). The Group's cash and bank balances of HK$1,787 million were 85% denominated in RMB, 9% in HKD and 6% in USD.

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

Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value of approximately HK$6,009 million, properties under development of HK$1,131 million, serviced apartments and related properties with carrying value of approximately HK$828 million, a property with carrying value of approximately HK$42 million and bank balances of approximately HK$211 million.

Under a litigation in a district court in China, the Group, as the claimant, claimed for a total of RMB17 million from one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group pledged a leasehold building with a carrying value of approximately HK$45 million to the court as collateral.

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

## Prospects

China's property market will continue to be subject to policy risks. To consolidate and enhance their positive impacts of the austerity and effectively manage inflation, the central and local government in China may fine-tune existing austerity measures or introduce new policies. Accordingly, the unfavourable impact of the austerity policies will lead to short-term volatility in China's property market.

In the medium and long term, the Group believes that the consumption power and housing demand in China will remain robust. Overall, the Group believes the intention of the government policies on the property has been consistent, which is to stabilise the property price and curb speculative demand in order to achieve steady development of the property market.

The Group's net gearing level was low by industry standard. The Group will be able to implement its business plan and respond to the challenge of the ever-changing policies. The Group will continue its construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. The Group is now awaiting improvement in market sentiment in order to launch further pre-sale of properties in its pipeline. Furthermore, as encouraged by the Group's success in revitalising the Shanghai Hong Kong Plaza property, the Group will continue to grow its recurrent income base through upgrade of existing rental properties and addition of new venues through completion of commercial property portions of the new development projects. The Group expects its rental income will increase steadily in the next few years. With the macro-economic condition as mentioned above, the Group will closely monitor the market and cautiously evaluate new investment opportunities.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2011, the Company did not redeem any of its listed shares or its 9.125% Senior Notes due 2014 (the "Senior Notes") which are listed and traded on Singapore Exchange Securities Trading Limited. In addition, the Company or any of its subsidiaries did not purchase or sell any of the Company's listed shares or the Senior Notes during the same period.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 31 January 2011 save for the deviations from code provisions A.4.1 and E.1.2 as follows:

*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 are subject to the retirement provisions in 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 retiring directors are eligible for re-election. In addition, any person appointed by the Board to fill a casual vacancy or as an additional director (including non-executive director) will hold office only until the next annual general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objective of the relevant code provision and, therefore, does not intend to take any remedial steps in this regard.

*Code Provision E.1.2*

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other commitments which must be attended to by him, the Chairman was not present at the annual general meeting of the Company held on 21 December 2010.

## REVIEW OF INTERIM RESULTS

The audit committee of the Company currently comprises two of the independent non-executive directors of the Company, namely, Messrs. Law Kin Ho and Lam Bing Kwan and a non-executive director of the Company, Mr. Leow Juan Thong, Jason (alternate director: Mr. Lucas Ignatius Loh Jen Yuh). It has reviewed the unaudited interim results (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2011.

By Order of the Board
**Lam Kin Ngok, Peter**
*Chairman*

Hong Kong, 29 March 2011

*As at the date of this announcement, the executive directors of the Company are Mr. Lam Kin Ngok, Peter, Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Mr. Cheng Shin How, Mr. Lui Siu Tsuen, Richard and Mr. Cheung Sum, Sam; the non-executive directors are Messrs. Leow Juan Thong, Jason and Lucas Ignatius Loh Jen Yuh (also alternate to Mr. Leow Juan Thong, Jason); and the independent non-executive directors are Messrs. Lam Bing Kwan, Ku Moon Lun and Law Kin Ho.*