



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 2008

RESULTS

The Board of Directors 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 2008 as follows:

Consolidated Income Statement

For the year ended 31 July 2008

	Notes	2008 HK\$'000	2007 HK\$'000
TURNOVER	2	826,506	908,906
Cost of sales		<u>(261,621)</u>	<u>(316,718)</u>
Gross profit		564,885	592,188
Other revenue	3	125,012	63,930
Administrative expenses		(307,594)	(300,286)
Other operating expenses, net		(97,480)	(52,273)
Fair value gain on investment properties		721,604	468,758
Gain on disposal of subsidiaries	4	699,036	2,431
Provision for tax indemnity	5	<u>(464,632)</u>	<u>—</u>
PROFIT FROM OPERATING ACTIVITIES	6	1,240,831	774,748
Finance costs	7	(104,078)	(150,125)
Share of profits and losses of associates		19,736	1,041,340
Discount on acquisition of additional interests in an associate		22,761	—
Loss on deemed disposal of interest in an associate		<u>(2,664)</u>	<u>(713)</u>
PROFIT BEFORE TAX		1,176,586	1,665,250
Tax	8	<u>(96,318)</u>	<u>(118,410)</u>
PROFIT FOR THE YEAR		<u>1,080,268</u>	<u>1,546,840</u>
Attributable to:			
Equity holders of the Company		1,013,333	1,495,091
Minority interests		<u>66,935</u>	<u>51,749</u>
		<u>1,080,268</u>	<u>1,546,840</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u>HK 7.16 cents</u>	<u>HK 10.91 cents</u>
Diluted		<u>HK 7.16 cents</u>	<u>HK 10.85 cents</u>

Consolidated Balance Sheet
31 July 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		335,775	1,230,513
Prepaid land lease payments		29,121	30,148
Investment properties		5,336,000	4,614,600
Properties under development		451,558	106,942
Goodwill		—	152,700
Interests in associates	10	2,770,370	1,734,563
Available-for-sale financial assets		453,200	743,516
Pledged bank balances and time deposits		94,121	95,138
Deposits		<u>18,800</u>	<u>36,500</u>
Total non-current assets		<u>9,488,945</u>	<u>8,744,620</u>
CURRENT ASSETS			
Completed properties for sale		2,350	2,350
Equity investments at fair value through profit or loss		49,842	—
Inventories		4,429	5,798
Debtors and deposits	11(a)	96,209	124,712
Cash and cash equivalents		<u>1,255,348</u>	<u>965,086</u>
Total current assets		<u>1,408,178</u>	<u>1,097,946</u>
CURRENT LIABILITIES			
Creditors, deposits received and accruals	11(b)	176,828	156,334
Tax payable		24,083	12,663
Interest-bearing bank and other borrowings		<u>152,175</u>	<u>412,170</u>
Total current liabilities		<u>353,086</u>	<u>581,167</u>
NET CURRENT ASSETS		<u>1,055,092</u>	<u>516,779</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,544,037</u>	<u>9,261,399</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(1,722,703)	(1,933,139)
Deferred tax		(785,523)	(727,972)
Provision for tax indemnity	5	(464,632)	—
Long term rental deposits received		<u>(44,431)</u>	<u>(47,155)</u>
Total non-current liabilities		<u>(3,017,289)</u>	<u>(2,708,266)</u>
		<u>7,526,748</u>	<u>6,553,133</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	12	141,620	141,620
Share premium account		6,974,701	6,974,701
Investment revaluation reserve		464,780	377,226
Share option reserve		16,694	13,778
Capital redemption reserve		1,200,000	1,200,000
General reserve	12	504,136	479,201
Special capital reserve	12	46,885	—
Exchange fluctuation reserve		41,978	38,828
Accumulated losses		<u>(2,063,859)</u>	<u>(3,005,372)</u>
		7,326,935	6,219,982
Minority interests		<u>199,813</u>	<u>333,151</u>
		<u>7,526,748</u>	<u>6,553,133</u>

Notes to Consolidated Financial Statements

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 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. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 July 2008 and 2007:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Segment revenue:												
Sales to external customers	659	-	333,450	299,886	469,979	576,796	22,418	32,224	-	-	826,506	908,906
Intersegment sales	-	-	8,259	7,040	-	-	32,235	28,861	(40,494)	(35,901)	-	-
Other revenue	607	-	523	1,939	634	503	7	116	-	-	1,771	2,558
Total	<u>1,266</u>	<u>-</u>	<u>342,232</u>	<u>308,865</u>	<u>470,613</u>	<u>577,299</u>	<u>54,660</u>	<u>61,201</u>	<u>(40,494)</u>	<u>(35,901)</u>	<u>828,277</u>	<u>911,464</u>
Segment results	<u>178</u>	<u>2,336</u>	<u>973,709</u>	<u>697,285</u>	<u>825,767</u>	<u>147,731</u>	<u>4,244</u>	<u>12,091</u>	<u>-</u>	<u>-</u>	<u>1,803,898</u>	<u>859,443</u>
Interest income and unallocated gains											123,241	61,372
Unallocated expenses											(221,676)	(146,067)
Provision for tax indemnity											(464,632)	-
Profit from operating activities											1,240,831	774,748
Finance costs											(104,078)	(150,125)
Share of profits and losses of associates	162	3,866	(309)	11,269	(2,185)	3,648	-	-	-	-	(2,332)	18,783
Share of profits and losses of associates - unallocated											22,068	1,022,557
Discount on acquisition of additional interests in an associate											22,761	-
Loss on deemed disposal of interest in an associate											(2,664)	(713)
Profit before tax											1,176,586	1,665,250
Tax											(96,318)	(118,410)
Profit for the year											<u>1,080,268</u>	<u>1,546,840</u>

2. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Assets and liabilities:										
Segment assets	478,952	112,463	5,354,020	4,661,643	458,285	1,592,156	40,363	32,964	6,331,620	6,399,226
Interests in associates	218,171	178,176	525,229	-	-	-	-	-	743,400	178,176
Interests in associates - unallocated									2,026,970	1,556,387
Unallocated assets									<u>1,795,133</u>	<u>1,708,777</u>
Total assets									<u>10,897,123</u>	<u>9,842,566</u>
Segment liabilities	6,599	103	89,315	91,390	29,183	56,033	10,104	6,808	135,201	154,334
Interest-bearing bank and other borrowings									1,874,878	2,345,309
Other unallocated liabilities									<u>1,360,296</u>	<u>789,790</u>
Total liabilities									<u>3,370,375</u>	<u>3,289,433</u>
Other segment information:										
Amortisation of prepaid land lease payments	-	-	-	-	1,027	1,028	-	-	1,027	1,028
Depreciation	-	-	28	26	27,802	49,791	213	162	28,043	49,979
Unallocated amounts									<u>10,234</u>	<u>10,216</u>
									<u>38,277</u>	<u>60,195</u>
Impairment of goodwill	-	-	-	-	1,716	2,289	-	-	1,716	2,289
Gain on disposal of subsidiaries	-	(2,450)	-	-	(699,036)	-	-	19	(699,036)	(2,431)
Fair value gain on investment properties	-	-	(721,604)	(468,758)	-	-	-	-	(721,604)	(468,758)
Capital expenditure	363,416	76,045	4,796	21,142	24,498	12,328	798	50	393,508	109,565
Unallocated amounts									<u>1,173</u>	<u>14,374</u>
									<u>394,681</u>	<u>123,939</u>

2. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 July 2008 and 2007:

	Hong Kong		Vietnam		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Segment revenue:						
Sales to external customers	556,263	698,067	270,243	210,839	826,506	908,906
Other revenue	1,771	2,558	—	—	1,771	2,558
Total	<u>558,034</u>	<u>700,625</u>	<u>270,243</u>	<u>210,839</u>	<u>828,277</u>	<u>911,464</u>
Other segment information:						
Segment assets	<u>5,885,493</u>	<u>6,009,581</u>	<u>446,127</u>	<u>389,645</u>	<u>6,331,620</u>	<u>6,399,226</u>
Capital expenditure	<u>380,145</u>	<u>118,945</u>	<u>14,536</u>	<u>4,994</u>	<u>394,681</u>	<u>123,939</u>

3. OTHER REVENUE

	2008 HK\$'000	2007 HK\$'000
Interest income from bank deposits	26,512	19,720
Other interest income	6,667	20,830
Gain on disposal of an available-for-sale financial asset	82,124	—
Dividend income from unlisted available-for-sale equity investments	611	984
Return of capital from an unlisted available-for-sale equity investment	—	1,914
Others	9,098	20,482
	<u>125,012</u>	<u>63,930</u>

4. GAIN ON DISPOSAL OF SUBSIDIARIES

On 7 November 2007, the Company and Surearn Profits Limited (the "Surearn"), a wholly-owned subsidiary of the Group, entered into agreement with CCB International Group Holdings Limited ("CCB International") pursuant to which Surearn agreed to dispose of a 16.57% interest in Diamond String Limited ("Diamond String") and the Company agreed to assign the related shareholder loan with interest accrual owned by Diamond String to the Company to CCB International for a consideration of approximately HK\$567 million, subject to adjustment with reference to the net assets value of Diamond String as at 31 March 2008. The major asset of Diamond String is the hotel property of The Ritz-Carlton Hong Kong situated at 3 Connaught Road Central, Hong Kong. The transaction was completed in December 2007. Further details of the transaction are set out in the Company's circular dated 29 November 2007.

4. GAIN ON DISPOSAL OF SUBSIDIARIES (continued)

On 30 January 2008, the Company and Surearn entered into another agreement with CCB International, pursuant to which Surearn agreed to sell a further 10% interest in Diamond String and the Company agreed to assign the related shareholder loan with interest accrued thereon owed by Diamond String to the Company to CCB International for a total consideration of approximately HK\$417 million, subject to adjustment with reference to the net assets value of Diamond String as at 31 March 2008. After taking into account of the net assets value of Diamond String as at 31 March 2008, the considerations for the disposals of 16.57% and 10% interest in Diamond String are revised to approximately to HK\$575.5 million and HK\$422.3 million, respectively. The aggregate gain on disposal of 16.57% and 10% interests in Diamond String is approximately HK\$699 million.

The disposal of the 10% interest in Diamond String constituted a major and connected transaction for the Company and was subject to, inter alia, independent shareholders' approval requirements of the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). A resolution approving the disposal transaction was duly passed at an extraordinary general meeting of the Company held on 18 March 2008.

The disposal of the 10% interest in Diamond String was completed on 31 March 2008. Upon completion of the transaction, the Group and CCB International each holds 50% interest in Diamond String. Diamond String ceased to be a subsidiary of the Group and resulted in the deconsolidation of the assets and liabilities of Diamond String from the Group's consolidated financial statements. The remaining 50% interest in Diamond String retained by the Group after the completion of the transaction is equity accounted for as the Group's interest in an associate in the Group's consolidated financial statement as at 31 July 2008.

5. PROVISION FOR TAX INDEMNITY

Pursuant to certain indemnity deeds (the "Lai Fung Tax Indemnity Deed") dated 12 November 1997 entered into between the Company and Lai Fung Holdings Limited ("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, 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. Lai Fung Tax Indemnity Deed assume 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 tax 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 2008 which are covered under Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing in PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK\$1,341,829,000.

The directors of the Company, after taking into account of the prevailing market situation and the development plan and status of individual property development project as included in the Property Interests and the prevailing tax rates and legislation governing in PRC income tax and LAT, considered it is probable that an amount of HK\$464,632,000 of the above mentioned tax indemnity given by the Company would be crystallised. Therefore, a provision for the tax indemnity amount of HK\$464,632,000 was recognised in the financial statements for the year ended 31 July 2008.

6. PROFIT FROM OPERATING ACTIVITIES

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Depreciation #	38,277	60,195
Amortisation of prepaid land lease payments *	1,027	1,028
Impairment of goodwill *	1,716	2,289
Gain on disposal of items of property, plant and equipment *	(446)	(1,544)
Gain on disposal of properties under development	(439)	—
Loss on disposal of investment properties	2,920	—
Decrease in fair value of equity investments at fair value through profit or loss*	54,012	—
Loss on disposal of equity investments at fair value through profit or loss*	90	—
Reversal of impairment of available-for-sale debt investments *	—	(2,969)
Equity-settled share option expense	—	6,572
	<u> </u>	<u> </u>

Depreciation charge of HK\$29,912,000 (2007: HK\$51,779,000) 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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	102,898	140,445
Bank financing charges	<u>6,964</u>	<u>9,680</u>
	109,862	150,125
Less : Amount capitalised in properties under development	<u>(5,784)</u>	<u>—</u>
	<u>104,078</u>	<u>150,125</u>

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax		
Hong Kong	8,259	8,888
Overseas	<u>13,928</u>	<u>7,214</u>
	<u>22,187</u>	<u>16,102</u>
Deferred tax		
Current year	99,102	102,872
Change in profits tax rate	<u>(41,551)</u>	<u>—</u>
	<u>57,551</u>	<u>102,872</u>
Prior year's under/(over) provision - Hong Kong	<u>16,580</u>	<u>(564)</u>
Tax charge for the year	<u>96,318</u>	<u>118,410</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\$1,013,333,000 (2007: HK\$1,495,091,000) and the weighted average number of 14,162,042,000 (2007: 13,700,388,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 July 2008 is based on the adjusted profit attributable to equity holders of the Company for the year of HK\$1,013,324,000 (2007: HK\$1,487,136,000) and the weighted average number of 14,162,042,000 (2007: 13,700,388,000) ordinary shares in issue during the year.

The calculation of adjusted profit attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company for the year of HK\$1,013,333,000 (2007: HK\$1,495,091,000) less the dilution in the results of an associate, eSun Holdings Limited ("eSun"), attributable to the Group of HK\$9,000 (2007: HK\$7,955,000) arising from the deemed exercise of those eSun's share options with dilutive effect being outstanding during the year.

All share options of the Company outstanding during the years had an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the year ended 31 July 2008.

10. INTERESTS IN ASSOCIATES

The eSun Group

Included in the Group's interests in associates at 31 July 2008 is the Group's share of net assets of the eSun Group of HK\$2,017,971,000 (2007: HK\$1,541,681,000).

In December 2007, share options granted under a share option scheme of eSun were exercised to subscribe for 5,588,886 ordinary shares of HK\$0.50 each of eSun at a subscription price of HK\$4 per share and accordingly the Group's interests in eSun was diluted from 34.75% to 34.52%.

Undertaking to subscribe rights shares of eSun and acquisition of further interest in eSun

Pursuant to a joint announcement made by the Company and eSun on 7 March 2008, eSun announced that it proposed to raise approximately HK\$1,034 million before expenses by way of a rights issue (the "Rights Issue") of not less than 413,577,388 rights shares and not more than 414,508,868 rights shares at the subscription price of HK\$2.50 per rights share on the basis of one rights share for every two existing eSun shares. Pursuant to an irrevocable undertaking (the "Irrevocable Undertaking") entered into between the Company and eSun dated 5 March 2008, the Company irrevocably undertook to eSun that: (i) the eSun shares beneficially owned by the Group as at that date would remain so owned from that date up to the close of business on 25 April 2008, being record date of the Rights Issue; and (ii) it would, subject to fulfilment of certain conditions (including seeking the independent shareholders' approval of the Company), subscribe or procure subscription of its entitlement to 142,756,395 rights shares as would be provisionally allotted to it.

The subscription of the rights shares of eSun by the Group and the Irrevocable Undertaking constituted a discloseable and connected transaction for the Company and was subject to, inter alia, independent shareholders' approval requirements of the Company under the Listing Rules. A resolution for approving the subscription of the right shares of eSun by the Group and the Irrevocable Undertaking was duly passed at an extraordinary general meeting of the Company on 16 April 2008. Further details of the aforesaid transactions are set out in the Company's circular dated 28 March 2008.

The Company took up 142,765,395 rights shares. In addition, the Company acquired 12,160,000 cum rights shares with a pro-rata entitlement to 6,080,000 rights shares, 730,000 ex-rights shares and applied for, and was allotted, 365,000 excess rights shares, such shares totaling 19,335,000, being within the maximum number of 19,342,000 shares permitted under the approval granted by the independent shareholders at the Company's extraordinary general meeting held on 16 April 2008. The Group's interests in eSun was increased from 34.52% to 36.08%.

A cross holding position has been existing between eSun and the Company. As at 31 July 2008, the Group's interest in eSun was 36.08% (2007: 34.75%) and the eSun Group held in aggregate 36.72% (2007: 36.72%) in the issued share capital of the Company.

11. DEBTORS AND DEPOSITS/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 aged analysis of the trade debtors, based on payment due date, is as follows:

	2008	2007
	HK\$'000	HK\$'000
Trade debtors:		
Less than 30 days past due	6,869	22,318
31 – 60 days past due	1,717	2,176
61 – 90 days past due	681	841
Over 90 days past due	3,344	4,644
	12,611	29,979
Other debtors and deposits	102,398	131,233
	115,009	161,212
Portion classified as non-current:		
Deposit paid for acquisition of properties under development	(18,800)	(30,300)
Deposit paid for purchase of a further interest in a subsidiary from a minority shareholder	–	(6,200)
	(18,800)	(36,500)
Current portion	96,209	124,712

- (b) An aged analysis of the trade creditors at the balance sheet date is as follows:

	2008	2007
	HK\$'000	HK\$'000
Trade creditors:		
Less than 30 days	6,702	14,385
31 – 60 days	28	3,106
61 – 90 days	19	346
Over 90 days	113	510
	6,862	18,347
Other creditors, deposits received and accruals	169,966	137,987
	176,828	156,334

The trade creditors are non-interest-bearing and are normally settled on 30-day terms.

12. SHARE CAPITAL

	As at 31 July 2008 and 2007	
	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 (2007: HK\$0.01) each	16,000,000	160,000
Preference shares of HK\$1.00 each	1,200,000	1,200,000
		1,360,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 (2007: HK\$0.01) each	14,162,042	141,620

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:

- (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 Enterprise 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 provisions:

- (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 reserves of the Company and the same shall become available for distribution;

12. SHARE CAPITAL (continued)

- (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 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 reserves of the Company and the same shall become available for distribution.

During the year ended 31 July 2008, an amount of HK\$71,820,000, which represents the reversal of provision for impairment of the Company's interest in Peakflow Profits Limited ("Peakflow"), a wholly owned subsidiary of the Company which holds a 10% equity interest in Bayshore, is transferred from accumulated losses to the special capital reserve of the Company. In prior year, an aggregate amount of HK\$479,201,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow, to the extent of HK\$220,873,000; 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 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 amount of HK\$24,935,000 (2007: HK\$479,201,000) was then transferred from special capital reserve to 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.

13. COMPARATIVE AMOUNTS

Certain comparative amounts were reclassified to conform with the current year's presentation.

DIVIDENDS

The Directors do not recommend payment of a dividend for the year ended 31 July 2008 (2007: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Final Results

For the year ended 31 July 2008, the Group recorded a turnover of HK\$826,506,000 (2007: HK\$908,906,000) and a gross profit of HK\$564,885,000 (2007: HK\$592,188,000), representing a decrease of approximately 9.1% and 4.6% respectively from the previous year. The decrease in turnover and gross profit was largely due to the cessation of the hotel operations of The Ritz-Carlton Hong Kong since 1 February 2008.

During the year, the Group booked a fair value gain on investment properties of HK\$721,604,000 (2007: HK\$468,758,000), and a gain on disposal of HK\$699,036,000 from the disposal of an aggregate of a 26.57% interest in Diamond String Limited (“Diamond String”), which owns the property of The Ritz-Carlton Hong Kong. These gains were partially offset by a non-cash provision for tax indemnity of approximately HK\$464,632,000. This provision was made due to certain tax indemnity granted by the Group to Lai Fung Holdings Limited (“Lai Fung”) in November 1997 at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited (*Note*). As a result of the above items, the Group’s profit from operating activities increased to HK\$1,240,831,000 (2007: HK\$774,748,000), an increase of approximately 60.2% from the previous year.

Share of profits from associates was HK\$19,736,000 (2007: HK\$1,041,340,000). Such substantial decrease was mainly due to the fact that the share of profits from associates recorded in the previous year included non-recurrent gains on disposal by the Group’s associated company, eSun Holdings Limited (“eSun”) of its 60% effective interest in Macao Studio City project, and gain on disposal by the Group’s 50% owned associated company, Fortune Sign Venture Inc. of its entire interest in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong.

For the year ended 31 July 2008, the Group achieved a consolidated profit attributable to equity holders of the Company of HK\$1,013,333,000 (2007: HK\$1,495,091,000), down by approximately 32.2% from the previous year.

Shareholders’ equity as at 31 July 2008 amounted to HK\$7,326,935,000, up from HK\$6,219,982,000 as at 31 July 2007. Net asset value per share as at 31 July 2008 was HK\$0.517, as compared to HK\$0.439 as at 31 July 2007.

Note: Details of such tax indemnity and provision are set out in Note 5 on page 6.

Business Review

Investment Properties

The Group wholly owns three investment properties for rental purposes, i.e. Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the year ended 31 July 2008, aggregate gross rental income from investment properties contributed to the Group's turnover of approximately HK\$331,400,000 (2007: HK\$299,900,000), up approximately 10.5% from the previous year.

Development Properties

Wood Road Project, Wanchai

This joint residential development project is a 50:50 joint venture between the Group and the AIG Global Real Estate Investment (Asia) group. The development has a planned total gross floor area of approximately 140,000 square feet and a total development cost is estimated to be about HK\$1,300,000,000.

Foundation work was started in November 2007 and had been completed in September 2008. Superstructure work will start thereafter and is scheduled for completion by 2011.

Tai Po Road Project

The Group owns 100% of this development project. The development has a planned total gross floor area of over 60,000 square feet mainly for residential use and a total development cost is now estimated to be about HK\$500,000,000.

Foundation work started in mid-April 2008 and had been completed in September 2008. Superstructure work has been started thereafter and is scheduled for completion by 2010.

Yau Tong Project

The Group completed the purchase of a site located at No. 4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong in September 2008. The consideration of purchase was HK\$188 million.

The site, which covers an area of approximately 17,760 square feet, is currently used as an open-air carpark. Subject to approval of lease modification of the site to non-industrial use and payment of relevant land premium, the Group intends to develop the site into a residential-cum-commercial property with a total gross floor area of about 106,000 square feet.

Hotel Operations

Occupancy and average daily room rate

For the year ended 31 July 2008, hotel operations contributed to the Group's turnover of HK\$469,979,000 (2007: 576,796,000), down approximately 18.5% from the previous year. During the year under review, the Group's hotel operations achieved the following average occupancy and average daily room rate compared to the previous year:

	For the year ended 31 July			
	2008		2007	
	Average occupancy (%)	Average daily room rate	Average occupancy (%)	Average daily room rate
The Ritz-Carlton Hong Kong (From 1 July 2007 to 1 February 2008)	82	HK\$2,855	83	HK\$2,743
Caravelle Hotel, Ho Chi Minh City, Vietnam	64	US\$205	64	US\$163

The redevelopment of The Ritz-Carlton Hong Kong site

In December 2007, the Group together with the other three original shareholders of Diamond String (the company which owns the property of The Ritz-Carlton Hong Kong) completed the sale of a total of 40% interest in Diamond String to a wholly-owned subsidiary of China Construction Bank Corporation ("CCB"). Out of the aforesaid 40% interest, the Group sold 16.57% interest in Diamond String. On 31 March 2008, the Group completed a further sale of a 10% stake in Diamond String to CCB.

Upon completion of these disposals, the Group received sale proceeds of HK\$997,794,000 and booked gains on disposal of HK\$699,036,000. The Group and CCB now hold 50% interest each in Diamond String respectively, and both will invest, through Diamond String, in the redevelopment of the site of The Ritz-Carlton Hong Kong into a grade-A office tower.

Following the cessation of the hotel operations of The Ritz-Carlton Hong Kong on 1 February 2008, demolition work was started in April 2008. The redevelopment is expected to be completed in 2012.

The buildable GFA for the redevelopment is approximately 225,000 square feet. The redeveloped office tower will become a landmark property in Central, Hong Kong. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations.

eSun and Macao Studio City

For the year ended 31 July 2008, share of profits from eSun was approximately HK\$25,661,000 (2007: share of profit of HK\$626,241,000). The change in the share of results in eSun was largely due to the fact that the share of profits from eSun recorded in the previous year included non-recurrent gains on disposal of a 60% effective interest in Macao Studio City project.

Development progress of Macao Studio City

Macao Studio City joint venture (“Macao Studio City JV”) is owned as to effectively 40% by eSun, 40% by New Cotai, LLC (the US joint venture partner) and 20% by CapitaLand Group. Macao Studio City will be developed into an integrated leisure resorts combining theatre/concert venues, live entertainment facilities, Studio Retail™ (a destination retail complex), Las Vegas style gaming facilities and world class hotels.

As at the date of this announcement, foundation work for Phase I of the project has been completed. Given the current extremely uncertain market conditions, construction for superstructure work of Phase I of the project will not commence until the debt financing exercise is finalised. Construction schedule and formal opening of Phase I will now depend on the timing of the conclusion of the debt financing exercise.

Approval of Land Grant Modification of Macao Studio City

Macao Studio City JV had earlier applied for a land grant modification, the principal effects of which were (a) to increase the Gross Floor Area of the Macao Studio City project from 340,000 square metres (3,659,760 square feet) to 560,000 square metres (6,027,840 square feet) and (b) to amend the land uses for five-star hotels and film production facilities.

On 26 September 2008, the Macau Government issued an indicative offer to the effect that the Macau Government would be prepared to grant the land grant modification for the increased gross floor area sought as well as the amended uses. Acceptance of this indicative offer was filed with the Macau Government on 14 October 2008. The application will now be subject to further review by the Macau Government and possible amendments.

Financing for the development of Macao Studio City

The current extreme volatile and negative sentiment of global capital markets make it difficult for eSun to ascertain the exact timing when the debt financing exercise for the development of Macao Studio City may be realised.

As at the date of this announcement, the shareholders of Macao Studio City JV have already contributed US\$200 million in working capital towards the Macao Studio City project. As envisaged by the Memorandum of Understanding dated 9 November 2007, shareholders of Macao Studio City JV agreed to increase shareholders’ contribution to the Macao Studio City project, on a several basis, to US\$500 million, subject to the approval of the shareholders of eSun and further negotiation of the definitive documents to reflect and expand upon matters agreed in the Memorandum of Understanding. In October 2008, the Memorandum of Understanding was terminated. Although as a result of the termination, the parties are no longer under a legal obligation to use their respective reasonable commercial endeavours to conclude the definitive documentation referred to in the Memorandum of Understanding, various ancillary provisions of the Memorandum of Understanding continue to have legal effect. Hence, it now requires longer time to negotiate with other shareholders of the project for the overall funding plan for the Macao Studio City project. eSun remains committed to negotiate in good faith to reach agreement with other shareholders in this regard.

With the completion of rights issue by eSun in May 2008 raising net proceeds of approximately HK\$1,015 million, eSun is still prepared to provide additional funding to the Macao Studio City project depending on the settlement of overall funding plan for the project.

Prospects

In the last few months, the US financial crisis materialises, resulting in a meltdown of global financial markets. Credit crunch, crash in financial markets and the worry of global economic recession are affecting every single economy in the world. As one of the most open economies in the world, Hong Kong will inevitably experience the slowdown in its economy. With continuous improvement of our operations and disposal of assets in recent years, the Group has a healthy balance sheet with a reasonable leverage. Under current circumstances, the Group will maintain a prudent approach to manage our businesses.

Property investment

With most of the world's economy going into recession in the coming year, the Group believes that retail and office rental rates in Hong Kong will be under pressure. With close to full occupancy in our investment properties, the Group has in the past economic cycle successfully strengthened its tenant and trade mix, which well prepares the Group to operate through difficult economy sentiment ahead.

Property development

In anticipation of a possible sharp downturn in the local economy, negative market sentiment has been hammering the prices of residential properties in Hong Kong in the past two months. The Group currently holds a few residential projects under development in Hong Kong. As two of the Group's development properties, Wanchai Wood Road project and Taipo Road project, are both in early development phase, the Group's development and realisation plan are not severely affected by the market at the moment. Given the shortage in supply in core city areas in Hong Kong, the Group is still cautiously optimistic on the Hong Kong residential properties in the longer term.

The Group will monitor the local property market very closely and will continue to adopt a prudent approach in acquiring new development projects in future.

Hotel management

Following the disposal of all hotel assets in Hong Kong, the Group will only hold hotel ownership stakes in Caravelle Hotel Vietnam. In future, the Group through its hotel management arm, Furama Hotels and Resorts International Limited ("FHRI"), is expected to focus on managing hotel rooms and serviced apartments in the region, including Greater China and Vietnam. FHRI will utilise its renowned brand and services and will seek to sign new hotel management contracts in the region.

eSun and Macao Studio City

Given the current extremely uncertain global economic conditions, eSun will keep monitoring and manage the risks of the Macao Studio City project and, as a substantial shareholder, put forward and adjust its development and financing plans in the best interests of the project and its shareholders.

Liquidity and Financial Resources

As at 31 July 2008, the Group had consolidated net assets of approximately HK\$7,327 million (as at 31 July 2007: HK\$6,220 million).

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations and loan facilities provided by banks.

As at 31 July 2008, the Group had outstanding borrowings of approximately HK\$1,875 million representing secured bank borrowings (as at 31 July 2007: HK\$2,345 million secured bank and other borrowings). The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 26%. The maturity profile of the bank borrowings of HK\$1,875 million was spread over a period of less than 5 years with HK\$152 million repayable within 1 year, HK\$1,509 million repayable in the second year and HK\$214 million repayable in the third to fifth years. As at 31 July 2008, all the Group's borrowings carried interest on a floating rate basis.

As at 31 July 2008, certain investment properties with carrying amounts of approximately HK\$5,328 million, certain property, plant and equipment with carrying amounts of approximately HK\$267 million, prepaid land lease payments of approximately HK\$29 million, certain properties under development of approximately HK\$344 million and certain bank balances and time deposits with banks of approximately HK\$94 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 of an associate held by the Group were pledged to banks to secure loan facilities granted to certain associates of the Group. Certain shares of an investee company held by the Group were pledged to a bank 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 monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars or United State dollars. All of the Group's borrowings are denominated in Hong Kong dollars or United States dollars. Considering that the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group believes that the corresponding exposure to exchange rate risk is nominal.

CHAPTER 13 TO THE LISTING RULES (“Chapter 13”)

(A) Financial assistance and guarantees to affiliated companies (Paragraph 13.16 of Chapter 13)

As at 31 July 2008, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded the assets ratio of 8% under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In compliance with paragraph 13.16 of Chapter 13, details of the financial assistance and guarantees given for facilities granted to the following affiliated companies of LSD as at 31 July 2008 which in aggregate exceeds 8% of the assets ratio under the Listing Rules are set out below:

Name of affiliated companies	Percentage of capital held	Financial assistance HK\$'000 (Note a)	Guarantees given for banking facilities granted HK\$'000 (Note b)	Total HK\$'000
Barnwood Limited	50.00	914	-	914
Capital Property Company Limited	24.50	29,274	-	29,274
Diamond String Limited	50.00	393,524	120,000	513,524
Easlin Corporation	20.00	27,181	-	27,181
F&B Select Limited	50.00	4,561	-	4,561
Giant Riches Limited	50.00	870	-	870
Giant Riches Mortgage Limited	50.00	529	-	529
Hillfield Trading Limited	50.00	117,603	-	117,603
JDL International Limited	50.00	1,574	-	1,574
Kippford Enterprises Limited	50.00	31	-	31
Lucky Result Limited	50.00	210,554	-	210,554
Mandy Investment Company Limited	40.00	630	-	630
Naples Investment Limited	50.00	109,529	-	109,529
Orwell Investment Pte Limited	50.00	67,009	-	67,009
Rich Vision Limited	50.00	12,369	-	12,369
		<u>976,152</u>	<u>120,000</u>	<u>1,096,152</u>

Notes:

(a) All balances due are unsecured, interest free and have no fixed terms of repayment.

(b) A guarantee was given by the Company to a bank to secure 50% of a loan facility of HK\$240 million granted by the bank to Diamond String Limited of which was fully utilised.

(B) Financial assistance and guarantees to affiliated companies (Paragraph 13.22 of Chapter 13)

In compliance with paragraph 13.22 of Chapter 13, the proforma combined balance sheet of the affiliated companies at 31 July 2008 is disclosed as follows:

	<i>HK\$'000</i>
Property, plant and equipment	243,791
Goodwill	35,202
Film rights	132,359
Film products	52,925
Music catalogs	60,694
Interest in jointly controlled entities	1,060,205
Interests in associates	2,745,948
Available-for-sale investments	67,242
Deposits, prepayments and other receivables	77,234
Deferred tax assets	4,298
Properties under development	1,953,113
Amounts due from shareholders	30,747
Net current assets	<u>1,675,643</u>
Total assets less current liabilities	8,139,401
Promissory notes	(50,741)
Long term borrowings	(523,897)
Deferred tax	(44)
Deferred income	(44,808)
Amounts due to shareholders	<u>(2,120,501)</u>
	<u>(2,739,991)</u>
	<u>5,399,410</u>
CAPITAL AND RESERVES	
Issued capital	629,892
Share premium account	4,227,678
Contributed surplus	891,289
Investment revaluation reserve	171,623
Share option reserve	25,419
Exchange fluctuation reserve	(12,723)
Accumulated losses	<u>(884,975)</u>
	5,048,203
Minority interests	<u>351,207</u>
	<u>5,399,410</u>

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report save for the deviation from code provisions A.4.1 and E.1.2:

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 of the Company is appointed for a specific term. However, under the articles of association of the Company, all Directors of the Company are subject to retirement by rotation once every three years since their last election and retiring directors are eligible for re-election.

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 the Chairman, the Chairman was not present at the annual general meeting of the Company held on 21 December 2007.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The annual results of the Company for the year ended 31 July 2008 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive Directors of the Company, namely, Messrs. Wan Yee Hwa, Edward, Lam Bing Kwan and Leung Shu Yin, William.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 July 2008 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group'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 Annual General Meeting of the Company will be held on Tuesday, 23 December 2008. Notice of the Annual General Meeting together with the Company's Annual Report for 2007-2008 will be despatched to shareholders in due course.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 7 November 2008

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Mr. Cheung Wing Sum, Ambrose, Mr. Cheung Sum, Sam and Miss Leung Churk Yin, Jeanny; the non-executive Directors are Mr. Lam Kin Ming and Madam U Po Chu, and the independent non-executive Directors are Mr. Lam Bing Kwan, Mr. Leung Shu Yin, William and Mr. Wan Yee Hwa, Edward.