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LAI SUN GARMENT

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2016

RESULTS

The board of directors (the “**Board**”) of Lai Sun Garment (International) Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 July 2016 together with the comparative figures of the last year as follows:

Consolidated Income Statement

For the year ended 31 July 2016

	Notes	2016 HK\$'000	2015 HK\$'000
TURNOVER	3	1,972,089	1,640,834
Cost of sales		<u>(887,597)</u>	<u>(668,115)</u>
Gross profit		1,084,492	972,719
Other revenue		102,753	159,577
Selling and marketing expenses		(26,491)	(23,534)
Administrative expenses		(287,694)	(282,829)
Other operating expenses	4(b)	(223,938)	(194,651)
Fair value gains on investment properties, net		<u>124,167</u>	<u>1,553,881</u>
PROFIT FROM OPERATING ACTIVITIES	4(a)	773,289	2,185,163
Finance costs	5	(268,251)	(269,667)
Share of profits and losses of associates		30,604	96,499
Share of profits of joint ventures		<u>770,469</u>	<u>354,243</u>
PROFIT BEFORE TAX		1,306,111	2,366,238
Tax	6	<u>(64,461)</u>	<u>(85,085)</u>
PROFIT FOR THE YEAR		<u>1,241,650</u>	<u>2,281,153</u>
Attributable to:			
Owners of the Company		683,316	1,290,676
Non-controlling interests		<u>558,334</u>	<u>990,477</u>
		<u>1,241,650</u>	<u>2,281,153</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			(Adjusted)
Basic	8	<u>HK\$0.361</u>	<u>HK\$0.686</u>
Diluted		<u>HK\$0.360</u>	<u>HK\$0.681</u>

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>1,241,650</u>	<u>2,281,153</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
Changes in fair values	137,370	(30,367)
Reclassification adjustment for impairment loss included in the consolidated income statement	<u>-</u>	<u>6,141</u>
	137,370	(24,226)
Exchange realignments	(174,440)	(52,306)
Share of other comprehensive expense of associates	(244,302)	(25,242)
Release of reserves upon disposal of associates	<u>(31)</u>	<u>-</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(281,403)</u>	<u>(101,774)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>960,247</u></u>	<u><u>2,179,379</u></u>
Attributable to:		
Owners of the Company	545,441	1,238,524
Non-controlling interests	<u>414,806</u>	<u>940,855</u>
	<u><u>960,247</u></u>	<u><u>2,179,379</u></u>

Consolidated Statement of Financial Position

As at 31 July 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,281,884	2,688,331
Prepaid land lease payments		20,901	21,928
Investment properties		17,713,376	17,730,080
Properties under development for sale		1,397,706	729,148
Goodwill		5,161	-
Interests in associates		3,721,584	3,977,122
Interests in joint ventures		6,754,353	5,937,793
Available-for-sale financial assets		1,512,037	1,339,150
Pledged and restricted bank balances and time deposits		336,828	124,659
Deposits paid and other receivables		181,315	141,968
Total non-current assets		<u>34,925,145</u>	<u>32,690,179</u>
CURRENT ASSETS			
Completed properties for sale		336,807	668,354
Equity investments at fair value through profit or loss		-	5,574
Inventories		25,899	12,704
Debtors, deposits paid and other receivables	9	178,420	180,888
Pledged and restricted bank balances and time deposits		58,438	299,136
Cash and cash equivalents		2,911,657	1,769,498
Total current assets		<u>3,511,221</u>	<u>2,936,154</u>
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	478,160	440,814
Tax payable		139,889	178,404
Bank borrowings		690,709	1,321,665
Total current liabilities		<u>1,308,758</u>	<u>1,940,883</u>
NET CURRENT ASSETS		<u>2,202,463</u>	<u>995,271</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>37,127,608</u>	<u>33,685,450</u>
NON-CURRENT LIABILITIES			
Bank borrowings		5,594,973	3,270,608
Guaranteed notes		3,461,817	3,500,015
Other borrowing, note payable and interest payable		372,969	361,619
Deferred tax		195,163	188,902
Provision for tax indemnity	11	980,638	980,638
Long term rental deposits received		109,678	91,002
Deferred rental		9,724	4,380
Total non-current liabilities		<u>10,724,962</u>	<u>8,397,164</u>
		<u>26,402,646</u>	<u>25,288,286</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		1,179,703	1,177,649
Investment revaluation reserve		245,724	160,245
Share option reserve		14,286	14,286
Hedging reserve		5,707	(527)
Capital reduction reserve		6,973	6,973
Asset revaluation reserve		55,494	55,494
Other reserve		2,809,724	679,380
Statutory reserve		14,962	12,479
Exchange fluctuation reserve		(238,798)	(9,210)
Retained profits		<u>12,359,569</u>	<u>11,699,526</u>
		16,453,344	13,796,295
Non-controlling interests		<u>9,949,302</u>	<u>11,491,991</u>
		<u>26,402,646</u>	<u>25,288,286</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 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.

The financial information relating to the years ended 31 July 2016 and 31 July 2015 included in this preliminary announcement of annual results for the year ended 31 July 2016 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 July 2016 in due course.

Auditors’ reports have been prepared on these financial statements of the Group for both years. The auditors’ reports were unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

There were no new or revised standards adopted for the first time for the current year’s financial statements.

3. SEGMENT INFORMATION

Segment revenue and results

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

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	468,691	277,811	806,488	754,984	391,683	383,973	280,664	201,726	24,563	22,340	-	-	1,972,089	1,640,834
Intersegment sales	-	-	19,123	13,976	360	360	-	-	25,749	23,060	(45,232)	(37,396)	-	-
Other revenue	3,997	4,703	1,085	1,357	15	25	8,525	-	8,409	5,159	-	-	22,031	11,244
Total	472,688	282,514	826,696	770,317	392,058	384,358	289,189	201,726	58,721	50,559	(45,232)	(37,396)	1,994,120	1,652,078
Segment results	91,516	46,154	664,217	620,100	68,387	62,169	(28,184)	(8,921)	2,756	(8,531)	-	-	798,692	710,971
Interest income from bank deposits - unallocated													23,122	26,076
Unallocated revenue													57,600	122,257
Fair value gains on investment properties, net	-	-	124,167	1,553,881	-	-	-	-	-	-	-	-	124,167	1,553,881
Unallocated expenses													(230,292)	(228,022)
Profit from operating activities													773,289	2,185,163
Finance costs													(268,251)	(269,667)
Share of profits and losses of associates	666	220	13,972	6,877	-	-	(7,670)	(2,462)	-	-	-	-	6,968	4,635
Share of profits and losses of associates - unallocated													23,636	91,864
Share of profits of joint ventures	(4,127)	(686)	774,596	354,929	-	-	-	-	-	-	-	-	770,469	354,243
Profit before tax													1,306,111	2,366,238
Tax													(64,461)	(85,085)
Profit for the year													1,241,650	2,281,153

3. SEGMENT INFORMATION (continued)

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

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Segment assets and liabilities</u>												
Segment assets	1,781,215	1,451,892	17,876,931	17,860,929	3,263,406	2,703,972	641,751	397,386	152,583	135,991	23,715,886	22,550,170
Interests in associates	7,343	7,434	55,179	40,642	-	-	(1,061)	21,669	-	-	61,461	69,745
Interests in associates - unallocated											3,660,123	3,907,377
Interests in joint ventures	990,385	948,346	5,763,968	4,989,447	-	-	-	-	-	-	6,754,353	5,937,793
Unallocated assets											4,244,543	3,161,248
Total assets											38,436,366	35,626,333
Segment liabilities	62,467	99,813	221,181	214,899	195,510	122,509	47,472	20,976	6,163	8,344	532,793	466,541
Bank borrowings											6,285,682	4,592,273
Guaranteed notes											3,461,817	3,500,015
Other borrowing, note payable and interest payable											372,969	361,619
Other unallocated liabilities											1,380,459	1,417,599
Total liabilities											12,033,720	10,338,047
<u>Other segment information</u>												
Amortisation of prepaid land lease payments	-	-	-	-	1,027	1,027	-	-	-	-	1,027	1,027
Depreciation	225	352	227	386	24,991	25,404	34,106	19,606	95	69	59,644	45,817
Depreciation - unallocated											12,854	13,151
											72,498	58,968
Capital expenditure	-	-	261,960	1,386,543	565,472	1,850,422	96,217	15,898	155	262	923,804	3,253,125
Capital expenditure - unallocated											4,702	8,048
											928,506	3,261,173

3. SEGMENT INFORMATION *(continued)*

Geographical information

The following table presents revenue and assets by geographical location of the assets:

	Hong Kong		United Kingdom		Vietnam		Others		Consolidated	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Segment revenue										
Sales to external customers	1,432,704	1,134,214	149,713	122,946	385,903	380,775	3,769	2,899	1,972,089	1,640,834
Other revenue	21,626	11,219	391	-	-	4	14	21	22,031	11,244
Total	1,454,330	1,145,433	150,104	122,946	385,903	380,779	3,783	2,920	1,994,120	1,652,078
Segment assets										
Non-current assets	19,532,148	17,985,696	2,512,864	2,665,250	456,495	470,431	985	1,430	22,502,492	21,122,807
Current assets	834,721	982,687	30,247	76,713	345,692	364,060	2,734	3,903	1,213,394	1,427,363
Total	20,366,869	18,968,383	2,543,111	2,741,963	802,187	834,491	3,719	5,333	23,715,886	22,550,170

Information about major customers

For both the years ended 31 July 2016 and 31 July 2015, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	111,809	80,132
Cost of completed properties sold	348,147	206,040
Depreciation [#]	72,498	58,968
Amortisation of prepaid land lease payments [*]	1,027	1,027
Loss/(gain) on disposal of items of property, plant and equipment	100[*]	(69) [@]
Fair value loss/(gain) on a listed equity investment at fair value through profit or loss	4,247[*]	(3,415)[@]

[#] Depreciation charge of approximately HK\$67,771,000 (2015: HK\$54,095,000) for property, plant and equipment is included in "other operating expenses" on the consolidated income statement.

^{*} These items are included in "other operating expenses" on the consolidated income statement.

[@] These items are included in "other revenue" on the consolidated income statement.

(b) Other than those mentioned in note 4(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operations in Vietnam of approximately HK\$64,616,000 (2015: HK\$67,296,000).

5. FINANCE COSTS

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	122,585	99,785
Interest on guaranteed notes	222,899	225,849
Interest on other borrowing and note payable	11,350	11,337
Bank financing charges	45,447	26,926
	402,281	363,897
Less: Amount capitalised in a hotel development project	(91,097)	(72,000)
Amount capitalised in properties under development for sale	(42,933)	(22,230)
	268,251	269,667

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong	45,894	50,897
Overseas	26,724	23,135
	72,618	74,032
Deferred tax	6,323	8,532
Prior years' (overprovision)/underprovision		
Hong Kong	(40)	(55)
Overseas	(14,440)	2,576
	(14,480)	2,521
Tax charge for the year	64,461	85,085

7. DIVIDEND

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Proposed final – HK1.21 cents (2015: HK1.10 cents) per ordinary share	<u>22,921</u>	<u>20,809</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Adjusted)
Earnings		
Earnings for the purpose of basic earnings per share	683,316	1,290,676
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	<u>(579)</u>	<u>(4,222)</u>
Earnings for the purpose of diluted earnings per share	<u>682,737</u>	<u>1,286,454</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,893,042	1,880,841
Effect of dilutive potential ordinary shares arising from share options	<u>3,740</u>	<u>8,959</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,896,782</u>	<u>1,889,800</u>

The diluted earnings per share for the year ended 31 July 2015 has been adjusted to reflect the effect of the rights issue of a subsidiary of the Company during the year.

9. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

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 a 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.

9. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade debtors:		
Not yet due or less than 30 days past due	15,805	7,620
31 – 60 days past due	2,122	1,433
61 – 90 days past due	857	408
Over 90 days past due	<u>3,881</u>	<u>2,470</u>
	22,665	11,931
Other receivables	82,132	53,237
Deposits paid and prepayments	<u>73,623</u>	<u>115,720</u>
	<u>178,420</u>	<u>180,888</u>

10. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade creditors:		
Not yet due or less than 30 days past due	20,207	12,667
31 – 60 days past due	2,128	1,485
61 – 90 days past due	1,079	903
Over 90 days past due	<u>1,148</u>	<u>1,298</u>
	24,562	16,353
Other payables and accruals	291,284	203,583
Deposits received and other provisions	<u>162,314</u>	<u>220,878</u>
	<u>478,160</u>	<u>440,814</u>

11. PROVISION FOR TAX INDEMNITY

Pursuant to an indemnity deed (the “**Lai Fung Tax Indemnity Deed**”) dated 12 November 1997 entered into between Lai Sun Development Company Limited (“**LSD**”), a non-wholly owned subsidiary, and Lai Fung Holdings Limited (“**Lai Fung**”), LSD has undertaken to indemnify Lai Fung in respect of certain potential income tax and land appreciation tax (“**LAT**”) of the People’s Republic of China (“**PRC**”) payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31 October 1997 (the “**Property Interests**”). These tax indemnities given by LSD apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as “**Knight Frank Petty Limited**”), independent chartered surveyors, as at 31 October 1997 (the “**Valuation**”); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax Indemnity Deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by LSD do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange 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’ prospectus dated 18 November 1997.

11. PROVISION FOR TAX INDEMNITY *(continued)*

After taking into account the plans and the status of the Property Interests held by Lai Fung as at 31 July 2016 and 31 July 2015 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group recorded an aggregate provision for tax indemnity of approximately HK\$980,638,000 as at the end of the reporting period (2015: HK\$980,638,000).

12. EVENT AFTER THE REPORTING PERIOD

On 30 September 2016, Action Charm Limited (“**ACL**”), a wholly-owned subsidiary of LSD, entered into a sale and purchase agreement, pursuant to which the vendor conditionally agreed to sell and ACL conditionally agreed to purchase 49.92% interest in Camper & Nicholsons International SA (“**CNI**”) for an aggregate consideration of approximately EUR13 million (equivalent to approximately HK\$113,804,000). Upon completion on 3 October 2016, ACL subscribed a further one new share of CNI which increased its shareholding interest to 49.96%.

CNI is principally engaged in the business of brokerage, charter, marketing, management and construction of yachts.

Due to the timing of the transaction, the Group is still assessing the financial impact on the Group. Accordingly, certain disclosures in relation to the acquisition have not been presented.

Further details are set out in the Company’s announcement dated 30 September 2016.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK1.21 cents per share (2015: HK1.10 cents per share), amounting to approximately HK\$22,921,000 for the financial year ended 31 July 2016 to shareholders of the Company (“**Shareholders**”) whose names appear on the Register of Members of the Company on Friday, 23 December 2016 subject to the approval of Shareholders at the forthcoming Annual General Meeting of the Company to be held on Friday, 16 December 2016 (“**AGM**”).

No interim dividend was declared during the year (2015: Nil).

The Directors propose that Shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM to be held on 16 December 2016; and (2) The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of and permission to deal in the new shares to be issued pursuant to this proposal.

A circular containing details of the scrip dividend proposal will be despatched to Shareholders together with the form of election for scrip dividend on or about Wednesday, 4 January 2017. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to Shareholders on or about Friday, 27 January 2017.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 16 December 2016. Notice of the AGM together with the proxy form and the Company’s Annual Report for the year ended 31 July 2016 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in mid-November 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible to attend and vote at the AGM, Shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company’s share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 13 December 2016.

The proposed final dividend is subject to the approval of the Shareholders at the AGM. The record date for the proposed final dividend is at the close of business on Friday, 23 December 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 22 December 2016 to Friday, 23 December 2016, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Company’s share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 21 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The 2015/2016 financial year was dominated by political and geopolitical uncertainties at home and abroad. These included the US presidential election, Brexit, protracted conflicts in the Middle East, refugee issues in Europe, Legislative Council elections in Hong Kong, to name a few. Major global economies continued to be hindered by these factors. The fundamentals remained delicate and capital markets performances around the world are correspondingly cautious. Hong Kong's economic performance is certainly not insulated from these challenges faced by the major economies around the world.

The property sector in Hong Kong as a whole has shown resilience and recovered from an extended period of softening. During the year under review, the slowdown in the retail market has been most pronounced due to reduced visitor numbers. The office leasing market remains steady and residential market was rejuvenated, underpinned by a lack of supply and a sustained period of low interest rates. Events such as Brexit led to capital outflows from the region in search for safe havens which arguably provided more liquidity to fuel the already liquidity flushed markets such as Hong Kong. Labour supply shortages in the construction industry continues to drive wage inflation and pose a challenge on the cost management side.

The Group performed admirably against this challenging environment. The attributable rental portfolio of approximately 1.4 million square feet generated steady rental income at high occupancy rates. Rental income increased through tenant mix adjustments, rental reversion and robust contribution from the London properties. The completion of the 8 Observatory Road project in June 2015 added an attributable gross floor area (“GFA”) of 51,145 square feet in the prime Tsim Sha Tsui area of Hong Kong. As at 18 October 2016, approximately 97% of the floor area of the building has been leased or has offers to lease with another approximately 3% of floor area under negotiation. 4 out of 9 units of the 339 Tai Hang Road luxury residential property were sold during the year under review.

Subsequent to the year end, the Urban Renewal Authority project in Ma Tau Kok, Kowloon, “93 Pau Chung Street” (“**93 Pau Chung Street**”) and the joint venture project in Tseung Kwan O named “Alto Residences” (“**Alto Residences**”) were launched for pre-sale in September 2016 and October 2016, respectively. The 93 Pau Chung Street project offers 209 flats in total, including studios, one and two-bedroom units. Up to 18 October 2016, the Group has pre-sold 75 units in 93 Pau Chung Street with saleable area of approximately 26,400 square feet at an average selling price of approximately HK\$15,900 per square foot. The Alto Residences provides 605 flats, including 23 detached houses. Up to 18 October 2016, the first, second and the third price lists of the Alto Residences were released on 11 October 2016, 15 October 2016 and 18 October 2016, respectively for a total of 363 units with listed prices range from HK\$12,373 to HK\$27,508 per square foot.

The management believes it is paramount to prepare the Group for the challenges and opportunities ahead. The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider Lai Sun Group since refocusing the strategy in 2012. Set out below are the projects the Group secured after the implementation of the new rental focused strategy:

Date	Secured Projects	Total GFA (square feet)	Use	Expected Completion Date
Hong Kong				
Development Properties				
November 2012	Alto Residences	573,422	Commercial/ Residential	Q1 2018
April 2014	93 Pau Chung Street	111,354	Commercial/ Residential	Q1 2018
May 2014	The Hong Kong Ocean Park Marriott Hotel (“ Ocean Hotel ”)	366,000	Hotel	Q4 2017
September 2015	Sai Wan Ho Street Project	61,139	Residential	Q4 2019
May 2016	Ki Lung Street Project	42,873	Commercial/ Residential	Q2 2020
London, United Kingdom				
Investment Properties				
April 2014	107-112 Leadenhall Street	146,606*	Office	N/A
November 2014	100 Leadenhall Street	177,700*	Office	N/A
December 2015	106 Leadenhall Street	12,687**	Office	N/A

* *Gross internal area*

** *Net internal area*

The acquisition of 106 Leadenhall Street in London in December 2015, adjacent to the other two wholly-owned properties of LSD, namely 100 and 107 Leadenhall Street, added a total GFA of approximately 12,687 square feet net internal area of office space to our rental portfolio in the United Kingdom. This multi-tenanted property is expected to enhance and enlarge the Group’s strategic property investment portfolio in the City of London. The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and add approximately 226,664 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.4 million square feet.

The Group continued to participate in government tenders to grow the pipeline. In September 2015, the Group was successful in its bid for the development right to the Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. Upon completion, it is planned to provide about 144 residential units with a total GFA of 61,139 square feet. In May 2016, the Group completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon, which comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,053 square feet. It is planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,873 square feet.

The rights issue of 10,047,266,781 shares on the basis of one rights share for every two existing shares of LSD at a subscription price of HK\$0.092 each in November 2015 (“**Rights Issue**”) was completed in February 2016. The Rights Issue was fully underwritten by the Company. Immediately after the completion of the Rights Issue, the Company’s interest in LSD increased from 51.84% to 61.93%.

To increase liquidity of the Company’s shares in the United States of America (“**US**”) and to provide access to the US capital market, a sponsored Level 1 American Depositary Receipt Programme was established with the Bank of New York Mellon and is effective since 1 April 2016.

In September 2016, LSD acquired approximately 49.96% interests in Camper & Nicholson's International SA ("CNI"), a long established and internationally recognised brand for luxury yachts. LSD believed that the acquisition of CNI will bolster LSD's offering of high-end food and beverage and hospitality services.

The Group's strong cash position of HK\$3,306.9 million of cash on hand with a net debt to equity ratio of 41.4% as at 31 July 2016 provides the Group with full confidence and the means to review opportunities more actively. The Group's gearing excluding the net debt of the London portfolio all of which have a positive carry net of financing costs is 31.7%. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2016, the Group recorded turnover of HK\$1,972.1 million (2015: HK\$1,640.8 million) and a gross profit of HK\$1,084.5 million (2015: HK\$972.7 million), representing an increase of approximately 20.2% and 11.5%, respectively over last year. Set out below is the turnover by segment:

	For the year ended 31 July		Difference (HK\$ million)	% change
	2016 (HK\$ million)	2015 (HK\$ million)		
Property investment	806.5	755.0	51.5	6.8
Property development and sales	468.7	277.8	190.9	68.7
Restaurant operation	280.7	201.7	79.0	39.2
Hotel operation and others	416.2	406.3	9.9	2.4
Total	1,972.1	1,640.8	331.3	20.2

For the year ended 31 July 2016, net profit attributable to owners of the Company was approximately HK\$683.3 million (2015: HK\$1,290.7 million), representing a decrease of approximately 47.1% over last year. Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$172.0 million (2015: HK\$122.4 million), representing an increase of approximately 40.5% over last year. The increase is primarily due to profit contribution from the recognition of the sale of residential units in 339 Tai Hang Road during the year under review. Basic earnings per share including and excluding the effect of property revaluations was HK\$0.361 (2015: HK\$0.686) and HK\$0.091 (2015: HK\$0.065), respectively.

Profit attributable to owners of the Company (HK\$ million)	For the year ended 31 July	
	2016	2015
Reported	683.3	1,290.7
Less: Adjustments in respect of revaluation gains of investment properties held by		
- the Company and subsidiaries	(96.6)	(934.3)
- associates and joint ventures	(414.7)	(234.0)
Net profit after tax excluding revaluation gains of investment properties	172.0	122.4

Equity attributable to owners of the Company as at 31 July 2016 amounted to HK\$16,453.3 million, up from HK\$13,796.3 million as at 31 July 2015. Net asset value per share attributable to owners of the Company increased by 19.1% to HK\$8.686 per share as at 31 July 2016 from HK\$7.293 per share as at 31 July 2015.

PROPERTY PORTFOLIO COMPOSITION

As at 31 July 2016, the Group maintained a property portfolio with attributable GFA of approximately 1.9 million square feet. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces is as follows:

	Commercial /Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental ¹	391	726	199	-	-	1,316	672
Completed Hotel Properties	-	-	-	-	61	61	-
Properties Under Development ²	49	-	-	262	227	538	122
Completed Properties Held for Sale	17	-	-	6	-	23	6
Total GFA of major properties of the Group	457	726	199	268	288	1,938	800

1. Completed and rental generating properties
2. All properties under construction

The above table does not include GFA of properties held by Lai Fung Holdings Limited (“**Lai Fung**”).

PROPERTY INVESTMENT

Rental Income

During the year under review, the Group's rental operations recorded a turnover of HK\$806.5 million (2015: HK\$755.0 million), representing a 6.8% increase over last year. The increase is primarily due to the contributions from newly acquired rental properties in London, as well as continued management of tenant mix and rental reversion at major investment properties during the year under review.

The Group wholly owns five major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Lai Sun Commercial Centre, commercial podium of Crocodile Center and Por Yen Building. LSD's 50:50 joint venture with Henderson Land Development Company Limited (“**Henderson Land**”) at 8 Observatory Road, Kowloon was completed in June 2015 and has started to contribute to the Group's results in the year under review. This is recognised as a component of “Share of profits of joint ventures” in the consolidated income statement.

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

	For the year ended 31 July		% Change	Year end occupancy (%)
	2016 (HK\$ million)	2015 (HK\$ million)		
Hong Kong				
Cheung Sha Wan Plaza (including car-parking spaces)	302.6	293.9	3.0	93.3
Causeway Bay Plaza 2 (including car-parking spaces)	178.0	170.9	4.2	96.5
Lai Sun Commercial Centre (including car-parking spaces)	59.8	56.4	6.0	98.0
Crocodile Center (commercial podium)	89.0	84.0	6.0	100.0
Por Yen Building	15.1	13.3	13.5	91.1
Subtotal:	644.5	618.5	4.2	
London, United Kingdom				
36 Queen Street	25.9	26.7	-3.0	100.0
107-112 Leadenhall Street	50.2	53.7	-6.5	100.0
100 Leadenhall Street	70.1	42.5	64.9	100.0
106 Leadenhall Street	3.5	-	N/A	94.7
Subtotal:	149.7	122.9	21.8	
Others	12.3	13.6	-9.6	
Total:	806.5	755.0	6.8	
Rental proceeds from joint venture project				
Hong Kong				
CCB Tower [#] (50% basis)	113.7	113.6	0.1	100.0
8 Observatory Road ^{###} (50% basis)	30.0	-	N/A	Office: 86.5 Retail: 90.4

[#] CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of the Group and CCB has an effective 50% interest. For the year ended 31 July 2016, the rental proceeds recorded by the joint venture is HK\$227.5 million (2015: HK\$227.2 million).

^{###} 8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the year ended 31 July 2016, the rental proceeds recorded by the joint venture is HK\$60.0 million.

Breakdown of turnover by usage of our major rental properties is as follows:

	For the year ended 31 July 2016			For the year ended 31 July 2015		
	Group interest	Turnover (HK\$ million)	Total GFA (square feet)	Group interest	Turnover (HK\$ million)	Total GFA (square feet)
Hong Kong						
Cheung Sha Wan Plaza	61.93%			51.88%		
Commercial		163.2	233,807		158.1	233,807
Office		122.6	409,896		118.5	409,896
Car-parking spaces		16.8	N/A		17.3	N/A
Subtotal:		302.6	643,703		293.9	643,703
Causeway Bay Plaza 2	61.93%			51.88%		
Commercial		122.3	109,770		114.1	109,770
Office		50.9	96,268		52.1	96,268
Car-parking spaces		4.8	N/A		4.7	N/A
Subtotal:		178.0	206,038		170.9	206,038
Lai Sun Commercial Centre	61.93%			51.88%		
Commercial		34.8	95,063		33.4	95,063
Office		8.2	74,181		7.7	74,181
Car-parking spaces		16.8	N/A		15.3	N/A
Subtotal:		59.8	169,244		56.4	169,244
Crocodile Center	100%			100%		
Commercial		89.0	91,201		84.0	91,201
Por Yen Building	100%			100%		
Industrial		14.8	109,010		13.1	109,010
Car-parking spaces		0.3	N/A		0.2	N/A
Subtotal:		15.1	109,010		13.3	109,010
Others		12.3	108,810*		13.6	104,520*
Subtotal:		656.8	1,328,006*		632.1	1,323,716*
London, United Kingdom						
36 Queen Street	61.93%			51.88%		
Office		25.9	60,816		26.7	60,816
107-112 Leadenhall Street	61.93%			51.88%		
Office		50.2	146,606		53.7	146,606
100 Leadenhall Street	61.93%			51.88%		
Office		70.1	177,700		42.5	177,700
106 Leadenhall Street	61.93%			-		
Office		3.5	12,687		-	-
Subtotal:		149.7	397,809		122.9	385,122
Total:		806.5	1,725,815*		755.0	1,708,838*
Joint Venture Project						
Hong Kong						
CCB Tower [#] (50% basis)	30.97%			25.94%		
Office		113.7	114,555**		113.6	114,555**
8 Observatory Road ^{##} (50% basis)	30.97%			-		
Office/Commercial		30.0	82,585***		-	-

* Excluding 10% interest in AIA Central and 44.65% interest in Units A and B on 7/F, Metropolitan Factory And Warehouse Building.

** Referring to GFA attributable to LSD. The total GFA of CCB Tower is 229,110 square feet.

*** Referring to GFA attributable to LSD. The total GFA of 8 Observatory Road is 165,170 square feet.

[#] CCB Tower is a joint venture project with CCB in which each of the Group and CCB has an effective 50% interest. For the year ended 31 July 2016, the rental proceeds recorded by the joint venture is HK\$227.5 million (2015: HK\$227.2 million).

^{##} 8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the year ended 31 July 2016, the rental proceeds recorded by the joint venture is HK\$60.0 million.

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza

The asset comprises of a 8-storey and a 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of 643,703 square feet (excluding car-parking spaces). The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.

Causeway Bay Plaza 2

The asset comprises of a 28-storey commercial/office building with car-parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of 206,038 square feet (excluding car-parking spaces). Key tenants include a HSBC branch and commercial offices and major restaurants.

Lai Sun Commercial Centre

The asset comprises a 13-storey commercial/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of 169,244 square feet (excluding car-parking spaces).

Crocodile Center

Crocodile Center is a 25-storey commercial/office building which was completed in 2009 and located near the Kwun Tong MTR station. The Group owns the commercial podium which has a total GFA of 91,201 square feet (excluding car-parking spaces). Tenants dominated by local restaurant groups.

Por Yen Building

The Por Yen Building, being a 14-storey industrial building with total GFA of 109,010 square feet (excluding carparking spaces), is located at the hub of Cheung Sha Wan Business Area and is near to the Lai Chi Kok MTR station.

CCB Tower, 3 Connaught Road Central

LSD has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This 27-storey office tower is a landmark property in Central featuring underground access to the Central MTR station. The property has a total GFA of 229,110 square feet (excluding car-parking spaces). CCB Tower was completed in 2012 and added 70,944 square feet of attributable GFA to the rental portfolio of the Group. CCB Tower is now fully leased out with 18 floors of the office floors and 2 banking hall floors leased to CCB for its Hong Kong operations.

8 Observatory Road

LSD has a 50:50 interest with Henderson Land in this joint development project at Observatory Road, Kowloon. The property is a 19-storey commercial building with a total GFA of 165,170 square feet (excluding car-parking spaces). The property was completed in June 2015 and as at 18 October 2016, approximately 97% of the floor area of the building has been leased or has offers to lease with another approximately 3% of floor area under negotiation.

AIA Central

LSD has 10% interest in AIA Central which is situated in the central business district of Hong Kong and commands spectacular views over Victoria Harbour, to Kowloon Peninsula to the north, and across Chater Garden and The Peak to the south. This 39-storey office tower provides prime office space with a total GFA of approximately 428,962 square feet (excluding car-parking spaces).

Overseas Properties

36 Queen Street, London EC4, United Kingdom

In February 2011, LSD acquired an office building in the City in central London located at 36 Queen Street. Completed in 1986, it comprises 60,816 square feet gross internal area of office accommodation extending over basement, ground and six upper floors. The building is currently fully leased out.

107-112 Leadenhall Street, London EC3, United Kingdom

In April 2014, LSD acquired a property located at the core of the insurance district in the City of London, surrounded by 30 St Mary Axe (commonly known as the Gherkin), Lloyd's of London and the Willis Building at 51 Lime Street. It is a freehold commercial property housing commercial, offices and retail space. The building comprises 146,606 square feet gross internal area of office accommodation extending over basement, ground, mezzanine and seven upper floors. The building is currently fully leased out.

100 Leadenhall Street, London EC3, United Kingdom

Following the acquisition of 107-112 Leadenhall Street in April 2014, LSD announced the acquisition of 100 Leadenhall Street in November 2014 which was completed in January 2015. This property comprises a basement, a lower ground floor, ground floor and nine upper floors and provides 177,700 square feet of offices and ancillary accommodation. The property is currently fully let to ACE Global Markets Limited.

106 Leadenhall Street, London EC3, United Kingdom

In December 2015, LSD acquired the property located adjacent to 100 and 107 Leadenhall Street, namely 106 Leadenhall Street, which is a multi-tenanted asset with approximately 12,687 square feet net internal area of office space.

PROPERTY DEVELOPMENT

For the year ended 31 July 2016, recognised turnover from sales of properties was HK\$468.7 million (2015: HK\$277.8 million), representing an increase of 68.7% over last year. The significant increase was mainly contributed by the sale of residential units in 339 Tai Hang Road during the year under review.

Review of major projects for sale

339 Tai Hang Road, Hong Kong

LSD wholly owns the development project located at 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of approximately 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is approximately HK\$670 million.

The property is now open for sale. For the year ended 31 July 2016, LSD has completed the sale of 4 residential units with total saleable area of 10,920 square feet. Total sales proceeds of HK\$468.7 million were recognised during the year under review and the average selling price based on saleable area is approximately HK\$42,900 per square foot. Up to 18 October 2016, 7 out of 9 units of this project have been sold.

Ocean One, 6 Shung Shun Street, Yau Tong

LSD wholly owns this development project, namely "Ocean One" located at No. 6 Shung Shun Street, Yau Tong, Kowloon. This property is a residential-cum-commercial property with a total GFA of about 122,000 square feet (excluding car-parking spaces) or 124 residential units and 2 commercial units. All units have been sold other than two shops and seven car-parking spaces.

Review of major projects under development

Alto Residences, Tseung Kwan O

In November 2012, LSD successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of 229,338 square feet with a total GFA of 573,422 square feet split into 458,914 square feet for residential use and 114,508 square feet for commercial use. Completion is expected to be in the first quarter of 2018.

Subsequent to the year end, this project providing 605 flats, including 23 detached houses was named “Alto Residences” and was launched for pre-sale in October 2016. Up to 18 October 2016, the first, second and the third price lists of the Alto Residences were released on 11 October 2016, 15 October 2016 and 18 October 2016 respectively for a total of 363 units with listed prices based on saleable area range from HK\$12,373 to HK\$27,508 per square foot.

Ocean Hotel project

LSD was named the most preferred proponent by Ocean Park for the Ocean Hotel project in October 2013 and was officially awarded the project in May 2014. The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and add 226,664 square feet of attributable rental space to the existing rental portfolio of the Group of approximately 1.4 million square feet. The total development cost is estimated to be approximately HK\$4.4 billion. Completion is expected to be in the fourth quarter of 2017.

93 Pau Chung Street

In April 2014, LSD was successful in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority in Ma Tau Kok, Kowloon, Hong Kong. The lot has an area of 12,599 square feet with a total GFA of 111,354 square feet split into 94,486 square feet for residential use and 16,868 square feet for commercial use. The total development cost is estimated to be approximately HK\$1 billion and completion is expected to be in the first quarter of 2018.

Subsequent to the year end, this project was named “93 Pau Chung Street” and launched for pre-sale in September 2016, offering 209 flats in total, including studios, one and two-bedroom units. Up to 18 October 2016, the Group has pre-sold 75 units in this project with saleable area of approximately 26,400 square feet at an average selling price of HK\$15,900 per square foot.

Sai Wan Ho Street project

LSD was successful in September 2015 in its bid for the development rights to the Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. The project site covers an area of 7,642 square feet. Upon completion, it is planned to provide about 144 residential units with a total residential GFA of 61,139 square feet. The total development cost is estimated to be approximately HK\$0.9 billion and completion is expected to be in the fourth quarter of 2019.

Ki Lung Street project

On 16 May 2016, LSD has completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon. The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,053 square feet. It is planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,873 square feet. The total development cost is expected to be approximately HK\$0.4 billion and construction is expected to be completed in the second quarter of 2020.

RESTAURANT OPERATIONS

For the year ended 31 July 2016, the restaurant operations contributed HK\$280.7 million to the Group's turnover (2015: HK\$201.7 million), representing an increase of approximately 39.2% from last year. The contribution from the restaurants segment was boosted by contributions from the newly opened restaurants, including Tang² in Cheung Sha Wan Plaza, Beefbar in Central, Hong Kong, Howard's Gourmet in CCB Tower, Hong Kong, CIAK - All Day Italian in Cityplaza, Hong Kong and China Tang Harbour City in Hong Kong.

Up to the date of this announcement, the restaurant operations include the Group's interests in 16 restaurants in Hong Kong and mainland China.

Cuisine	Restaurant	Location	Award
Western Cuisine	8½ Otto e Mezzo BOMBANA Hong Kong	Hong Kong	Three Michelin stars (2012-2016)
	Otto e Mezzo BOMBANA Shanghai	Shanghai	Two Michelin stars (2017)
	Opera BOMBANA	Beijing	
	CIAK - In The Kitchen	Hong Kong	One Michelin star (2015-2016)
	CIAK - All Day Italian	Hong Kong	
	Beefbar	Hong Kong	
	Operetta	Hong Kong	
Chinese Cuisine	China Tang Landmark	Hong Kong	
	China Tang Harbour City	Hong Kong	
	Howard's Gourmet	Hong Kong	
	Chiu Tang	Hong Kong	
	Tang ²	Hong Kong	
	Kowloon Tang	Hong Kong	
Japanese Cuisine	Wagyu Takumi	Hong Kong	Two Michelin stars (2014-2016)
	Wagyu Kaiseki Den	Hong Kong	One Michelin star (2010-2016)
	Rozan	Hong Kong	

HOTEL OPERATIONS

Turnover from hotel operation was mainly derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam. For the year ended 31 July 2016, the hotel operation contributed HK\$391.7 million to the Group's turnover (2015: HK\$384.0 million).

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Vietnam. It is an elegant 24-storey tower with a mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and a specially equipped room for the disabled. Total GFA attributable to the Group is 98,376 square feet.

LSD was awarded the hotel tender at Ocean Park in May 2014 and the Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms upon its completion in 2017. The Group is optimistic about the prospects of the Ocean Hotel project given the strong popularity of Ocean Park, which is underpinned by robust growth in visitor numbers to Hong Kong coinciding with its expansion.

The hotel operation has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou, Zhongshan and Hengqin. The hotel division manages Lai Fung's serviced apartments in Shanghai and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan comprises two 16-storey blocks with 90 fully furnished serviced apartment units located in the Palm Lifestyle complex in Zhongshan Western district at Cui Sha Road, opposite to the new Zhongshan traditional Chinese medical centre. STARR Hotel Shanghai is a 17-storey hotel with 239 fully furnished and equipped hotel units with kitchenette located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways.

INTERESTS IN ASSOCIATES (eSUN)

As at 31 July 2016, the Group's interest in eSun Holdings Limited ("eSun") is 41.92%.

Share of profits of eSun amounting to HK\$33.6 million (2015: HK\$108.0 million). The decrease is primarily due to a lower revaluation gain rising in the revaluation of Lai Fung's investment properties during the year under review and decrease in results of Media Asia Group Holdings Limited ("MAGHL") and its subsidiaries (collectively, "MAGHL Group") which is primarily attributable to (i) decrease in both the turnover and the gross profit ratio due to the decrease in the number of large-scale films released and events held by MAGHL Group during the year under review and (ii) increase in other operating expenses of MAGHL Group which is mainly due to the exchange loss arising from the depreciation in Renminbi.

INTERESTS IN JOINT VENTURES

During the year under review, contribution from joint ventures increased to HK\$770.5 million (2015: HK\$354.2 million), representing an increase of 117.5%. This is primarily due to stronger revaluation gains of 8 Observatory Road and CCB Tower.

	For the year ended 31 July	
	2016 (HK\$ million)	2015 (HK\$ million)
Revaluation gains	682.4	282.9
Operating profits	88.1	71.3
Contribution from joint ventures	770.5	354.2

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2016, cash and bank balances and undrawn facilities held by the Group amounted to HK\$3,306.9 million and HK\$6,215.0 million, respectively. Cash and bank balances and undrawn facility held by the Group excluding LSD as at 31 July 2016 were HK\$736.0 million and HK\$100.0 million, respectively.

The Group's sources of funding comprise mainly internal funds generated from the Group's business operations, loan facilities provided by banks, guaranteed notes issued to investors and rights issue. As at 31 July 2016, the Group had bank borrowings of approximately HK\$6,285.7 million, guaranteed notes of approximately HK\$3,461.8 million, a note of HK\$195.0 million and a loan of HK\$31.7 million payable to the late Mr. Lim Por Yen ("Mr. Lim"), accrued interest of HK\$146.3 million in relation to the above-mentioned note and loan payable to the late Mr. Lim. The gearing ratio,

expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings, guaranteed notes and note and loan and related accrued interest payable to the late Mr. Lim less the pledged and restricted and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company, was approximately 41.4%. Excluding the net debt of LSD, the gearing ratio was approximately 7.7%. The Group's gearing excluding the net debt of the London portfolio all of which had a positive carry net of financing costs was approximately 31.7%. As at 31 July 2016, the maturity profile of the bank borrowings of HK\$6,285.7 million was spread over a period of less than 5 years with HK\$690.7 million repayable within 1 year, HK\$168.2 million repayable in the second year and HK\$5,426.8 million repayable in the third to fifth years. All the Group's borrowings carried interest on a floating rate basis except for the United States dollar and Renminbi guaranteed notes issued in January 2013 and July 2014 and which has a fixed rate of 5.7% and 7.7% per annum, respectively.

As at 31 July 2016, certain investment properties with carrying amounts of approximately HK\$17,329.7 million, certain property, plant and equipment with carrying amounts of approximately HK\$2,390.4 million, certain properties under development for sale of approximately HK\$634.6 million and certain bank guaranteed balances and time deposits with banks of approximately HK\$395.3 million were pledged to banks to secure banking facilities granted to and guaranteed notes issued by the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to and guaranteed notes issued by the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars and United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has investments in United Kingdom with the assets and liabilities denominated in Pounds Sterling. Majority of the investments were partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the need arise.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2016, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange from time to time.

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2016 save for the deviations from code provisions A.4.1 and A.5.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and should be subject to re-election.

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

Under code provision A.5.1, a nomination committee comprising a majority of independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2016, the Group employed a total of approximately 1,500 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group’s existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

INVESTOR RELATIONS

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our Executive Directors and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors’ conferences and participate in international non-deal roadshows to communicate the Company’s financial performance and global business strategy.

During the year ended 31 July 2016, the Company has met with a number of research analysts and investors, attended conferences as well as non-deal roadshows as follows:

Month	Event	Organizer	Location
October 2015	Post results non-deal roadshow	BNP	Hong Kong
October 2015	Post results non-deal roadshow	DBS	New York/Philadelphia/ Boston/San Francisco
October 2015	Post results non-deal roadshow	Daiwa	Paris/Basel/ Zurich/London
November 2015	Post results non-deal roadshow	BNP	Singapore
January 2016	DBS Vickers Pulse of Asia Conference	DBS	Singapore
January 2016	Asia Pacific Financial, Property & Logistics Conference	BNP	Hong Kong
January 2016	The Sixth Hong Kong Corporate Summit	Daiwa	Hong Kong
March 2016	Post results non-deal roadshow	DBS	Hong Kong
April 2016	Post results non-deal roadshow	DBS	Singapore
April 2016	Post results non-deal roadshow	Daiwa	London
April 2016	Post results non-deal roadshow	Daiwa	New York/Los Angeles/ San Diego/San Francisco

The Company is keen on promoting investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Investor Relations Department by phone on (852) 2853 6116 during normal business hours, by fax at (852) 2853 6651 or by e-mail at ir@laisun.com.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises three INEDs, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu. The audit committee has reviewed the consolidated results (including the consolidated financial statements) of the Company for the year ended 31 July 2016.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2016 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, Certified Public Accountants to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors 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 the Company's auditors on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The Company's Annual Report for the year ended 31 July 2016 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange at www.hkex.com.hk and the company at www.laisun.com while printed copy will be sent to Shareholders in mid-November 2016.

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 19 October 2016

As at the date of this announcement, the Board comprises six executive directors, namely Dr. Lam Kin Ming (Chairman), Dr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Chew Fook Aun (Deputy Chairman), Madam U Po Chu, Mr. Lam Kin Hong, Matthew and Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu); and three independent non-executive directors, namely Messrs. Chow Bing Chiu, Lam Bing Kwan and Leung Shu Yin, William.