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LAI SUN DEVELOPMENT

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

(Stock Code: 488)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2014

RESULTS

The board of directors (the “**Board**”) of Lai Sun Development Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 July 2014 together with the comparative figures of the last year as follows:

Consolidated Income Statement

For the year ended 31 July 2014

| | Notes | 2014 HK\$'000 | 2013 HK\$'000 |
|--|-------|--------------------|------------------|
| TURNOVER | 3 | 2,109,647 | 963,757 |
| Cost of sales | | <u>(1,051,747)</u> | <u>(374,807)</u> |
| Gross profit | | 1,057,900 | 588,950 |
| Other revenue | 4 | 79,563 | 67,376 |
| Selling and marketing expenses | | (56,660) | (25,008) |
| Administrative expenses | | (308,812) | (271,249) |
| Other operating expenses, net | | (84,744) | (52,531) |
| Employee share option benefits | | - | (50,810) |
| Fair value gains on investment properties | | 928,755 | 2,076,072 |
| Provision for tax indemnity | 5 | <u>(139,017)</u> | <u>(267,537)</u> |
| PROFIT FROM OPERATING ACTIVITIES | 6 | 1,476,985 | 2,065,263 |
| Finance costs | 7 | (242,723) | (161,060) |
| Share of profits and losses of associates | | 106,513 | (7,153) |
| Share of profits and losses of joint ventures | | 110,702 | 616,052 |
| Discount on acquisition of additional interest in an associate | 8 | <u>150,660</u> | <u>134,930</u> |
| PROFIT BEFORE TAX | | 1,602,137 | 2,648,032 |
| Tax | 9 | <u>(90,489)</u> | <u>(45,694)</u> |
| PROFIT FOR THE YEAR | | <u>1,511,648</u> | <u>2,602,338</u> |
| Attributable to: | | | |
| Owners of the Company | | 1,478,730 | 2,564,114 |
| Non-controlling interests | | <u>32,918</u> | <u>38,224</u> |
| | | <u>1,511,648</u> | <u>2,602,338</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | 11 | | |
| Basic | | <u>HK\$0.074</u> | <u>HK\$0.128</u> |
| Diluted | | <u>HK\$0.073</u> | <u>HK\$0.127</u> |

Details of the proposed final dividend for the year are disclosed in note 10.

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2014

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| PROFIT FOR THE YEAR | <u>1,511,648</u> | <u>2,602,338</u> |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) | | |
| Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods: | | |
| Changes in fair values of available-for-sale financial assets | 13,208 | 33,727 |
| Exchange realignments | 16,537 | (3,882) |
| Release of exchange reserve upon liquidation of a subsidiary | (548) | - |
| Share of other comprehensive income of an associate | <u>11,891</u> | <u>56,175</u> |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | <u>41,088</u> | <u>86,020</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>1,552,736</u> | <u>2,688,358</u> |
| Attributable to: | | |
| Owners of the Company | 1,519,924 | 2,650,173 |
| Non-controlling interests | <u>32,812</u> | <u>38,185</u> |
| | <u>1,552,736</u> | <u>2,688,358</u> |

Consolidated Statement of Financial Position

As at 31 July 2014

| | <i>Notes</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|--------------|-------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 554,635 | 510,202 |
| Prepaid land lease payments | | 22,955 | 23,982 |
| Investment properties | | 12,669,295 | 10,736,496 |
| Properties under development for sale | | 109,158 | 777,904 |
| Interests in associates | | 3,841,870 | 3,378,850 |
| Interests in joint ventures | | 6,018,543 | 5,688,684 |
| Available-for-sale financial assets | | 1,232,466 | 1,198,321 |
| Pledged bank balances and time deposits | | 138,049 | 134,692 |
| Deposits paid and other receivables | | 727,468 | 23,500 |
| Total non-current assets | | <u>25,314,439</u> | <u>22,472,631</u> |
| CURRENT ASSETS | | | |
| Completed properties for sale | | 832,633 | 765,591 |
| Equity investments at fair value through profit or loss | | 2,159 | 7,489 |
| Inventories | | 8,106 | 6,456 |
| Debtors, deposits paid and other receivables | 12(a) | 134,032 | 122,348 |
| Held-to-maturity debt investments | | - | 8,317 |
| Cash and cash equivalents | | 1,671,478 | 3,123,631 |
| Total current assets | | <u>2,648,408</u> | <u>4,033,832</u> |
| CURRENT LIABILITIES | | | |
| Creditors, deposits received and accruals | 12(b) | 299,723 | 336,278 |
| Tax payable | | 132,825 | 77,634 |
| Bank borrowings | | 416,808 | 417,286 |
| Total current liabilities | | <u>849,356</u> | <u>831,198</u> |
| NET CURRENT ASSETS | | <u>1,799,052</u> | <u>3,202,634</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>27,113,491</u> | <u>25,675,265</u> |
| NON-CURRENT LIABILITIES | | | |
| Bank borrowings | | 2,274,414 | 2,661,322 |
| Guaranteed notes | 13 | 2,698,122 | 2,695,474 |
| Deferred tax | | 111,620 | 105,694 |
| Provision for tax indemnity | 5 | 729,387 | 614,672 |
| Long term rental deposits received | | 71,087 | 68,152 |
| Deferred rental | | 4,366 | - |
| Total non-current liabilities | | <u>5,888,996</u> | <u>6,145,314</u> |
| | | <u>21,224,495</u> | <u>19,529,951</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 14 | 3,129,961 | 200,629 |
| Share premium account | 14 | - | 7,429,332 |
| Investment revaluation reserve | | 1,131,735 | 1,116,135 |
| Share option reserve | | 64,469 | 64,622 |
| Hedging reserve | | (963) | (11,786) |
| Capital redemption reserve | 14 | - | 1,200,000 |
| Capital reduction reserve | 14(c) | 4,692 | - |
| General reserve | | 646,700 | 646,700 |
| Other reserve | | 256,582 | 142,076 |
| Special capital reserve | | - | - |
| Exchange fluctuation reserve | | 111,712 | 96,941 |
| Retained profits | | 15,379,503 | 8,243,123 |
| Proposed final dividend | | 50,157 | - |
| | | <u>20,774,548</u> | <u>19,127,772</u> |
| Non-controlling interests | | 449,947 | 402,179 |
| | | <u>21,224,495</u> | <u>19,529,951</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through profit or loss and certain available-for-sale financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. IMPACT OF NEW AND REVISED HKFRSs

Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

| | |
|--|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i> |
| HKFRS 13 | <i>Fair Value Measurement</i> |
| HKAS 19 (2011) | <i>Employee Benefits</i> |
| HK(IFRIC)-Int 20 | <i>Stripping Costs in the Production Phase of a Surface Mine</i> |
| <i>Annual Improvements 2009-2011 Cycle</i> | Amendments to a number of HKFRSs issued in June 2012 |

Other than as further explained below regarding the impact of HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of buildings classified as investment properties, available-for-sale financial assets, equity investments at fair value through profit or loss and financial instruments are included in respective notes to the financial statements.

The Group had early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time for the financial year ended 31 July 2012:

| | |
|----------------|---|
| HKAS 27 (2011) | <i>Separate Financial Statements</i> |
| HKAS 28 (2011) | <i>Investments in Associates and Joint Ventures</i> |
| HKFRS 10 | <i>Consolidated Financial Statements</i> |
| HKFRS 11 | <i>Joint Arrangements</i> |
| HKFRS 12 | <i>Disclosure of Interests in Other Entities</i> |

Except for HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements* and HKFRS 12 *Disclosure of Interests in Other Entities* of which the Group's financial statements were affected, the adoption of the above new and revised HKFRSs had no material impact on the financial statements of the Group.

3. SEGMENT INFORMATION

During the year, management changed its reporting segments to (i) property development and sales; (ii) property investment; (iii) hotel operation; (iv) restaurant operation; and (v) others as a result of growing importance of the restaurant operation segment to the operation of the Group. The corresponding information for the year ended 31 July 2013 has been re-presented accordingly.

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 | |
|--|--------------------------------|----------------|---------------------|----------------|-----------------|----------------|----------------------|----------------|---------------|---------------|-----------------|-----------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | 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 | 1,046,947 | 100,312 | 502,335 | 434,234 | 372,139 | 327,003 | 167,082 | 82,925 | 21,144 | 19,283 | - | - | 2,109,647 | 963,757 |
| Intersegment sales | - | - | 11,002 | 15,982 | 270 | - | - | - | 22,732 | 27,172 | (34,004) | (43,154) | - | - |
| Other revenue | 2,140 | 1,126 | 1,042 | 1,206 | 7 | - | 2,345 | 972 | 1,509 | 9,814 | - | - | 7,043 | 13,118 |
| Total | <u>1,049,087</u> | <u>101,438</u> | <u>514,379</u> | <u>451,422</u> | <u>372,416</u> | <u>327,003</u> | <u>169,427</u> | <u>83,897</u> | <u>45,385</u> | <u>56,269</u> | <u>(34,004)</u> | <u>(43,154)</u> | <u>2,116,690</u> | <u>976,875</u> |
| Segment results | <u>346,558</u> | <u>15,373</u> | <u>386,022</u> | <u>343,484</u> | <u>86,476</u> | <u>70,101</u> | <u>(13,049)</u> | <u>(6,667)</u> | <u>1,422</u> | <u>10,415</u> | <u>-</u> | <u>-</u> | <u>807,429</u> | <u>432,706</u> |
| Interest income from bank deposits - unallocated | | | | | | | | | | | | | 19,007 | 11,260 |
| Unallocated revenue | | | | | | | | | | | | | 53,513 | 42,998 |
| Fair value gains on investment properties | - | - | 928,755 | 2,076,072 | - | - | - | - | - | - | - | - | 928,755 | 2,076,072 |
| Employee share option benefits - unallocated | | | | | | | | | | | | | - | (50,810) |
| Unallocated expenses | | | | | | | | | | | | | (192,702) | (179,426) |
| Provision for tax indemnity | | | | | | | | | | | | | (139,017) | (267,537) |
| Profit from operating activities | | | | | | | | | | | | | 1,476,985 | 2,065,263 |
| Finance costs | | | | | | | | | | | | | (242,723) | (161,060) |
| Share of profits and losses of associates | 52 | 150 | - | - | - | - | (2,094) | (887) | - | - | - | - | (2,042) | (737) |
| Share of profits and losses of associates - unallocated | | | | | | | | | | | | | 108,555 | (6,416) |
| Share of profits and losses of joint ventures | 5,882 | 18,825 | 104,820 | 597,227 | - | - | - | - | - | - | - | - | 110,702 | 616,052 |
| Discount on acquisition of additional interest in an associate | | | | | | | | | | | | | 150,660 | 134,930 |
| Profit before tax | | | | | | | | | | | | | 1,602,137 | 2,648,032 |
| Tax | | | | | | | | | | | | | (90,489) | (45,694) |
| Profit for the year | | | | | | | | | | | | | <u>1,511,648</u> | <u>2,602,338</u> |

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 | |
|---|--------------------------------|------------------|---------------------|------------------|------------------|------------------|----------------------|------------------|------------------|------------------|-------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Segment assets and liabilities | | | | | | | | | | | | |
| Segment assets | 1,495,842 | 1,576,095 | 12,732,170 | 10,782,490 | 885,267 | 582,639 | 272,520 | 265,003 | 46,726 | 69,849 | 15,432,525 | 13,276,076 |
| Interests in associates | 7,199 | 9,630 | - | - | - | - | 18,610 | 20,029 | - | - | 25,809 | 29,659 |
| Interests in associates - unallocated | | | | | | | | | | | 3,816,061 | 3,349,191 |
| Interests in joint ventures | 1,494,050 | 1,426,038 | 4,524,493 | 4,262,646 | - | - | - | - | - | - | 6,018,543 | 5,688,684 |
| Unallocated assets | | | | | | | | | | | 2,669,909 | 4,162,853 |
| Total assets | | | | | | | | | | | 27,962,847 | 26,506,463 |
| Segment liabilities | 70,333 | 120,698 | 151,066 | 127,086 | 61,587 | 57,360 | 17,180 | 7,910 | 6,537 | 5,140 | 306,703 | 318,194 |
| Bank borrowings | | | | | | | | | | | 2,691,222 | 3,078,608 |
| Guaranteed notes | | | | | | | | | | | 2,698,122 | 2,695,474 |
| Other unallocated liabilities | | | | | | | | | | | 1,042,305 | 884,236 |
| Total liabilities | | | | | | | | | | | 6,738,352 | 6,976,512 |
| Other segment information | | | | | | | | | | | | |
| Amortisation of prepaid land lease payments | - | - | - | - | 1,027 | 1,028 | - | - | - | - | 1,027 | 1,028 |
| Depreciation | 352 | 352 | 593 | 362 | 12,059 | 12,198 | 15,860 | 9,571 | 22 | 83 | 28,886 | 22,566 |
| Depreciation - unallocated | | | | | | | | | | | 5,601 | 6,510 |
| | | | | | | | | | | | 34,487 | 29,076 |
| Capital expenditure | 13,492 | 217,439 | 968,490 | 96,974 | 6,235 | 6,052 | 51,855 | 181,351 | 29 | 31 | 1,040,101 | 501,847 |
| Capital expenditure - unallocated | | | | | | | | | | | 23,232 | 1,951 |
| | | | | | | | | | | | 1,063,333 | 503,798 |

3. SEGMENT INFORMATION *(continued)*

Geographical information

The following table presents revenue and assets by geographical location of the assets for the years ended 31 July 2014 and 31 July 2013:

| | Hong Kong | | Vietnam | | Others | | Consolidated | |
|-----------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
| Segment revenue | | | | | | | | |
| Sales to external customers | 1,727,365 | 627,410 | 367,208 | 327,003 | 15,074 | 9,344 | 2,109,647 | 963,757 |
| Other revenue | 6,158 | 13,116 | 7 | - | 878 | 2 | 7,043 | 13,118 |
| Total | <u>1,733,523</u> | <u>640,526</u> | <u>367,215</u> | <u>327,003</u> | <u>15,952</u> | <u>9,346</u> | <u>2,116,690</u> | <u>976,875</u> |
| Segment assets | | | | | | | | |
| Non-current assets | 12,380,675 | 11,392,524 | 274,913 | 284,153 | 1,314,725 | 327,025 | 13,970,313 | 12,003,702 |
| Current assets | 1,061,035 | 955,690 | 372,212 | 297,376 | 28,965 | 19,308 | 1,462,212 | 1,272,374 |
| Total | <u>13,441,710</u> | <u>12,348,214</u> | <u>647,125</u> | <u>581,529</u> | <u>1,343,690</u> | <u>346,333</u> | <u>15,432,525</u> | <u>13,276,076</u> |

Information about major customers

For both the years ended 31 July 2014 and 31 July 2013, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

4. OTHER REVENUE

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest income from bank deposits | 19,007 | 11,260 |
| Interest income from held-to-maturity debt investments | 134 | 88 |
| Other interest income | 1,092 | 426 |
| Dividend income from listed equity investments at fair value through profit or loss | 101 | 52 |
| Dividend income from unlisted available-for-sale financial assets | 38,154 | 36,420 |
| Gain on disposal of unlisted available-for-sale financial assets | 11,640 | - |
| Gain on disposal of a listed equity investment at fair value through profit or loss | 786 | - |
| Project management fee income received from a joint venture | - | 8,900 |
| Others | 8,649 | 10,230 |
| | <u>79,563</u> | <u>67,376</u> |

5. PROVISION FOR TAX INDEMNITY

Pursuant to an indemnity deed (the “**Lai Fung Tax Indemnity Deed**”) dated 12 November 1997 entered into between the Company and Lai Fung Holdings Limited (“**Lai Fung**”), the Company 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 the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as “**Knight Frank Petty Limited**”), independent chartered surveyors, as at 31 October 1997 (the “**Valuation**”); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax Indemnity Deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the “**Listing**”); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung’s prospectus dated 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2014 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK\$1,350,000,000 (2013: HK\$1,350,000,000).

As at 31 July 2014, after taking into account the plan and status of the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group recognised an additional provision for tax indemnity of HK\$139,017,000 (2013: HK\$267,537,000) in the consolidated income statement for the year ended 31 July 2014. Besides, the Group settled HK\$24,302,000 (2013: Nil) of the tax indemnity upon receiving request from Lai Fung during the year. As a result, the Group recorded an aggregate provision for tax indemnity of approximately HK\$729,387,000 (2013: HK\$614,672,000) at 31 July 2014.

6. PROFIT FROM OPERATING ACTIVITIES

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of inventories sold | 74,980 | 52,556 |
| Cost of completed properties sold | 638,906 | 58,501 |
| Depreciation [#] | 34,487 | 29,076 |
| Amortisation of prepaid land lease payments [*] | 1,027 | 1,028 |
| Loss on disposal of items of property, plant and equipment [*] | 2,125 | - |
| Loss on disposal of unlisted available-for-sale financial assets [*] | - | 100 |
| Fair value loss on a listed equity investment at fair value through profit or loss [*] | <u>2,796</u> | <u>1,772</u> |

[#] Depreciation charge of approximately HK\$31,942,000 (2013: HK\$26,301,000) for property, plant and equipment is included in "other operating expenses, net" on the consolidated income statement.

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

7. FINANCE COSTS

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on bank borrowings wholly repayable within five years | 66,635 | 67,727 |
| Interest on guaranteed notes wholly repayable within five years | 158,771 | 85,505 |
| Bank financing charges | <u>18,544</u> | <u>17,930</u> |
| | 243,950 | 171,162 |
| Less: Amount capitalised in properties under development for sale | <u>(1,227)</u> | <u>(10,102)</u> |
| | <u>242,723</u> | <u>161,060</u> |

8. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the period from November 2013 to December 2013, the Group acquired 1.33% additional interest in eSun Holdings Limited ("eSun") from the public shareholders at a cost of approximately HK\$18,545,000 and the Group's interest in eSun was increased from 39.93% to 41.26%. In May 2014, the Group further acquired 0.66% additional interest in eSun from the public shareholders at a cost of approximately HK\$7,635,000 and the Group's interest in eSun was increased from 41.26% to 41.92%. Discount on acquisition of approximately HK\$150,660,000 arose from these acquisitions.

In prior year, during the period from October 2012 to December 2012, the Group acquired 2% additional interest in eSun from the public shareholders at a cost of approximately HK\$29,336,000 and the Group's interest in eSun was increased from 37.93% to 39.93%. A discount on acquisition of HK\$134,930,000 arose from these acquisitions.

9. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax | | |
| Hong Kong | 64,149 | 28,563 |
| Overseas | <u>18,199</u> | <u>13,356</u> |
| | 82,348 | 41,919 |
| Deferred tax | 5,565 | 4,814 |
| Prior years' underprovision/(overprovision) | | |
| Hong Kong | 216 | (30) |
| Overseas | <u>2,360</u> | <u>(1,009)</u> |
| | <u>2,576</u> | <u>(1,039)</u> |
| Tax charge for the year | <u><u>90,489</u></u> | <u><u>45,694</u></u> |

10. DIVIDEND

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Proposed final – HK0.25 cent (2013: Nil) per ordinary share | <u><u>50,157</u></u> | <u><u>-</u></u> |

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

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Earnings | | |
| Earnings for the purpose of basic earnings per share | 1,478,730 | 2,564,114 |
| Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share | <u>(300)</u> | <u>-</u> |
| Earnings for the purpose of diluted earnings per share | <u><u>1,478,430</u></u> | <u><u>2,564,114</u></u> |

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(continued)*

| | '000 | '000 |
|--|--------------------------|-------------------|
| Number of shares | | |
| Number of ordinary shares for the purpose of basic earnings per share | 20,062,893 | 20,062,893 |
| Effect of dilutive potential ordinary shares arising from share options | <u>90,749</u> | <u>102,974</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>20,153,642</u> | <u>20,165,867</u> |

The exercise of share options of an associate and the conversion of the outstanding convertible notes issued by an associate have an anti-dilutive effect on the basic earnings per share as presented for the year ended 31 July 2013.

12. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

- (a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on 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.

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade debtors: | | |
| Not yet due or less than 30 days past due | 8,278 | 6,575 |
| 31 – 60 days past due | 1,397 | 1,946 |
| 61 – 90 days past due | 201 | 394 |
| Over 90 days past due | <u>1,059</u> | <u>1,491</u> |
| | 10,935 | 10,406 |
| Other receivables | 61,283 | 57,337 |
| Deposits paid and prepayments | <u>61,814</u> | <u>54,605</u> |
| | <u>134,032</u> | <u>122,348</u> |

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

| | 2014 <i>HK\$'000</i> | 2013 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade creditors: | | |
| Not yet due or less than 30 days past due | 8,967 | 8,161 |
| 31 – 60 days past due | 770 | 546 |
| 61 – 90 days past due | 199 | 87 |
| Over 90 days past due | <u>174</u> | <u>236</u> |
| | 10,110 | 9,030 |
| Other payables and accruals | 158,050 | 173,773 |
| Deposits received and other provisions | <u>131,563</u> | <u>153,475</u> |
| | <u>299,723</u> | <u>336,278</u> |

13. GUARANTEED NOTES

On 18 January 2013, Lai Sun International Finance (2012) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US\$350,000,000 (the “Notes”). The Notes are guaranteed by the Company, have a maturity term of five years and bear a fixed interest rate of 5.7% per annum with interest payable semi-annually in arrears.

The net proceeds from the offering were approximately US\$347,000,000 and would be used for general corporate purposes.

14. SHARE CAPITAL

| | 2014 | | 2013 | |
|------------------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Number of shares | Total amount HK\$'000 | Number of shares | Total amount HK\$'000 |
| Authorised (note a): | | | | |
| Ordinary shares of HK\$0.01 each | - | - | 38,000,000 | 380,000 |
| Preference shares of HK\$1.00 each | - | - | 1,200,000 | 1,200,000 |
| | | | | <u>1,580,000</u> |
| Ordinary shares in issue (note a) | <u>20,062,893,286</u> | <u>3,129,961</u> | <u>20,062,893,286</u> | <u>200,629</u> |

Movements in the Company’s share capital and other capital reserves during the year are summarised as follows:

| | Number of shares in issue | Issued capital HK\$'000 | Share premium account HK\$'000 | Capital redemption reserve HK\$'000 | Total amount HK\$'000 |
|---|---------------------------|----------------------------|-----------------------------------|--|--------------------------|
| At 1 August 2012, 31 July 2013 and 1 August 2013 | 20,062,893,286 | 200,629 | 7,429,332 | 1,200,000 | 8,829,961 |
| Transfer from share premium account to issued capital (note b) | - | 7,429,332 | (7,429,332) | - | - |
| Transfer from capital redemption reserve to issued capital (note b) | - | 1,200,000 | - | (1,200,000) | - |
| Transfer to capital reduction reserve (note c) | - | (5,700,000) | - | - | (5,700,000) |
| At 31 July 2014 | <u>20,062,893,286</u> | <u>3,129,961</u> | <u>-</u> | <u>-</u> | <u>3,129,961</u> |

Notes:

- Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists. In accordance with Section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company’s shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- With effect from 3 March 2014, amount standing to the credit of share premium account and the capital redemption reserve of the Company is deemed to be part of share capital of the Company pursuant to Section 37(1) of Schedule 11 of the Hong Kong Companies Ordinance (Cap. 622).
- On 25 July 2014, the reduction of the amount standing to the credit of the share capital account of the Company by a sum equal to HK\$5,700,000,000 (“Capital Reduction”) became effective. The credit arising from the Capital Reduction was applied to a capital reduction reserve account of the Company. The Company used capital reduction reserve of approximately HK\$5,695,308,000 to set off against the Company’s accumulated realised losses.

15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year’s presentation.

FINAL DIVIDEND

The Directors have resolved to recommend a final dividend of HK0.25 cent per share in respect of the financial year ended 31 July 2014 to shareholders whose names appear on the Register of Members of the Company on Friday, 19 December 2014.

No interim dividend was declared during the year.

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 Annual General Meeting to be held on 9 December 2014; 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 Tuesday, 30 December 2014. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to shareholders on or about Friday, 30 January 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

2013/14 may be summarised as a year of consolidation for the Company. Notwithstanding robust equity and debt capital markets, the global economic fundamentals remain on a delicate recovery path. Despite continuous support from central banks around the world, major economies such as the United States and the Euro Zone continue to struggle. Geopolitical tensions around the world such as those in the Middle East and between Russia and Ukraine shroud the already uncertain outlook. As a global financial centre, Hong Kong’s economic performance is clearly not immune from the challenges faced by the major economies around the world.

The property sector in Hong Kong continues to perform well notwithstanding the challenging conditions. The retail market is supported by low unemployment with steady visitors arrivals and the office leasing market is stabilising with some improvements. The residential market continues to be slow due to the introduction of control measures in late 2012 and early 2013 but new launches report robust prices being achieved and arguably reflects strong underlying demand. It is very likely that these control measures, barring any unforeseen circumstances, are here to stay until land supply has caught up; which is likely to take some years notwithstanding the government’s emphasis and effort. Labour supply shortage in the construction industry is driving wage inflation and continues to pose a challenge on the cost management side.

The Group performed admirably against this challenging environment. The rental portfolio of approximately 1.6 million square feet generated steady rental income at high occupancy rates. Rental income increased through tenant mix adjustments, rental reversion and full year contribution from the CCB Tower since it was fully leased last year the latter of which is recognised as share of profits from joint ventures. Sale of the majority of remaining units in Ocean One were completed at the intended average selling price and substantially boosted the revenue and profit of the Group compared to last year. The sale of the 339 Tai Hang Road project, comprising 9 units and gross floor area (“**GFA**”) of 30,400 square feet, commenced in July 2014 and is expected to make a contribution in the coming financial years.

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. Further to securing the Tseung Kwan O site in November 2012 and being awarded the hotel tender at Ocean Park in May 2014, the Group continued to participate in government tenders to grow the pipeline. In April 2014, the Group successfully secured the Urban Renewal Authority project in Ma Tau Kok which will be developed into middle class residential units for sale with permitted GFA of approximately 113,400 square feet and this project will complete in 2018. The completion of the Observatory Road project in 2015 will add an attributable rental GFA of approximately 82,600 square feet in the prime Tsim Sha Tsui area of Hong Kong when it is completed in the third quarter of 2015.

The acquisition of 107 Leadenhall during the year bolstered our portfolio in London, United Kingdom which is a freehold commercial property located in the heart of the City of London. It consists of a basement, ground floor, a mezzanine and seven upper floors with total area of approximately 146,600 square feet and provides office accommodation above retail shops on the ground floor and is fully leased out. The historical rental income with the relevant rental guarantee equated to a 6% yield on cost of investment and expected to generate good rental income to the Group in the long run. The renovation work for 36 Queen Street has been completed and is being leased out. It is now almost fully leased out and we expect steady rental income contribution for the coming financial year.

The Group's strong cash position of HK\$1,809.5 million of cash on hand with a net debt to equity ratio of 17% as at 31 July 2014 provides the Group full confidence and the means to review opportunities more actively. 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 2014, the Group recorded turnover of HK\$2,109.6 million (2013: HK\$963.8 million) and a gross profit of HK\$1,057.9 million (2013: HK\$589.0 million), representing an increase of approximately 118.9% and 79.6%, respectively over last year. Turnover from rental income, sales of properties, restaurant and hotel and other operations during the year was HK\$502.3 million (2013: HK\$434.2 million), HK\$1,046.9 million (2013: HK\$100.3 million), HK\$167.1 million (2013: HK\$82.9 million) and HK\$393.3 million (2013: HK\$346.4 million), representing an increase of 15.7%, 943.8%, 101.6% and 13.5%, respectively.

Net profit attributable to owners of the Company was approximately HK\$1,478.7 million (2013: HK\$2,564.1 million), representing a decrease of approximately 42.3% over last year. Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$333.2 million (2013: net loss attributable to owners of the Company of HK\$201.4 million), primarily due to the successful sale of the majority of the units at Ocean One. Basic earnings/(loss) per share including and excluding the effect of property revaluations was HK\$0.074 (2013: HK\$0.128) and HK\$0.017 (2013: HK\$(0.010)), respectively.

| Profit attributable to owners of the Company (HK\$ million) | Year ended 31 July | |
|--|---------------------------|-------------|
| | 2014 | 2013 |
| Reported | 1,478.7 | 2,564.1 |
| Less: Adjustments in respect of revaluation gains of investment properties held by | | |
| - the Company and subsidiaries | (928.8) | (2,076.0) |
| - associates and joint ventures | (216.7) | (689.5) |
| Net profit after tax excluding revaluation gains of investment properties | 333.2 | (201.4) |

Equity attributable to owners of the Company as at 31 July 2014 amounted to HK\$20,774.5 million, up from HK\$19,127.8 million as at 31 July 2013. Net asset value per share attributable to owners of the Company increased by 9% to HK\$1.035 per share as at 31 July 2014 from HK\$0.953 per share as at 31 July 2013.

PROPERTY PORTFOLIO COMPOSITION

As at 31 July 2014, the Group maintained a property portfolio with attributable GFA of approximately 2.5 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 | 434 | 1,018 | 62 | - | - | 1,514 | 965 |
| Completed Hotel Properties | - | - | - | - | 98 | 98 | - |
| Properties Under Development ² | 159 | - | - | 324 | 366 | 849 | 206 |
| Completed Properties Held for Sale | 18 | - | - | 36 | - | 54 | 34 |
| Total GFA of major properties of the Group | 611 | 1,018 | 62 | 360 | 464 | 2,515 | 1,205 |

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\$502.3 million (2013: HK\$434.2 million), representing a 15.7% increase over last year. The increase is primarily due to continued management of tenant mix and rental reversion at major investment properties during the year.

The Group wholly owns three major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. The Group also owns 50% of CCB Tower through its equity interest in a joint venture with China Construction Bank Corporation ("CCB").

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

| | For the year ended 31 July | | % Change | Year end occupancy (%) |
|---|----------------------------|----------------------|-------------|---------------------------|
| | 2014 HK\$ million | 2013 HK\$ million | | |
| Hong Kong | | | | |
| Cheung Sha Wan Plaza (including car-parking spaces) | 275.3 | 249.9 | 10.2 | 98.8 |
| Causeway Bay Plaza 2 (including car-parking spaces) | 153.9 | 131.1 | 17.4 | 97.9 |
| Lai Sun Commercial Centre (including car-parking spaces) | 50.2 | 48.0 | 4.6 | 92.0 |
| | | | | |
| London, United Kingdom | | | | |
| 36 Queen Street | 3.5 | - | N/A | 40.8 |
| 107-112 Leadenhall Street | 8.4 | - | N/A | 100.0 |
| | | | | |
| Others | 11.0 | 5.2 | 111.5 | N/A |
| Total: | 502.3 | 434.2 | 15.7 | |
| | | | | |
| Rental proceeds from joint venture project | | | | |
| CCB Tower (50% basis) | 108.0 | 25.1 | 330.3 | 94.4 |

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 approximately 689,600 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 approximately 208,500 square feet (excluding car-parking spaces). Key tenants include the HSBC's branch and commercial offices and major restaurants.

Lai Sun Commercial Centre

The asset comprises a 13-storey commercial/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of approximately 188,500 square feet (excluding car-parking spaces).

CCB Tower, 3 Connaught Road Central

The Group has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This office tower is a landmark property in Central featuring underground access to the MTR station in Central. The property has a total GFA of approximately 229,000 square feet (excluding car-parking spaces). CCB Tower was completed in 2013 and added approximately 115,000 square feet of attributable GFA to our portfolio. Subsequent to the year end, CCB Tower was fully leased out with 15 floors of the office floors and 2 banking hall floors leased by CCB for its Hong Kong operations.

Overseas Property

36 Queen Street, London EC4 1HJ, United Kingdom

In February 2011, the Group acquired an office building in the city in central London located at 36 Queen Street. Completed in 1986, it comprises approximately 60,800 square feet of office accommodation extending over basement, ground and six upper floors. Comprehensive refurbishment and renovation work has been completed and the building is being leased out during the year.

107-112 Leadenhall Street, London EC3A 4AF, United Kingdom

In April 2014, the Group acquired a property located at the core of the insurance district in central London, surrounded by 30 St Mary Axe (commonly known as the Gherkin), Lloyd's of London and Willis Building at 51 Lime Street. It is a freehold commercial property housing both commercial and offices. The building comprises approximately 146,600 square feet of office accommodation extending over basement, ground, mezzanine and seven upper floors. The building is currently fully leased out.

PROPERTY DEVELOPMENT

For the year ended 31 July 2014, recognised turnover from sales of properties was HK\$ 1,046.9 million (2013: HK\$100.3 million), representing an increase of 943.8% over last year. The exceptional performance was due to the sale of residential units in Ocean One.

Review of major projects for sale

Ocean One, 6 Shung Shun Street, Yau Tong

The Group 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. The estimated total development cost (including land cost and lease modification premium) is about HK\$730 million. Pre-sales commenced in December 2012.

Up to at 31 July 2014, we have completed the sale of 117 residential units and 8 car-parking spaces. Total sales proceeds of HK\$892 million was recognised during the year and the average selling price based on saleable area is approximately HK\$13,289 per square foot. Subsequent to the year end, we have completed the sale of a further 5 residential units up to 9 October 2014 with total sales proceeds of HK\$40 million.

335-339 Tai Hang Road, Hong Kong

The Group wholly owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group is developing the site into a luxury residential property with a total GFA of about 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is estimated to be about HK\$670 million. This project has been completed during the year under review and is now open for sale.

Review of major projects under development

2-12 Observatory Road

The Group completed the acquisition of a 50% interest in a project at Observatory Road, Kowloon with the buildings previously erected there known as Nos. 2-12, Observatory Road, Kowloon in November 2011. The joint venture partner is Henderson Land.

The site is being planned to be redeveloped into a multi-storey commercial building with a total GFA of approximately 165,000 square feet (excluding car-parking spaces). The total development cost is estimated to be approximately HK\$2.3 billion including an estimated land value of approximately HK\$1.8 billion. The new building is expected to be completed in the third quarter of 2015.

Area 68A2, Tseung Kwan O

In November 2012, the Group 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 approximately 229,000 square feet with a permitted total GFA of approximately 573,000 square feet split into approximately 459,000 square feet for residential use and approximately 114,000 square feet for non-industrial use. The current intention is to develop the lot primarily into a residential project for sale, comprising residential towers as well as houses. Completion is expected to be in the fourth quarter of 2017.

Ocean Hotel project

The Group 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 495 rooms and approximately 366,000 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.6 million square feet. The total development cost is estimated to be approximately HK\$4.2 billion. Completion is expected to be in the fourth quarter of 2017.

Ma Tau Kok project

Since securing the Tseung Kwan O site in November 2012, the Group participated in a number of government tenders. Other than the Ocean Park Hotel project, the Group was successful in April 2014 in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority, Hong Kong in Ma Tau Kok, Kowloon, Hong Kong. The lot has an area of approximately 12,600 square feet with a permitted total GFA of approximately 113,400 square feet split into approximately 94,500 square feet for residential use and approximately 18,900 square feet for non-industrial use. The total development cost is estimated to be approximately HK\$1 billion and the completion is expected to be in the first quarter of 2018.

RESTAURANT OPERATION

For the year ended 31 July 2014, the restaurant operation contributed HK\$167.1 million to the Group's turnover (2013: HK\$82.9 million), representing an increase of approximately 101.6% from last year. The contribution from the restaurants segment was boosted by the new restaurants added during the year, including CIAK-In The Kitchen and China Tang Hong Kong at Landmark in Central, Hong Kong which had a grand opening in December 2013.

The restaurant operation includes the Group's interests in 11 restaurants in Hong Kong and Mainland China, including the Michelin 3-star Italian restaurant 8^½ Otto e Mezzo BOMBANA Hong Kong, Michelin 2-star Japanese restaurant Wagyu Takumi, Michelin 1-star Japanese restaurant Wagyu Kaiseki Den, 8^½ Otto e Mezzo BOMBANA Shanghai, CIAK-In The Kitchen at Landmark, Gin Sai, Rozan, Kowloon Tang, Island Tang, Chiu Tang and China Tang Hong Kong at Landmark.

HOTEL OPERATION

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 2014, the hotel operation contributed HK\$372.1 million to the Group's turnover (2013: HK\$327.0 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 approximately 98,400 square feet.

The Group 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 495 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 will manage Lai Fung's serviced apartments in Shanghai, Guangzhou and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan soft opened in August 2013 and 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 Mayflower Hotel Residence Shanghai soft opened in November 2013 and is a 17-storey hotel with 287 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)

During the year under review, the Group's interest in eSun Holdings Limited ("eSun") increased from 39.93% to 41.92%.

Film production and distribution and media and entertainment divisions held up well as a whole against a difficult economic environment. The acquisition of Intercontinental Group Holdings Limited ("IGHL") bolstered its cinema network and film distribution capability. Lai Fung's results were encouraging given the challenging operating environment in the property sector in Mainland China.

The steady fundamental performance translated to improved contribution from eSun increased from a loss to a profit of HK\$109.3 million (2013: loss of HK\$6.3 million). This was primarily due to the substantial increase in revaluation of Lai Fung's investment properties during the Year.

INTERESTS IN JOINT VENTURES

During the year under review, contribution from joint ventures decreased to HK\$110.7 million (2013: HK\$616.1 million), representing a decrease of 82.0%. This is primarily due to lower revaluation gains of CCB Tower and the Observatory Road project.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 July 2014, cash and bank balances and undrawn facilities held by the Group amounted to HK\$1,809.5 million and HK\$1,102.7 million, respectively.

The Group's sources of funding comprise mainly internal funds generated from the Group's business operations, loan facilities provided by banks and guaranteed notes issued to investors.

As at 31 July 2014, the Group had bank borrowings of approximately HK\$2,691.2 million and guaranteed notes of approximately HK\$2,698.1 million. The net debt to equity ratio expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings and guaranteed notes less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company was approximately 17%. As at 31 July 2014, the maturity profile of the bank borrowings of HK\$2,691.2 million was spread over a period of less than 2 years with HK\$416.8 million repayable within 1 year and HK\$2,274.4 million repayable in the second year. All the Group's borrowings carried interest on a floating rate basis except for the guaranteed notes issued in January 2013 which has a fixed rate of 5.7% per annum.

As at 31 July 2014, certain investment properties with carrying amounts of approximately HK\$11,696.6 million, and certain bank balances and time deposits with banks of approximately HK\$138.0 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in a subsidiary held by the Group were also pledged to a bank to secure a loan facility granted to the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure loan facilities granted to joint ventures 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 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. 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 2014, 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 from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2014 save for the deviations from code provisions A.4.1, A.5.1 and E.1.2.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and 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 (“**Articles of Association**”), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company (“**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 (“**AGM**”) 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 the 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 (“**EDs**”). 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.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended to by him, Dr. Lam Kin Ngok, Peter, the Chairman, was not present at the AGM held on 22 November 2013. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2014, the Group employed a total of approximately 1,300 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, the Company has met with a number of research analysts and investors, attended conferences as well as non-deal roadshows as follows:

| Month | Event | Organiser | Location |
|---------------|--|-----------------------------|---|
| August 2013 | Investors luncheon | Bank of China International | Hong Kong |
| October 2013 | Post full year results non-deal roadshow | UBS | Hong Kong |
| October 2013 | Post full year results non-deal roadshow | UOB Kay Hian | Singapore |
| October 2013 | Post full year results non-deal roadshow | DBS | New York/Los Angeles/ Denver/San Francisco |
| October 2013 | Post full year results non-deal roadshow | UBS | Paris/London |
| November 2013 | Post full year results non-deal roadshow | CIMB | Kuala Lumpur |
| November 2013 | Post full year results non-deal roadshow | UOB Kay Hian | Taipei |
| December 2013 | Post full year results non-deal roadshow | UBS | Sydney |
| January 2014 | The Pulse of Asia Conference | DBS | Singapore |
| February 2014 | Investors luncheon | China Merchants Securities | Hong Kong |
| March 2014 | Post results non-deal roadshow | Daiwa Securities | Hong Kong |
| April 2014 | Post results non-deal roadshow | HSBC | Utrecht/Amsterdam/Paris/London |
| April 2014 | Post results non-deal roadshow | Daiwa Securities | New York/San Francisco/Los Angeles |
| May 2014 | The Pulse of Asia Conference | DBS | Hong Kong |

| | | | |
|-----------|---|--------------------------------------|---------------------|
| May 2014 | Barclays Select Series 2014: Asia Financial and Property Conference | Barclays | Hong Kong |
| June 2014 | Deal roadshow – eSun CNY secured guaranteed notes | ANZ/DBS/HSBC/UBS | Singapore/Hong Kong |
| July 2014 | Deal roadshow – LSG CNY secured guaranteed notes | BNP/DBS/HSBC/Standard Chartered Bank | Singapore/Hong Kong |

During the year under review, the Company also had research reports published as follows:

| Firm | Analyst | Publication Date |
|--------------|---------------------------|-------------------------|
| UOB Kay Hian | Cynthia CHAN, Sylvia WONG | 10 September 2013 |
| DBS | Allen CHAN, Jeff YAU | 10 October 2013 |
| DBS | Allen CHAN, Jeff YAU | 2 May 2014 |

Subsequent to the year end, on 3 October 2014, BNP also published a report on the Company.

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 two INEDs, namely Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan, and a NED, Dr. Lam Kin Ming. The Audit Committee has reviewed the consolidated results (including the consolidated financial statements) of the Company for the year ended 31 July 2014.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 July 2014 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Ernst & Young, Certified Public Accountants ("**Ernst & Young**") to the amounts set out in the Company's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by Ernst & Young on this preliminary results announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Tuesday, 9 December 2014. Notice of the AGM together with proxy form and the Company's Annual Report for the year ended 31 July 2014 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in about early November 2014.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to make certain amendments (“**Proposed Amendments**”) to the Company’s existing memorandum and articles of association to align them with the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which has come into effect on 3 March 2014.

The Proposed Amendments will be subject to the approval of the shareholders of the Company by way of special resolution at the AGM. A circular containing the full text of the Proposed Amendments will be despatched to Shareholders together with the Annual Report.

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 Thursday, 4 December 2014.

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, 19 December 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 18 December 2014 to Friday, 19 December 2014, 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, 17 December 2014.

On behalf of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 16 October 2014

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

Executive Directors: *Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Chew Fook Aun (Deputy Chairman),
Lau Shu Yan, Julius (Chief Executive Officer) and Lam Hau Yin, Lester;*

Non-Executive Directors: *Dr. Lam Kin Ming and Madam U Po Chu; and*

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