



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 2007

RESULTS

The Board of Directors 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 2007 as follows:

Consolidated Income Statement

For the year ended 31 July 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
TURNOVER	2	908,906	793,807
Cost of sales		<u>(316,718)</u>	<u>(270,574)</u>
Gross profit		592,188	523,233
Other revenue	3	63,930	36,656
Administrative expenses		(300,286)	(268,980)
Other operating expenses, net		(49,842)	(64,044)
Fair value gain on investment properties		<u>468,758</u>	<u>315,091</u>
PROFIT FROM OPERATING ACTIVITIES	4	774,748	541,956
Finance costs	5	(150,125)	(156,943)
Reversal of provision for contingent liabilities to bondholders		—	4,848
Gain on cancellation of bond payables		—	37,492
Share of profits and losses of associates		1,041,340	107,752
Gain/(loss) on deemed disposal of interest in an associate		<u>(713)</u>	<u>94,653</u>
PFOFIT BEFORE TAX		1,665,250	629,758
Tax	6	<u>(118,410)</u>	<u>(80,656)</u>
PROFIT FOR THE YEAR		<u>1,546,840</u>	<u>549,102</u>
Attributable to:			
Equity holders of the Company		1,495,091	512,922
Minority interests		<u>51,749</u>	<u>36,180</u>
		<u>1,546,840</u>	<u>549,102</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>HK10.91 cents</u>	<u>HK4.02 cents</u>
Diluted		<u>HK10.85 cents</u>	<u>HK4.02 cents</u>

Consolidated Balance Sheet

31 July 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,230,513	1,265,621
Prepaid land lease payments		30,148	31,176
Investment properties		4,614,600	4,124,700
Properties under development		106,942	61,197
Goodwill		152,700	4,005
Interests in associates	8	1,734,563	1,115,830
Available-for-sale financial assets		743,516	519,172
Pledged bank balances and time deposits		95,138	95,652
Deposits	9(a)	<u>36,500</u>	<u>—</u>
Total non-current assets		<u>8,744,620</u>	<u>7,217,353</u>
CURRENT ASSETS			
Completed properties for sale		2,350	2,350
Inventories		5,798	5,323
Debtors and deposits	9(a)	124,712	108,763
Cash and cash equivalents		<u>965,086</u>	<u>401,724</u>
Total current assets		<u>1,097,946</u>	<u>518,160</u>
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9(b)	156,334	200,437
Tax payable		12,663	9,314
Interest-bearing bank and other borrowings		412,170	309,841
Bond payable		<u>—</u>	<u>2,660</u>
Total current liabilities		<u>581,167</u>	<u>522,252</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>516,779</u>	<u>(4,092)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,261,399</u>	<u>7,213,261</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(1,933,139)	(2,234,551)
Deferred tax		(727,972)	(625,100)
Long term rental deposits received		<u>(47,155)</u>	<u>(31,605)</u>
Total non-current liabilities		<u>(2,708,266)</u>	<u>(2,891,256)</u>
		<u>6,553,133</u>	<u>4,322,005</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	10	141,620	6,373,021
Share premium account		6,974,701	5,858,164
Investment revaluation reserve		377,226	106,111
Share option reserve		13,778	1,660
Capital redemption reserve		1,200,000	1,200,000
General reserve		479,201	—
Special capital reserve		—	—
Exchange fluctuation reserve		38,828	38,430
Accumulated losses		<u>(3,005,372)</u>	<u>(9,640,262)</u>
		6,219,982	3,937,124
Minority interests		<u>333,151</u>	<u>384,881</u>
		<u>6,553,133</u>	<u>4,322,005</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 also include 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 and all values are rounded to the nearest thousand except when otherwise indicated.

2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 July 2007 and 2006:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	—	—	299,886	265,402	576,796	497,202	32,224	31,203	—	—	908,906	793,807
Intersegment sales	—	—	7,040	6,740	—	—	28,861	21,851	(35,901)	(28,591)	—	—
Other revenue	—	—	1,939	992	503	421	116	134	—	—	2,558	1,547
Total	<u>—</u>	<u>—</u>	<u>308,865</u>	<u>273,134</u>	<u>577,299</u>	<u>497,623</u>	<u>61,201</u>	<u>53,188</u>	<u>(35,901)</u>	<u>(28,591)</u>	<u>911,464</u>	<u>795,354</u>
Segment results	<u>2,336</u>	<u>(279)</u>	<u>697,285</u>	<u>516,425</u>	<u>147,731</u>	<u>106,182</u>	<u>12,091</u>	<u>8,679</u>	<u>—</u>	<u>—</u>	859,443	631,007
Interest income and unallocated gains											61,372	35,109
Unallocated expenses											<u>(146,067)</u>	<u>(124,160)</u>
Profit from operating activities											774,748	541,956
Finance costs											<u>(150,125)</u>	<u>(156,943)</u>
Reversal of provision for contingent liabilities to bondholders											—	4,848
Gain on cancellation of bond payables											—	37,492
Share of profits and losses of associates	3,866	49,620	11,269	30,948	3,648	(118)	—	—	—	—	18,783	80,450
Share of profits and losses of associates - unallocated											1,022,557	27,302
Gain/(loss) on deemed disposal of interest in an associate											<u>(713)</u>	<u>94,653</u>
Profit before tax											1,665,250	629,758
Tax											<u>(118,410)</u>	<u>(80,656)</u>
Profit for the year											<u>1,546,840</u>	<u>549,102</u>

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities:												
Segment assets	112,463	67,793	4,661,643	4,146,746	1,592,156	1,453,840	32,964	21,145	—	—	6,399,226	5,689,524
Interests in associates	178,176	30,835	—	109,362	—	90,858	—	—	—	—	178,176	231,055
Interests in associates - unallocated											1,556,387	884,775
Unallocated assets											<u>1,708,777</u>	<u>930,159</u>
Total assets											<u>9,842,566</u>	<u>7,735,513</u>
Segment liabilities	103	165	91,390	80,186	56,033	53,653	6,808	8,948	—	—	154,334	142,952
Interest-bearing bank and other borrowings											2,345,309	2,544,392
Bond payable											—	2,660
Other unallocated liabilities											<u>789,790</u>	<u>723,504</u>
Total liabilities											<u>3,289,433</u>	<u>3,413,508</u>

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:										
Amortisation of prepaid land lease payments	—	—	—	—	1,028	985	—	—	1,028	985
Depreciation	—	—	26	38	49,791	55,554	162	146	49,979	55,738
Unallocated amounts									<u>10,216</u>	<u>8,156</u>
									<u>60,195</u>	<u>63,894</u>
Capital expenditure	76,045	59,735	21,142	915	12,328	26,832	50	218	109,565	87,700
Unallocated amounts									<u>14,374</u>	<u>25,980</u>
									<u>123,939</u>	<u>113,680</u>
Impairment of goodwill	—	—	—	—	2,289	2,289	—	—	2,289	2,289
Loss/(gain) on disposal of subsidiaries	(2,450)	—	—	—	—	—	19	—	(2,431)	—
Fair value gain on investment properties	<u>—</u>	<u>—</u>	<u>(468,758)</u>	<u>(315,091)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(468,758)</u>	<u>(315,091)</u>

(b) **Geographical segments**

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 July 2007 and 2006:

	Hong Kong		Vietnam		Other locations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:								
Sales to external customers	698,067	625,229	210,839	168,578	—	—	908,906	793,807
Other revenue	<u>2,558</u>	<u>1,547</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,558</u>	<u>1,547</u>
Total	<u>700,625</u>	<u>626,776</u>	<u>210,839</u>	<u>168,578</u>	<u>—</u>	<u>—</u>	<u>911,464</u>	<u>795,354</u>
Other segment information:								
Segment assets	<u>6,009,581</u>	<u>5,307,363</u>	<u>389,645</u>	<u>382,040</u>	<u>—</u>	<u>121</u>	<u>6,399,226</u>	<u>5,689,524</u>
Capital expenditure	<u>118,945</u>	<u>93,970</u>	<u>4,994</u>	<u>19,710</u>	<u>—</u>	<u>—</u>	<u>123,939</u>	<u>113,680</u>

3. OTHER REVENUE

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from bank deposits	19,720	12,226
Other interest income	20,830	17,972
Return of capital from an unlisted available-for-sale equity investment	1,914	—
Dividend income from unlisted available-for-sale equity investments	984	711
Others	<u>20,482</u>	<u>5,747</u>
	<u>63,930</u>	<u>36,656</u>

4. PROFIT FROM OPERATING ACTIVITIES

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation [#]	60,195	63,894
Amortisation of prepaid land lease payments*	1,028	985
Gain on disposal of items of property, plant and equipment*	(1,544)	(567)
Gain on disposal of subsidiaries*	(2,431)	—
Impairment of goodwill*	2,289	2,289
Impairment of/(reversal of impairment of) available-for-sale debt investments*	(2,969)	2,969
Equity-settled share option expense	<u>6,572</u>	<u>—</u>

[#] Depreciation charge of HK\$51,779,000 (2006: HK\$56,786,000) for property, plant and equipment is included in “other operating expenses, net” on the face of the consolidated income statement.

* These items are included in “other operating expenses, net” on the face of the consolidated income statement.

5. FINANCE COSTS

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
— bank and other borrowings wholly repayable within five years	140,445	129,036
— bank borrowings not wholly repayable within five years	—	14,319
— amount due to a subsidiary of eSun Holdings Limited (“eSun”, an associate of the Group)	<u>—</u>	<u>1,886</u>
Total interest expenses	140,445	145,241
Other finance costs:		
Bank financing charges	<u>9,680</u>	<u>11,702</u>
	<u>150,125</u>	<u>156,943</u>

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Provision for tax for the year:		
Current - Hong Kong	8,888	7,163
Current - overseas	7,214	1,232
Deferred tax	<u>102,872</u>	<u>73,344</u>
	118,974	81,739
Prior years' overprovision - Hong Kong	<u>(564)</u>	<u>(1,083)</u>
Tax charge for the year	<u>118,410</u>	<u>80,656</u>

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$1,495,091,000 (2006: HK\$512,922,000) and the weighted average number of 13,700,388,000 (2006: 12,746,042,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the year ended 31 July 2007 is based on the adjusted profit attributable to equity holders of the Company for the year of HK\$1,487,136,000 (2006: HK\$512,797,000) and the weighted average number of 13,700,388,000 (2006: 12,746,042,000) ordinary shares in issue during the year.

The calculation of adjusted profit attributable to equity holders of the Company is based on the profit attributable to equity holders of the Company for the year of HK\$1,495,091,000 (2006: HK\$512,922,000) less the dilution in the results of an associate, eSun, attributable to the Group of HK\$7,955,000 (2006: HK\$125,000) arising from the deemed exercise of all eSun's share options being outstanding during the year.

All share options of the Company had an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the year ended 31 July 2007.

8. INTERESTS IN ASSOCIATES

Interest in eSun

Included in the Group's interests in associates at 31 July 2007 is the Group's share of net assets of eSun and its subsidiaries (the "eSun Group") of HK\$1,541,681,000 (2006: HK\$875,991,000).

On 16 May 2007, share options granted under a share option scheme of eSun were exercised to subscribe for 1,862,962 ordinary shares of HK\$0.50 each of eSun at a subscription price of HK\$4.00 per share and accordingly the Group's interest in eSun was diluted from 34.83% to 34.75%.

A cross holding position has been existing between eSun and the Company. As at 31 July 2007, the Group's interest in eSun was 34.75% (2006: 34.83%) and the eSun Group held in aggregate 36.72% (2006: 40.80%) in the issued share capital of the Company.

eSun's audit qualification for its financial year ended 31 December 2006 — Prior year audit scope limitation affecting opening balances

With respect to the financial statements of the eSun Group for the year ended 31 December 2006, the auditors of eSun stated in their report that they were unable to obtain sufficient reliable information to carry out the audit procedures to satisfy themselves as to (i) the competence and objectivity of an independent third party (the "Valuer") who performed a valuation of the rights, titles and interests to 127 Films of the eSun Group (the "127 Film Rights") as at 31 December 2005 and (ii) the adequacy of the scope of the Valuer's work on the 127 Film Rights, which had an aggregate carrying value of HK\$187,073,000 and were included in the eSun Group's film rights of HK\$187,187,000 as at 31 December 2005. Accordingly, they stated that they were unable to carry out adequate audit procedures to assess the carrying amount of the film rights as at 31 December 2005 and the appropriateness of the basis of computation of the amortisation charge for the year ended 31 December 2005. They qualified their opinion on the financial statements of the eSun Group in respect of the year ended 31 December 2005 on account of this scope limitation. Any adjustments that might have been found necessary in respect of the above as at 31 December 2005 would have had a consequential impact on the opening balances of net assets of the eSun Group as at 1 January 2006, and of its profit for the year ended 31 December 2006, and the related disclosures in the financial statements.

Due to the scope limitation in the evidence available to the auditors of eSun, a qualified opinion on prior year audit scope limitation affecting opening balances was issued on the financial statements of the eSun Group for the year ended 31 December 2006.

Disposal of Majestic Hotel and Majestic Centre

During the year ended 31 July 2007, Taiwa Land Investment Company Limited, a wholly owned subsidiary of a 50% owned associate of the Group, completed the disposal of its 100% interests in Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited which indirectly held Majestic Hotel and Majestic Centre, Kowloon, Hong Kong. The Group has received its share of the net sale proceeds of approximately HK\$600 million, after repayment of the bank loan secured by the subject property and recognised a share of gain on such disposal of HK\$398,889,000 (included in share of profits and losses of associates) in the Group's consolidated income statement for the year ended 31 July 2007.

9. DEBTORS AND DEPOSITS/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

An aged analysis of the trade debtors at the balance sheet date is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade debtors:		
Less than 30 days	22,318	20,494
31 - 60 days	2,176	2,730
61 - 90 days	841	614
Over 90 days	<u>4,644</u>	<u>5,692</u>
	29,979	29,530
Other debtors and deposits	<u>131,233</u>	<u>79,233</u>
	<u>161,212</u>	<u>108,763</u>
Portion classified as non-current:		
Deposit paid for acquisition of properties under development	(30,300)	—
Deposit paid for purchase of further interests of a subsidiary from a minority shareholder	<u>(6,200)</u>	<u>—</u>
	<u>(36,500)</u>	<u>—</u>
Current portion	<u>124,712</u>	<u>108,763</u>

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<i>Trade creditors:</i>		
Less than 30 days	14,385	12,942
31 - 60 days	3,106	1,543
61 - 90 days	346	258
Over 90 days	<u>510</u>	<u>384</u>
	18,347	15,127
Other creditors, deposits received and accruals	<u>137,987</u>	<u>185,310</u>
	<u>156,334</u>	<u>200,437</u>

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

10. SHARE CAPITAL

	Number of shares 2007 '000	Nominal value 2007 HK\$'000	Number of shares 2006 '000	Nominal value 2006 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 (2006: HK\$0.50) each	<u>16,000,000</u>	160,000	<u>16,000,000</u>	8,000,000
Preference shares of HK\$1.00 each	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>
		<u>1,360,000</u>		<u>9,200,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 (2006: HK\$0.50) each	<u>14,162,042</u>	<u>141,620</u>	<u>12,746,042</u>	<u>6,373,021</u>

Movements in the Company's issued ordinary share capital and share premium account are summarised as follows:

	Number of shares in issue 000	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 August 2005, 31 July 2006 and 1 August 2006	12,746,042	6,373,021	5,858,164	12,231,185
Capital reduction (note (a))	—	(6,245,561)	626,561	(5,619,000)
Issue of shares (note (b))	1,416,000	14,160	495,600	509,760
Share issue expenses (note (b))	—	—	(5,624)	(5,624)
	<u>1,416,000</u>	<u>(6,231,401)</u>	<u>1,116,537</u>	<u>(5,114,864)</u>
At 31 July 2007	<u>14,162,042</u>	<u>141,620</u>	<u>6,974,701</u>	<u>7,116,321</u>

- (a) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18 October 2006. The paid-up capital on each of its issued ordinary shares of HK\$0.50 was cancelled to the extent of HK\$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK\$0.50 per share to HK\$0.01 per share. A total credit of HK\$6,245,561,000 had arisen as a result of the Capital Reduction. An amount of HK\$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK\$626,561,000 was credited to the share premium account of the Company.

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1 August 2005 in respect of the Company's:

- (1) 50% investment in Fortune Sign Venture Inc. ("Fortune Sign"), up to an aggregate amount of HK\$1,556,000,000;
- (2) 10% investment in Bayshore Development Group Limited ("Bayshore"), up to an aggregate amount of HK\$2,923,000,000; and/or
- (3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK\$1,140,000,000.

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18 October 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisos:

- (i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserves of the Company and the same shall become available for distribution;
- (ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and
- (iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserves of the Company and the same shall become available for distribution.

During the year ended 31 July 2007, an aggregate amount of HK\$479,201,000, which comprises (i) the reversal of provision for impairment of the Company's interests in Peakflow Profits Limited, a wholly owned subsidiary of the Company which holds a 10% equity interest in Bayshore, to the extent of HK\$220,873,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK\$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company. After the effective date of the Capital Reduction, the Company entered into a placing agreement pursuant to which a total of 1,416,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company were allotted and issued for net cash proceeds of HK\$504,136,000. Details of the placement of new shares are set out in note (b) below. With such increase in the Company's issued share capital and share premium account resulting from the placing of new shares for cash, an amount of HK\$479,201,000 was then transferred from the special capital reserve to the general reserve (a distributable reserve) of the Company pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

- (b) Pursuant to a placing agreement entered into between the Company and a placing agent dated 17 November 2006, a total of 1,416,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company were allotted and issued to not less than six institutional investors for cash at a subscription price of HK\$0.36 per share (the “Placement”). The Placement was completed on 28 November 2006. The net proceeds from the Placement amounted to HK\$504,136,000, after deduction of share issue expenses of HK\$5,624,000.

11. POST BALANCE SHEET EVENTS

The Group had the following significant post balance sheet events:

- (a) Purchase of a further 2% interest in Diamond String Limited (“Diamond String”)

On 24 July 2007, a wholly-owned subsidiary of the Group (the “Subsidiary”) entered into a memorandum with a minority shareholder of Diamond String (the “Vendor”) pursuant to which the Subsidiary conditionally agreed to purchase from the Vendor a 2% equity interest in Diamond String together with the outstanding shareholder loan owed by Diamond String to the Vendor at a consideration of HK\$62 million, subject to the pre-emption rights of the existing shareholders of Diamond String. At the close of the pre-emption period, no existing shareholders of Diamond String exercised their respective pre-emption rights. The transaction was completed on 21 September 2007. Upon completion of the transaction, the Group’s interest in Diamond String increased from 74.57% as at 31 July 2007 to 76.57%. As at 31 July 2007, deposit of HK\$6.2 million has been paid by the Group.

- (b) Purchase of property for development purpose

On 25 June 2007, Goldmay Development Limited, a wholly-owned subsidiary of the Group, was advised that its offer to purchase in a public tender from an independent third party the property located at Nos. 20, 22, 24, 26 and 28 Tai Po Road, Kowloon, Hong Kong (the “Property”) for a consideration of HK\$303 million has been accepted on 22 June 2007. It is the intention of the Group to develop the Property into a residential-cum-commercial property with a gross floor area of over 60,000 square feet. As at 31 July 2007, an aggregate deposit of HK\$30.3 million has been paid by the Group. The transaction was completed on 28 August 2007.

- (c) Disposal of a 16.57% interest in Diamond String

On 7 November 2007, the Company and the Subsidiary entered into an agreement (the “Agreement”) with, among others, CCB International Group Holdings Limited (“CCB International”), pursuant to which the Subsidiary agreed to sell a 16.57% interest in Diamond String and the Company agreed to assign to CCB International the related shareholder loan with interest accrued thereon owed by Diamond String to the Company for a total consideration of approximately HK\$567 million, subject to adjustment. In addition, the three minority shareholders of Diamond String who, collectively, held the remaining 23.43% interest in Diamond String agreed to sell their collective interest to CCB International. The transaction is scheduled to be completed in December 2007. Upon completion of the transaction, the Group and CCB International will hold 60% and 40% interest in Diamond String respectively. The gain before expenses arising from the disposal of the Group’s 16.57% interest in Diamond String, to be recognised by the Group in its consolidated income statement, is estimated at approximately HK\$402 million (before taking into account the cross-holding effect with eSun). After taking into account the cross-holding effect with eSun, the total estimated gain before expenses expected to accrue to the Group’s consolidated income statement upon completion of the transaction is approximately HK\$461 million. The actual financial impact to the Group arising from the disposal to be recorded in the Group’s consolidated accounts will be recalculated based on the net asset value of Diamond String as at the date to which completion accounts are drawn up. Further details of the transaction are set out in the Company’s announcement dated 8 November 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

The Directors do not recommend payment of a dividend for the year ended 31 July 2007 (2006: Nil).

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2007, the Group recorded a turnover of HK\$908,906,000 (2006: HK\$793,807,000), representing an increase of approximately 14.5% from the previous year. The increase was largely due to rental reversion from the Group's investment properties and increase in average daily room rate of the Group's hotel operations.

For the year ended 31 July 2007, the Group recorded a gross profit of HK\$592,188,000 (2006: HK\$523,233,000) and a profit from operating activities of HK\$774,748,000 (2006: HK\$541,956,000), representing an increase of approximately 13.2% and 43.0% respectively from the previous year. Fair value gain on investment properties was HK\$468,758,000 (2006: HK\$315,091,000).

For the year ended 31 July 2007, the Group achieved a consolidated profit attributable to equity holders of the Company of HK\$1,495,091,000 (2006: HK\$512,922,000), up by approximately 191.5% from the previous year. Apart from the increase in profit from operating activities, net profit was also boosted by the substantial increase in the share of profits from associates. Share of profits from associates was HK\$1,041,340,000 (2006: HK\$107,752,000), up approximately 866.4% from the previous year. The substantial increase in share of profits from associates was due to gain on completion in sale of a 60% effective interest in the Macao Studio City project by eSun and disposal of a 50% effective interest in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong.

Shareholders' equity as at 31 July 2007 amounted to HK\$6,219,982,000, up from HK\$3,937,124,000 as at 31 July 2006. Net asset value per share as at 31 July 2007 was HK\$0.439, as compared to HK\$0.309 as at 31 July 2006.

CORPORATE DEVELOPMENT

On 17 November 2006, the Company entered into a share placing agreement pursuant to which the Company issued 1,416,000,000 new shares at a placing price of HK\$0.36 per share and raised net proceeds of approximately HK\$504,136,000. Following the issue of the new shares by the Company, the total number of issued shares of the Company increased to 14,162,042,320 shares. As a result, eSun, which held a 40.80% interest in the Company prior to the issue of such new shares, had its interest in the Company diluted to 36.72%. As at 31 July 2007, the Company held a 34.75% interest in eSun, due to its cross-shareholding relationship with eSun.

BUSINESS REVIEW

Investment Properties

The Group wholly owns three investment properties for rental purposes, i.e. Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the year ended 31 July 2007, aggregate gross rental income from investment properties contributed to the Group's turnover of approximately HK\$299,886,000 (2006: HK\$265,402,000), up approximately 13% from the previous year.

Development Properties

In September 2006, the Group entered into a 50:50 joint venture with a unit of AIG Global Real Estate Investment (Asia) LLC for the joint development of a residential project at Wood Road, Wanchai, Hong Kong. The development has a total gross floor area of approximately 140,000 square feet and a total estimated development cost of about HK\$1,000,000,000.

In June 2007, the Group agreed to purchase a site at Nos. 20, 22, 24, 26 and 28 Tai Po Road, Kowloon, Hong Kong. The development has a total gross floor area of over 60,000 square feet mainly for residential use and a total estimated development cost of about HK\$450,000,000. The Group owns 100% of this development.

Hotel Operations

Occupancy and average daily room rate

For the year ended 31 July 2007, the Group's hotel operations achieved the following average occupancy and average daily room rate compared to the previous year:

	Effective ownership	For the year ended 31 July 2007		For the year ended 31 July 2006	
		Average occupancy (%)	Average daily room rate	Average occupancy (%)	Average daily room rate
The Ritz-Carlton Hong Kong	75% (2006: 65%)	83	HK\$2,743	85	HK\$2,411
Majestic Hotel, Kowloon, Hong Kong (from 1 August 2006 to 17 July 2007, date of completion of the disposal of the Group's interest)	50%	91	HK\$674	93	HK\$592
Caravelle Hotel, Ho Chi Minh City, Vietnam	26%	64	US\$163	64	US\$120

For the year ended 31 July 2007, the Group recorded a turnover of HK\$576,796,000 from hotel operations (2006: HK\$497,202,000), up 16% from the previous year.

The Ritz-Carlton Hong Kong

From January to July 2007, the Group entered into several agreements with minority shareholders of The Ritz-Carlton Hong Kong relating to the increase of the Group's effective ownership stake in The Ritz-Carlton Hong Kong. Pursuant to the completion of these agreements (the last one being completed in September 2007), the Group increased its stake in Diamond String Limited ("Diamond String"), which owns the property of The Ritz-Carlton Hong Kong, from 65% to approximately 76.57% in September 2007.

During the year, the Group decided to terminate the hotel operations of The Ritz-Carlton Hong Kong in the end of January 2008. Thereafter, the site of The Ritz-Carlton Hong Kong will be available for redevelopment into grade-A office premises.

Majestic Hotel Kowloon

In July 2007, the Group completed its disposal of its 50% interest in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong. The Group received its share of the sale proceeds of approximately HK\$600,000,000, after repayment of the bank loan secured by the subject property, from the disposal and recorded a share of gain on such disposal of HK\$398,889,000.

eSun

For the year ended 31 July 2007, share of profits from eSun Holdings Limited (“eSun”) was HK\$626,241,000 (2006: HK\$22,274,000), up approximately 2,712% from the previous year largely due to a gain on completion in sale of a 60% effective interest in the Macao Studio City project.

Since early 2006, eSun successfully negotiated and lined up “best of breed” world-class partners for development of this mega-size project in Cotai, Macau.

In December 2006, eSun completed the sale of a 40% effective interest in the Macao Studio City project, to its US joint venture partner New Cotai, LLC (“New Cotai”). New Cotai is a consortium of US-based investors including Mr. David Friedman (a veteran resort and gaming developer), Silver Point Capital, L.P., and Oaktree Capital Management, LLC.

In March 2007, eSun completed the sale of a 20% effective interest in Macao Studio City project, to CapitaLand Integrated Resorts Pte. Ltd. (“CapitaLand Integrated Resorts”). CapitaLand Integrated Resorts is a wholly-owned subsidiary of CapitaLand Limited (“CapitaLand Group”), one of the largest listed real estate companies in Asia. Following completion of the sale to New Cotai and the CapitaLand Group, eSun retains a 40% effective interest in the Macao Studio City Project.

In January 2007, eSun announced the entering into of a memorandum of understanding (“retail MOU”) regarding the retail component of Macao Studio City. Under the retail MOU, Taubman Asia Management Limited (“Taubman Asia”) will be the retail component partner of Macao Studio City. Taubman Asia is a subsidiary of Taubman Centers, Inc., a global leader of the shopping center industry. The retail MOU is subject to definitive legally binding agreement.

During the year, Macao Studio City entered into agreements to build a Ritz-Carlton hotel, a W Hotel, a Marriot hotel and a super-luxury boutique hotel under the brand “The Tang Hotel”, which will be designed by Mr. David Tang, founder of the China Clubs and Shanghai Tang.

In addition, in June 2007, Macao Studio City also entered into certain agreements with Playboy Enterprises International, Inc. for the development of the “Playboy Mansion Macao”, a multi-use entertainment venue, within the Macao Studio City venue.

Macao Studio City will be Asia’s first leisure resort property combining working TV/film studios, theatre/concert venues, Studio RetailTM (a destination retail complex), Las-Vegas style gaming facilities and world-class hotels. The project will be developed on an approximately 35-acre site strategically located “Where Cotai BeginsTM”, next to the new Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai’s Hengqin Island. The architectural plan of Macao Studio City is designed by visionary Las Vegas-based design expert Mr. Paul Steelman.

With the track record and international experience of the joint venture partners and component partners, Macao Studio City will provide visitors with a new and unique experience on its world-class leisure resort facilities.

PROSPECTS

Property investment and development

The Group continues to improve its tenant mix in its investment properties so as to strengthen its rental income base.

The Group continues to build its portfolio in development properties as it invested in two new development projects, Wanchai Wood Road Project and Tai Po Road Project. The Group is also actively looking for new development projects which offer good investment returns.

Redevelopment of The Ritz-Carlton Hong Kong

Pursuant to a sale and purchase agreement dated 7 November 2007, the Group together with the other three existing minority shareholders of Diamond String agreed to sell a total of a 40% interest in Diamond String to CCB International Group Holdings Limited (“CCB International”), a wholly-owned subsidiary of China Construction Bank Corporation (“CCB”), for a total consideration of approximately HK\$1,369 million (subject to adjustment). Out of the aforesaid 40% interest, the Company will sell 16.57% interest in Diamond String and will receive a sale consideration of approximately HK\$567 million (subject to adjustment). The transaction price is determined based on HK\$15,800 per square foot in respect of the buildable gross floor area (“GFA”) of the site. The transaction is expected to be completed in December 2007.

Upon completion, the Group and CCB International will hold 60% and 40% interest in Diamond String respectively. Both parties, through Diamond String, will invest in the redevelopment of the site of The Ritz-Carlton Hong Kong into a Grade-A office tower. The buildable GFA for the redevelopment is approximately 225,000 square feet. The preliminary estimated development cost plus interest expenses are approximately HK\$800 million. The Ritz-Carlton Hong Kong will cease operation by the end of January 2008. The redevelopment is expected to be completed in 2011.

The redeveloped office tower will become a landmark property in Central, Hong Kong. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations. The Group is very excited to partner with CCB for the redevelopment of The Ritz-Carlton Hong Kong. The partnership with CCB marks a vital move for the future development of the Company.

Hotel management

Following the disposal of interest in Majestic Hotel Kowloon and the anticipated redevelopment of The Ritz-Carlton Hong Kong, the Group will only hold hotel ownership stakes in Caravelle Hotel Vietnam. In future, the Group through its hotel management arm, Furama Hotel Management, will focus on managing hotel rooms and service apartments in the region, including Greater China and Vietnam. Furama Hotel Management will utilize its renowned brand and services and will seek to sign new hotel management contracts in the region.

eSun

eSun's Macao Studio City project will dramatically transform its businesses. Given its mega-scale and its unique positioning in Macau - a new integrated leisure, entertainment, convention and retail centre in Asia, we expect Macao Studio City will stand as the major entertainment destination for visitors from Greater China and other parts of the world. It will become an important platform for the eSun Group to expand and monetarize its entertainment and media expertise. Upon the completion of Macao Studio City project, the eSun Group will become an operator of integrated leisure and entertainment venues as well as a provider of media and entertainment contents and services. On the media and entertainment businesses, the eSun Group will continue to consolidate its position in the media and entertainment industry.

Foundation work of Macao Studio City commenced in April of 2007 and is expected to be fully completed by December 2007. Construction of the superstructure is expected to commence by the end of 2007 or early 2008. First phase of the project is scheduled to open in 2009.

Liquidity and Financial Resources

As at 31 July 2007, the Group had consolidated net assets of approximately HK\$6,220 million (as at 31 July 2006: HK\$3,937 million).

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, bank and other borrowings. During the year, the Group raised approximately HK\$504 million by way of placement of new ordinary shares of the Company.

As at 31 July 2007, the Group had outstanding borrowings of approximately HK\$2,345 million (as at 31 July 2006: HK\$2,547 million) comprising secured bank and other borrowings of approximately HK\$2,345 million (as at 31 July 2006: HK\$2,544 million). Other outstanding borrowings of approximately HK\$3 million as at 31 July 2006 represented the residual amount payable of bond issued by the Group which was fully settled by the Group during the year ended 31 July 2007. The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 38%. The maturity profile of the bank and other borrowings of HK\$2,345 million was spread over a period of less than 5 years with HK\$412 million repayable within 1 year, HK\$178 million repayable in the second year, HK\$1,755 million repayable in the third to fifth years. As at 31 July 2007, approximately 93% of the Group's borrowings were on a floating rate basis and the remaining 7% were at fixed interest rate.

As at 31 July 2007, certain investment properties with carrying amounts of approximately HK\$4,603 million, certain property, plant and equipment with carrying amounts of approximately HK\$1,157 million, a prepaid land lease payment of approximately HK\$30 million and certain bank balances and time deposits with banks of approximately HK\$95 million were pledged to banks to secure banking facilities granted to the Group. In addition, the entire holding of the shares of Peakflow Profits Limited together with its 10% shareholding in and its advance to Bayshore Development Group Limited, the joint venture company for the AIG Tower, and certain shares in subsidiaries held by the Group were also pledged to banks and other lender to secure loan facilities granted to the Group. Certain shares of an associate held by the Group were pledged to banks for loan facilities granted to an associate of the Group. The secured bank and other borrowings were also secured by floating charges over certain assets held by the Group.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars or United States dollars. Considering that the exchange rate between Hong Kong dollars and United States dollars is pegged, the Group believes that the corresponding exposure to exchange rate risk is nominal.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2007, there was no purchase, sale or redemption by the Company, or any of its subsidiary, of the Company's listed securities.

CORPORATE GOVERNANCE

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

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors of the Company is appointed for a specific term. However, under the articles of association of the Company, all Directors of the Company are subject to retirement by rotation once every three years since their last election and retiring directors are eligible for re-election.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the annual general meeting of the Company held on 22 December 2006.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2007 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive Directors of the Company, namely, Messrs. David Tang, Lam Bing Kwan and Leung Shu Yin, William.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 July 2007 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 21 December 2007. Notice of the Annual General Meeting together with the Company's 2006-2007 Annual Report will be dispatched to shareholders in due course.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 9 November 2007

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