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LAI SUN GARMENT

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2010

RESULTS

The Board of Directors of Lai Sun Garment (International) Limited (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group”) for the financial year ended 31 July 2010 as follows:

Consolidated Income Statement For the year ended 31 July 2010

	Notes	2010 HK\$'000	2009 HK\$'000
TURNOVER	3	36,554	14,526
Cost of sales		<u>(7,217)</u>	<u>(1,720)</u>
Gross profit		29,337	12,806
Other revenue and gain	4	7,135	9,048
Selling and marketing expenses		(3,628)	—
Administrative expenses		(27,971)	(23,894)
Other operating income, net		—	20,959
Fair value gain/(loss) on investment properties		<u>321,772</u>	<u>(6,678)</u>
PROFIT FROM OPERATING ACTIVITIES	5	326,645	12,241
Finance costs	6	(15,809)	(11,670)
Share of profits and losses of associates		<u>190,823</u>	<u>166,676</u>
PROFIT BEFORE TAX		501,659	167,247
Tax	7	<u>(54,889)</u>	<u>1,137</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		<u><u>446,770</u></u>	<u><u>168,384</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u><u>HK 27.62 cents</u></u>	<u><u>HK 10.41 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<u>446,770</u>	<u>168,384</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale equity investments	31,960	42,738
Share of exchange fluctuation reserve of an associate	30,211	(20,651)
Share of asset revaluation reserve of an associate	(11,995)	(8,859)
Share of hedging reserve of an associate	<u>—</u>	<u>(2,321)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>50,176</u>	<u>10,907</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<u><u>496,946</u></u>	<u><u>179,291</u></u>

Consolidated Statement of Financial Position

As at 31 July 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		316	667
Investment properties		1,046,600	194,800
Properties under development		—	454,061
Interests in associates		3,347,221	3,147,767
Available-for-sale equity investments		243,709	210,522
Total non-current assets		<u>4,637,846</u>	<u>4,007,817</u>
CURRENT ASSETS			
Promissory note receivable		—	167,000
Debtors, deposits paid and other receivables	9	6,262	5,154
Tax recoverable		682	—
Cash and cash equivalents		317,449	75,657
Total current assets		<u>324,393</u>	<u>247,811</u>
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	66,537	47,824
Tax payable		—	204
Interest-bearing bank borrowings		16,000	247,000
Total current liabilities		<u>82,537</u>	<u>295,028</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>241,856</u>	<u>(47,217)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,879,702</u>	<u>3,960,600</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(376,745)	(31,745)
Note payable		(195,000)	(195,000)
Accrued interest payable		(78,188)	(66,851)
Deferred tax liabilities		(86,041)	(31,157)
Long term rental deposits received		(12,910)	—
Total non-current liabilities		<u>(748,884)</u>	<u>(324,753)</u>
		<u>4,130,818</u>	<u>3,635,847</u>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		16,174	16,174
Share premium account		1,908,840	1,908,840
Asset revaluation reserve		62,624	74,619
Share option reserve		682	1,438
Investment revaluation reserve		41,458	9,498
Capital reserve		146,670	148,694
Exchange fluctuation reserve		509,844	479,633
Retained earnings		1,444,526	996,951
		<u>4,130,818</u>	<u>3,635,847</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 ("HKICPA"), 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 available-for-sale equity investments, 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 HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group, for the first time for the current year's financial statements:

Improvements to HKFRSs

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised) "Presentation of Financial Statements", HKFRS 7 (Amendments) "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments" and HKFRS 8 "Operating Segments" as described below, has had no material impact on the reported results or financial position of the Group.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements. The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity (i.e. comprehensive income). All non-owner changes in equity are required to be presented in (i) a single statement of comprehensive income or (ii) two statements (a separate income statement displaying items of income and expenses recognised as profit or loss and a second statement beginning with net profit or loss as shown in the income statement and displaying components of other comprehensive income). The Group has elected to present in two statements. Comparative amounts have been restated to conform to the new presentation.

HKFRS 7 (Amendments) Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The HKFRS 7 (Amendments) requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The adoption of this amendment has no effect on the financial position or results of operations of the Group. It does, however, result in additional disclosures of fair value hierarchy in the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 "Segment Reporting" specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of this standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain changes in the presentation and disclosure of the financial statements, including change in basis of measurement of segment profit or loss and new disclosure of information about major customers.

3. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their operations and services.

- (a) the property development segment engages in property development; and
- (b) the property investment segment engages in the leasing of commercial premises.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that fair value gain/(loss) on investment properties, interest income, finance costs and share of profits and losses of associates are excluded from such measurement.

Segment assets mainly exclude interests in associates, available-for-sale equity investments, tax recoverable and cash and cash equivalents.

Segment liabilities mainly exclude interest-bearing bank and other borrowings, tax payable, note payable, accrued interest payable and deferred tax liabilities.

No geographical information is presented as all of the Group's revenue and operations are generated from and located in Hong Kong.

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenues and results

The following table presents revenue and profit/(loss) for the Group's reportable segments:

	Property development		Property investment		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Segment revenue:						
Sales to external customers	—	—	36,554	14,526	36,554	14,526
Segment results	—	(316)	25,709	12,605	25,709	12,289
Interest income and unallocated other revenue and gain					7,135	9,048
Fair value gain/(loss) on investment properties	—	—	321,772	(6,678)	321,772	(6,678)
Reversal of provision for impairment of loan and interest receivables					—	21,160
Unallocated expenses					(27,971)	(23,578)
Profit from operating activities					326,645	12,241
Finance costs					(15,809)	(11,670)
Share of profits and losses of associates	—	—	6,842	—	6,842	—
Share of profits and losses of associates - unallocated					183,981	166,676
Profit before tax					501,659	167,247
Tax					(54,889)	1,137
Profit for the year					446,770	168,384

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	Property development		Property investment		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	—	454,324	1,047,439	195,067	1,047,439	649,391
Interests in associates	—	—	17,068	—	17,068	—
Interests in associates - unallocated					3,330,153	3,147,767
Unallocated assets					567,579	458,470
Total assets					4,962,239	4,255,628
Segment liabilities	38,870	32,099	17,255	3,878	56,125	35,977
Unallocated liabilities					775,296	583,804
Total liabilities					831,421	619,781

Other segment information

	Property development		Property investment		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation – unallocated					484	839
Provision for doubtful debts	—	—	—	201	—	201
Capital expenditure	73,257	177,674	2,113	678	75,370	178,352
Capital expenditure – unallocated					133	25
					75,503	178,377

Information about major customer

For the year ended 31 July 2010, revenue of approximately HK\$5,498,000 (2009: HK\$2,089,000 from another customer) was derived from a single customer of property investment segment which contributed more than 10% of the Group's revenue for the year.

4. OTHER REVENUE AND GAIN

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest income from bank deposits	39	37
Other interest income	7,096	8,648
Others	—	363
	<u>7,135</u>	<u>9,048</u>

5. PROFIT FROM OPERATING ACTIVITIES

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Depreciation	484	839
Provision for doubtful debts #	—	201
Reversal of provision for impairment of loan and interest receivables #	—	(21,160)
	<u>—</u>	<u>(21,160)</u>

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

6. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within five years	4,335	2,345
Other borrowings and note payable wholly repayable within five years	11,337	11,481
	<u>15,672</u>	<u>13,826</u>
Total interest expenses	15,672	13,826
Bank financing charges	734	728
	<u>16,406</u>	<u>14,554</u>
Less: Amount capitalised in properties under development	(597)	(2,884)
	<u>15,809</u>	<u>11,670</u>

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax		
Charge for the year	—	134
Under/(over) provision in prior years	<u>5</u>	<u>(169)</u>
	<u>5</u>	<u>(35)</u>
Deferred tax	<u>54,884</u>	<u>(1,102)</u>
Tax charge/(credit) for the year	<u>54,889</u>	<u>(1,137)</u>

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

The calculation of basic earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of HK\$446,770,000 (2009: HK\$168,384,000) and the weighted average number of 1,617,423,423 (2009: 1,617,423,423) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 July 2010 and 2009 have not been disclosed as no diluting event existed during both years.

9. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

The Group's major businesses are property development and property investment. The major income derived is rental income. 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.

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Debtors:		
Less than 90 days past due	636	237
91 to 180 days past due	83	27
181 to 365 days past due	22	3
	<u>741</u>	<u>267</u>
Deposits paid and other receivables	5,521	4,887
	<u>6,262</u>	<u>5,154</u>

10. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Creditors less than 90 days past due	32,579	18,457
Deposits received and accruals	33,958	29,367
	<u>66,537</u>	<u>47,824</u>

11. EVENTS AFTER THE REPORTING PERIOD

On 26 July 2010, the Company entered into a conditional shares swap agreement with eSun Holdings Limited ("eSun") pursuant to which:

- (a) The Company agreed to transfer or procure the transfer of, and eSun agreed to accept the transfer of, the Company's direct and indirect interests in 3,265,688,037 shares in the capital of Lai Fung Holdings Limited ("Lai Fung") (the "Lai Fung Transaction"), representing approximately 40.58% of the existing issued share capital of Lai Fung and the Company's entire shareholding interest in Lai Fung, for an aggregate consideration of approximately HK\$3,883.2 million, to be settled by (i) the transfer to the Company of eSun's entire shareholding interest in Lai Sun Development Company Limited ("LSD"); and (ii) as to the balance (approximately HK\$178.4 million) by the payment of cash (HK\$100 million to be paid on the date of completion of the Transactions (see definition below), and approximately HK\$78.4 million to be paid, without interest, six months after the date of completion); and
- (b) eSun agreed to procure the transfer of, and the Company agreed to accept the transfer of, eSun's indirect interest in 5,200,000,000 shares in the capital of LSD (the "LSD Transaction", together with the Lai Fung Transaction collectively referred to as "Transactions"), representing approximately 36.72% of the existing issued share capital of LSD and eSun's entire shareholding interest in LSD, for an aggregate consideration of approximately HK\$3,704.8 million, to be settled by the transfer to eSun of the Company's entire shareholding interest in Lai Fung.

The Lai Fung Transaction constituted a very substantial disposal and connected transaction for the Company and the LSD Transaction constituted a very substantial acquisition and connected transaction for the Company under the Listing Rules.

Upon completion of the Transactions, Lai Fung will cease to be an associate of the Group and LSD will become a 47.97%-owned associate of the Group. Further details of the Transactions were set out in the joint announcement of the Company and eSun dated 26 July 2010 and the circular of the Company dated 30 August 2010. Resolutions for approving the shares swap agreement were duly passed at an extraordinary general meeting of the Company and a special general meeting of eSun on 20 September 2010. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Transactions took place on 30 September 2010.

FINAL DIVIDEND

As at 31 July 2010, the Company did not have any reserves available for distribution in accordance with provisions of Section 79B of the Companies Ordinance. The directors of the Company do not recommend the payment of an ordinary dividend for the financial year ended 31 July 2010. No ordinary dividend was declared in respect of the previous corresponding year.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Final Results

For the year ended 31 July 2010, the Group recorded a turnover of HK\$36,554,000 (2009: HK\$14,526,000) and a gross profit of HK\$29,337,000 (2009: HK\$12,806,000), representing an increase of approximately 151.6% and 129.1% respectively from the previous year. The Group derived its turnover and gross profit mainly from rental and related income from industrial properties held for investment and the newly opened Crocodile Center retail portion. The increase in turnover and gross profit was mainly due to rental income derived from newly opened Crocodile Center retail portion.

During the year, the Group booked a fair value gain on investment properties of HK\$321,772,000 (2009: a loss of HK\$6,678,000). The substantial increase in fair value gain on investment properties was due to the completion of the Group's Crocodile Center retail portion. Mainly as a result of the substantial increase in fair value of investment properties, the Group recorded a profit from operating activities of HK\$326,645,000 for the year ended 31 July 2010 (2009: HK\$12,241,000), representing an increase of approximately 2,568.5% from the previous year.

Share of profits from associates was HK\$190,823,000 (2009: HK\$166,676,000), up by 14.5% from the previous year. The increase in share of profits from associates was mainly due to the reversal of provision for impairment in value of properties under development held by Lai Fung Holdings Limited ("Lai Fung") made in the Group's consolidated income statement at the Group level.

For the year ended 31 July 2010, the Group recorded a consolidated profit attributable to ordinary equity holders of HK\$446,770,000 (2009: HK\$168,384,000), representing an increase of approximately 165.3% from the previous year. Shareholders' equity as at 31 July 2010 amounted to HK\$4,130,818,000, up by 13.6% from HK\$3,635,847,000 as at 31 July 2009. Net asset value per share as at 31 July 2010 was HK\$2.55, as compared to HK\$2.25 as at 31 July 2009.

Business Review

Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon

This joint office and commercial development project with Crocodile Garments Limited was completed in September 2009. Following the completion, the Group has retained the retail portion of this development with a gross floor area of approximately 100,000 square feet. Since completion, the Group has leased most of the retail portion to mainly restaurant operators as well as renowned retail brands. Most tenants opened for business by the end of 2009. As of 31 July 2010, the retail portion was 90% leased.

Lai Fung

During the year, the Group held an effective 40.58% interest in Lai Fung. Lai Fung is principally engaged in property development and investment in the Mainland of China ("China"). Lai Fung currently has property projects in Shanghai, Guangzhou and Zhongshan.

For the year ended 31 July 2010, Lai Fung recorded a turnover of HK\$1,514,214,000 (2009: HK\$937,380,000) and a gross profit of HK\$775,445,000 (2009: HK\$632,436,000), representing an increase of approximately 61.5% and 22.6% respectively from the previous year.

Out of the total turnover, rental income decreased by 11.5% to HK\$193,306,000 (2009: HK\$218,525,000), which was mainly due to closure and renovation of the shopping arcades and serviced apartments portions of Shanghai Hong Kong Plaza during most of the year. Owing to further contribution from the sales of residential units of Shanghai Regents Park Phase II during the year ended 31 July 2010 and recognition of income from sales of residential and office units of Guangzhou West Point, turnover from sales of properties increased by 83.8% to HK\$1,320,908,000 (2009: HK\$718,855,000). Sales of the units at Shanghai Regents Park Phase II achieved higher gross profit margin compared to sales of the units at Guangzhou West Point. Property development turnover recognised in the year was made up of sales of units at both Shanghai Regents Park Phase II and Guangzhou West Point, while property development turnover in the previous year was entirely made of sales of units at Shanghai Regents Park Phase II. As a result, overall gross profit margin was 51.2%, compared to 67.5% in the previous year.

During the year, Lai Fung recorded a provision for impairment loss on certain properties under development of HK\$56,281,000 (2009: HK\$60,680,000) and a fair value gain on its investment properties of HK\$284,835,000 (2009: HK\$143,127,000).

During the previous year ended 31 July 2009, the Group recorded a gain of HK\$256,311,000 on the termination of all cross currency swaps. As these cross currency swaps were fully terminated during the previous year, no such gain was recorded again during the year ended 31 July 2010.

During the year, Lai Fung recorded a profit from operating activities of HK\$902,376,000 (2009: HK\$886,631,000) and profit attributable to owners of HK\$322,106,000 (2009: HK\$406,888,000), representing an increase of approximately 1.8% and a decrease of approximately 20.8% from the previous year.

Lai Sun Development Company Limited (“LSD”)

As at 31 July 2010, the Group held an effective 11.25% (2009: 11.18%) interest in LSD. LSD is principally engaged in property development and investment in Hong Kong, as well as hotel and restaurant operations in the region.

For the year ended 31 July 2010, LSD recorded a turnover of HK\$729,254,000 (2009: HK\$649,742,000) and a gross profit of HK\$474,981,000 (2009: HK\$454,536,000), representing an increase of approximately 12.2% and 4.5% respectively from the previous year.

During the year, LSD booked a fair value gain on completed investment properties of HK\$1,232,615,000 (2009: a loss of HK\$145,748,000) as a result of the continued strength of the macro-economic conditions and rebound of the property markets. During the year, LSD recorded an additional provision for tax indemnity of approximately HK\$17,495,000 (2009: a reversal of provision of HK\$11,936,000). Taking into account of the above exceptional items, LSD recorded a profit from operating activities of HK\$1,412,230,000 during the year ended 31 July 2010 (2009: HK\$11,333,000).

During the year, LSD held a 36.08% interest in eSun Holdings Limited (“eSun”), which in turn held a 36.72% interest in LSD. LSD also holds a 50% interest in Diamond String Limited (“DSL”), which is the joint venture company between LSD and a wholly-owned subsidiary of China Construction Bank Corporation for the purpose of the redevelopment project at 3 Connaught Road Central, Hong Kong. During the year, LSD’s share of profits from associates was HK\$982,364,000, compared to share of losses from associates of HK\$132,483,000 in the previous year. LSD’s share of profits from associates was mainly made of:

- (i) LSD's share of the fair value gain of DSL's investment property under development amounting to approximately HK\$859,582,000 (net of the related deferred tax and goodwill) in the consolidated income statement during the year;
- (ii) LSD's share of eSun's losses (before taking into account LSD's further share of eSun's result arising from eSun's share of the results of LSD) included in the LSD's share of results of associates was approximately HK\$168,700,000 (2009: a loss of HK\$118,700,000); and
- (iii) LSD's further share of profit of approximately HK\$295,900,000 (2009: a loss of HK\$13,500,000) due to the cross-holding structure between LSD and eSun existed during the year and such amount is included in LSD's share of results of associates.

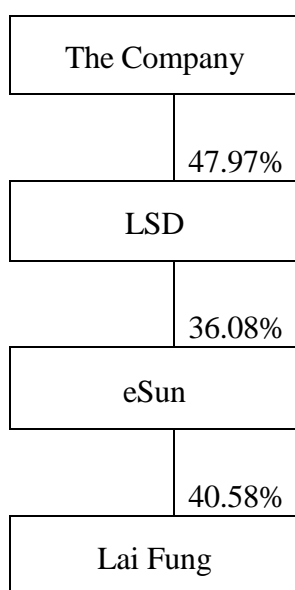
As a result of decrease in interest rate, LSD's finance costs further decreased to HK\$41,777,000 (2009: HK\$58,479,000).

For the year ended 31 July 2010, LSD recorded a consolidated net profit attributable to ordinary equity holders of the Company of HK\$2,064,562,000, compared to a consolidated net loss of HK\$220,985,000 from the previous year.

Subsequent Event - Group Reorganisation

On 30 September 2010, the Company and eSun completed a group reorganisation ("Group Reorganisation"). Pursuant to the Group Reorganisation, the Company transferred its entire interest in Lai Fung (approximately 40.58% of the issued share capital of Lai Fung) to eSun; whereby eSun transferred its entire interest in LSD (approximately 36.72% of the issued share capital of LSD) to the Company. In order to settle the difference in the consideration of each transaction, eSun paid HK\$100 million in cash to the Company at completion and will pay an additional sum of approximately HK\$78.4 million in cash to the Company, without interest, six months after the completion.

Immediately following the completion of the Group Reorganisation, the group structure involving the Company, LSD, eSun and Lai Fung became:



As a result of the Group Reorganisation, the cross-holding structure between LSD and eSun that existed since 2004 was dismantled. Further, LSD became an associated company of the Company and the Company's interest in Lai Fung will be held indirectly through eSun.

The Group Reorganisation simplified the ownership structure of the group involving the Company, LSD, eSun and Lai Fung, and eliminated the circular effect of the accounting treatment of the cross-holdings between LSD and eSun. More importantly, the directors of the Company believe that the simplified shareholding structure provides greater clarity to shareholders and the market with regard to the core business of each of the companies.

Prospects

In 2010, Hong Kong's economy and property market continues to benefit from the global low interest rate environment and China's continued effort to stimulate domestic economy. Strong liquidity and low interest environment have fostered favourable operating conditions for most business and property sectors in Hong Kong and China. Recently, both the Central Government of China and the Hong Kong Government have implemented control and regulatory measures to curb the property market. Under these macro-economic circumstances, the Group and its associate companies will manage their operations on a prudent basis, and will strive to position their businesses for future growth.

Crocodile Center

The Group targets to fully lease out this property as soon as practicable. This property will contribute further growth to the Group's rental income in this financial year.

Lai Fung

China has now become the second largest economy in the world. In the meantime, the current macro-economic development of China is still subject to complicated domestic and external environments. The global economic outlook is still uncertain. Within China's domestic economy, there are still many conflicts and challenges ahead to overcome. In the short term, the development of China's property market will continue to be influenced by government control measures and macro-economic policies.

In the medium and long term, ongoing urbanisation and demand for living improvement will foster healthy growth of the real estate market in China. Overall, Lai Fung is still cautiously optimistic about the China property market and believes that we are well positioned for growth in the coming years. Lai Fung's net gearing level was low by industry standard. In addition, Lai Fung will continue its construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. Furthermore, as encouraged by Lai Fung's success in revitalising the Shanghai Hong Kong Plaza property, Lai Fung will continue to grow its recurrent income base through upgrade of existing rental properties and addition of new venues through completion of commercial property portions of the new development projects. Lai Fung expects its rental income will increase substantially in the next few years. With the macro-economic condition as mentioned above, Lai Fung will monitor the market closely and evaluate new investment opportunities.

LSD

Rentals for office and commercial properties in prime locations in Hong Kong have regained momentum since the middle of 2009. Strong liquidity and low interest environment has fostered favourable operating conditions for most retail, consumption and commercial sectors. Active business environment fosters demand in office space which in turn fuels the uptick of rental rates. Improved local consumption expenditure and strong retail spending by the Mainland visitors provides further impetus to the retail market. Strong retail performance has boosted rental demand for retail premises. In the coming year, LSD will target to maintain high occupancy rates and rental cashflows from its investment properties.

Since the middle of 2009, bullish sentiment in Hong Kong's residential property market has continued with surges in transaction prices and volume. Recently, the Hong Kong government has implemented various measures to improve the transparency and regulate practices of the Hong Kong residential property market. However, strong primary sales this year and recent satisfactory land auctions reinforced the confidence of both

demand and supply side of the residential property market. The Hong Kong property market should continue to benefit from the economic rebound, low interest rate, high liquidity and tight supply in the pipeline.

LSD currently holds a number of residential projects under development in Hong Kong and managed to capture the strong sentiment in the Hong Kong residential property market by achieving satisfactory sales performance for its The Oakhill and Emerald 28 projects this year. In the coming year, LSD intends to sell the remaining units at The Oakhill and Emerald 28, in order to capture the continued rebound of Hong Kong's residential property market. Given the shortage in supply in core city areas in Hong Kong, LSD is still optimistic on the Hong Kong residential properties in the longer term.

Liquidity and Financial Resources

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

As at 31 July 2010, total borrowings amounted to HK\$588 million, comprising a secured bank loan of HK\$361 million, a note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen. As at 31 July 2010, there was an outstanding amount of accrued interests of HK\$78 million in relation to the above-mentioned note and loan payable to the late Mr. Lim Por Yen. All of the Group's borrowings were maintained as floating rate debts.

The secured bank loan of HK\$361 million is drawn under a new property term loan facility granted by a bank in March 2010 to refinance the former construction loan facility obtained by the Group for funding the construction costs of a property redevelopment project.

As at 31 July 2010, the maturity profile of the secured bank loan of \$361 million was spread over a period of less than 5 years with HK\$16 million repayable within 1 year, HK\$32 million repayable in the second year and HK\$313 million repayable in the third to fifth years. The note payable of HK\$195 million and the loan of HK\$32 million payable to the late Mr. Lim Por Yen have maturity dates on 30 April 2006 and 30 November 2005, respectively. The Group has received confirmation from the executor of the estate of the late Mr. Lim Por Yen that such note and loan payables are not repayable within one year from the end of the reporting period.

As at 31 July 2010, certain investment properties with carrying value of approximately HK\$1,041 million and a share in a subsidiary were pledged to banks to secure banking facilities granted to the Group.

As at 31 July 2010, the Group had cash and bank balances amounting to approximately HK\$317 million and unutilised banking facility of HK\$60 million, which was considered adequate to cover the working capital requirement of the Group.

As at 31 July 2010, consolidated net assets of the Group amounted to HK\$4,131 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 14%.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollar. The Group does not have any significant exposure to exchange rate risk.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the 2009-2010 Annual Report save for the deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive directors of the Company was appointed for a specific term. However, all directors of the Company are subject to the retirement provisions in the Articles of Association of the Company which provide that the directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring director shall be eligible for re-election.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2010 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely Messrs. Wan Yee Hwa, Edward, Leung Shu Yin, William and Chow Bing Chiu.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 July 2010 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday, 21 December 2010. Notice of the Annual General Meeting together with the Company's Annual Report for 2009-2010 will be despatched to shareholders in due course.

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 5 November 2010

As at the date of this announcement, the executive directors of the Company are Dr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Mr. Shiu Kai Wah, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven, Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Miss Leung Churk Yin, Jeanny; the non-executive directors are Madam U Po Chu and Mr. Chiu Wai; and the independent non-executive directors are Mr. Wan Yee Hwa, Edward, Mr. Leung Shu Yin, William and Mr. Chow Bing Chiu.