LAI SUN DEVELOPMENT

Lai Sun Development Company Limited

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST JULY, 2005

RESULTS

The Board of Directors of Lai Sun Development Company Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st July, 2005 are as follows:

Consolidated Income Statement

For the year ended 31st July, 2005

	Notes	2005 *HK$'000*	2004 *HK$'000 (Restated)*
TURNOVER	4	**788,799**	2,109,513
Cost of sales		**(278,885)**	(1,628,894)
Gross profit		**509,914**	480,619
Other revenue		**12,556**	19,219
Administrative expenses		**(263,785)**	(261,590)
Other operating expenses		**(64,909)**	(93,525)
Reversal of impairment of property, plant and equipment		**176,396**	95,803
Gains on revaluation of investment properties		**599,549**	258,779
Reversal of impairment of available-for-sale debt investments		**209,478**	33,772
Release of goodwill upon disposal of an investment property		**—**	(32,979)
Gain/(loss) on disposal of subsidiaries		**(7,752)**	52,183
PROFIT FROM OPERATING ACTIVITIES	5	**1,171,447**	552,281
Finance costs	6	**(115,048)**	(351,362)
Loss arising from the Settlements, net		**(1,483,527)**	—
Provision for contingent liabilities to bondholders		**(136,525)**	—
Gain on cancellation of bond payables		**32,567**	—
Share of profits and losses of associates		**169,390**	5,263
Reversal of impairment of associates		**4,365**	23,181
Loss on deemed disposal of an associate		**(16,419)**	—
PFOFIT/(LOSS) BEFORE TAX		**(373,750)**	229,363
Tax	7	**(197,446)**	198,979
PROFIT/(LOSS) FOR THE YEAR		**(571,196)**	428,342
ATTRIBUTABLE TO:			
Equity holders of the parent		**(705,962)**	381,435
Minority interests		**134,766**	46,907
		(571,196)	428,342
EARNINGS/(LOSS) PER SHARE	8		
Basic		**(HK$0.07)**	HK$0.10
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31st July, 2005

	Notes	2005 *HK$'000*	2004 *HK$'000 (Restated)*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,298,496**	1,303,627
Prepaid land lease payments		**14,550**	29,915
Investment properties		**3,808,700**	3,207,980
Properties under development		**1,462**	1,424
Goodwill		**6,294**	8,583
Interests in associates	9	**1,020,080**	1,142,822
Available-for-sale investments		**559,748**	287,245
Pledged bank balances and time deposits		**62,341**	—
Total non-current assets		**6,771,671**	5,981,596
CURRENT ASSETS			
Completed properties for sale		**2,350**	1,430
Inventories		**5,064**	6,995
Debtors and deposits	10	**139,563**	123,717
Financial assets at fair value through profit or loss		**17**	224
Pledged bank balances and time deposits		**8,020**	97,657
Cash and cash equivalents		**446,451**	530,446
Total current assets		**601,465**	760,469
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	**250,337**	453,749
Tax payable		**7,095**	11,668
Interest-bearing bank and other borrowings		**105,235**	2,291,733
Provision for premium on bonds redemption		**—**	612,390
Provision for premium on loan repayment		**—**	32,396
Bonds payable		**40,152**	621,671
Convertible bonds payable		**—**	906,750
Amount due to an associate		**—**	1,500,040
Total current liabilities		**402,819**	6,430,397
NET CURRENT ASSETS/(LIABILITIES)		**198,646**	(5,669,928)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,970,317**	311,668
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**(2,583,509)**	—
Deferred tax		**(551,756)**	(361,262)
Long term rental deposits received		**(36,891)**	(29,122)
Total non-current liabilities		**(3,172,156)**	(390,384)
		3,798,161	(78,716)
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Issued capital		**6,373,021**	1,873,001
Share premium account		**5,858,164**	5,858,164
Investment revaluation resereve		**111,598**	—
Capital redemption reserve		**1,200,000**	1,200,000
Exchange fluctuation reserve		**42,472**	47,619
Accumulated losses		**(10,153,184)**	(9,447,222)
		3,432,071	(468,438)
Minority interests		**366,090**	389,722
		3,798,161	(78,716)

Consolidated Statement of Changes in Equity

Year ended 31st July, 2005

	Attributable to equity holders of the parent								Minority interests	Total equity
	Issued capital	Share premium account	Investment property revaluation reserve	Investment revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Accumulated losses	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st August, 2003										
As previously reported	1,873,001	5,858,164	1,246,358	—	1,200,000	47,568	(10,643,408)	(418,317)	355,477	(62,840)
Effect of adopting HKFRSs	—	—	(1,246,358)	—	—	—	781,772	(464,586)	4,536	(460,050)
As restated	1,873,001	5,858,164	—	—	1,200,000	47,568	(9,861,636)	(882,903)	360,013	(522,890)
Exchange realignments:										
Subsidiaries	—	—	—	—	—	(9)	—	(9)	54	45
Associates	—	—	—	—	—	60	—	60	—	60
Net income recognised directly in equity	—	—	—	—	—	51	—	51	54	105
Release of goodwill upon disposal of an investment property	—	—	—	—	—	—	32,979	32,979	—	32,979
Profit for the year (restated)	—	—	—	—	—	—	381,435	381,435	46,907	428,342
Total net recognised income for the year	—	—	—	—	—	51	414,414	414,465	46,961	461,426
Repayment to minority shareholders	—	—	—	—	—	—	—	—	(17,252)	(17,252)
At 31st July, 2004 and 1st August, 2004	1,873,001	5,858,164	—	—	1,200,000	47,619	(9,447,222)	(468,438)	389,722	(78,716)
At 31st July, 2004 and 1st August, 2004										
As previously reported	1,873,001	5,858,164	1,737,809	—	1,200,000	47,619	(10,832,704)	(116,111)	392,533	276,422
Effect of adopting HKFRSs	—	—	(1,737,809)	—	—	—	1,385,482	(352,327)	(2,811)	(355,138)
As restated	1,873,001	5,858,164	—	—	1,200,000	47,619	(9,447,222)	(468,438)	389,722	(78,716)
Exchange realignments:										
Subsidiaries	—	—	—	—	—	64	—	64	(9)	55
Associates	—	—	—	—	—	(58)	—	(58)	—	(58)
Changes in fair values of available-for-sale investments	—	—	—	93,000	—	—	—	93,000	—	93,000
Share of reserve movements of associates	—	—	—	21,048	—	—	—	21,048	—	21,048
Net income/(expense) recognised directly in equity	—	—	—	114,048	—	6	—	114,054	(9)	114,045
Release upon disposal of subsidiaries	—	—	—	—	—	(35)	—	(35)	(25,303)	(25,338)
Release upon deemed disposal of an associate	—	—	—	(2,450)	—	(5,118)	—	(7,568)	—	(7,568)
Profit/(loss) for the year	—	—	—	—	—	—	(705,962)	(705,962)	134,766	(571,196)
Total recognised income and expense for the year	—	—	—	111,598	—	(5,147)	(705,962)	(599,511)	109,454	(490,057)
Issue of settlement shares	4,500,020	—	—	—	—	—	—	4,500,020	—	4,500,020
Repayment to minority shareholders	—	—	—	—	—	—	—	—	(121,801)	(121,801)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(11,285)	(11,285)
At 31st July, 2005	6,373,021	5,858,164	—	111,598	1,200,000	42,472	(10,153,184)	3,432,071	366,090	3,798,161

Notes:

1. CORPORATE UPDATE

During the prior year, the Company reached an agreement, in principle, with the informal committee (the "Informal Committee") of the holders of exchangeable bonds and convertible bonds (the "Bondholders") concerning the settlement of HK$881 million payable under the exchangeable bonds (principal amount of HK$622 million and accrued bond redemption premium of HK$259 million) (the "Exchangeable Bonds") and of HK$1,260 million payable under the convertible bonds (principal amount of HK$907 million and accrued bond redemption premium of HK$353 million) (the "Convertible Bonds") together with their accrued interests of HK$138 million owed by the Group to the Bondholders (the "Bonds Settlement").

The Bonds Settlement included the settlement of the outstanding principal amount, accrued bond redemption premium of the Exchangeable Bonds and the Convertible Bonds (collectively defined as the "Bonds") and outstanding accrued interest, amounted to approximately HK$2,279 million in total as at 31st July, 2004, and an agreed settlement premium of approximately US$33 million (equivalent to approximately HK$257 million).

On 28th June, 2004, the Company and Furama Hotel Enterprises Limited ("FHEL"), a wholly-owned subsidiary of the Company, entered into a settlement agreement with eSun Holdings Limited ("eSun") (the "eSun Settlement Agreement") in connection with the settlement of an amount payable to Golden Pool Enterprise Limited ("GPEL"), a wholly-owned subsidiary of eSun, of approximately HK$1,500 million (the "Debt"). The eSun Settlement Agreement included an agreed settlement premium of approximately HK$1,345 million, which was to be payable to eSun upon the completion of the eSun Settlement Agreement.

Further details of the principal terms of the Bonds Settlement and the eSun Settlement Agreement are set out in the Company's circular dated 15th September, 2004 (the "Circular").

On 6th October, 2004, the Bondholders held a meeting in accordance with the terms of the Bonds and passed the necessary resolutions to duly approve the terms of the Bonds Settlement agreed between the Informal Committee and the Company.

Pursuant to a resolution passed at a special general meeting held by eSun on 13th October, 2004, the independent shareholders of eSun also approved the eSun Settlement Agreement. On the same date, pursuant to a resolution passed at the extraordinary general meeting held by the Company, the Bonds Settlement and the eSun Settlement Agreement (collectively, the "Settlements") were duly approved by independent shareholders of the Company. On 7th December, 2004, the Settlements were completed (the "Completion").

Further details on the Completion and other transactions in relation to the Settlements are described below.

Bonds Settlement

On 18th October, 2004, upon fulfilling certain specified conditions as set out in the Settlements, cash repayments of US$38 million (equivalent to approximately HK$300 million) were made to the Bondholders.

Pursuant to the Bonds Settlement, the residual principal indebtedness in the amount of approximately HK$266 million (the "A Bonds") and a further principal amount of approximately HK$70 million (the "B Bonds") were issued to the Bondholders upon the Completion. These bonds are due for settlement by the Group on or before 31st December, 2005. Both the A Bonds and the B Bonds are interest-free and are secured.

The remaining balance of approximately HK$1,900 million from the Bonds Settlement was satisfied by the issuance of approximately 3,800 million shares of the Company at the par value of HK$0.50 each (the "Bonds Settlement Shares").

With respect to the A Bonds, which are secured by, inter alia, (a) charges over the Group's entire 26.01% interest in Caravelle Hotel, Ho Chi Minh City, Vietnam, (b) charges over the Group's entire 62.625% interest in Furama Resort, Danang, Vietnam, (c) charges over the Group's entire 10% interest in the Waterfront, Hong Kong (collectively, the "Three Planned Sale Interests"), the Company agreed to procure the disposal of the Three Planned Sale Interests in an orderly and expeditious manner before 31st December, 2005 for the purpose of raising funds to repay the A Bonds.

During the year, the Group disposed of its 62.625% equity interest in Furama Resort, Danang, Vietnam, being one of the Three Planned Sale Interests, to an independent third party for a consideration of US$16.8 million (equivalent to approximately HK$131 million) (the "Furama Resort Disposal").

As at 31st July, 2005, the Company redeemed the outstanding principal amount of the A Bonds. The remaining two assets under the Three Planned Sale Interests remained unsold as at 31st July, 2005.

With respect to the B Bonds, Mr. Peter Lam, the Chairman, an executive director and a shareholder of the Company, granted to the bondholders a non-assignable right to put to him the Bonds Settlement Shares in two tranches with effect on 7th December, 2004 as follows:

(i) 1,000,600,000 Bonds Settlement Shares (the "First Tranche Shares") at HK$0.07 per share, exercisable during a period commencing from two months after the Completion and ending by the end of the third month after the Completion; and

(ii) 2,799,440,000 Bonds Settlement Shares (the "Second Tranche Shares") at HK$0.03 per share, exercisable during a period commencing on 1st November, 2005 and ending on 30th November, 2005.

No B Bond bondholders exercised their rights to put to Mr. Peter Lam for the First Tranche Shares, and the rights lapsed on 6th March, 2005. With respect to the Second Tranche Shares, certain of the bondholders had transferred a total of 1,301,303,612 Bonds Settlement Shares during the year which reduced the B Bonds' outstanding principal balance by HK$32,567,000 to HK$37,492,000 as at 31st July, 2005.

eSun Settlement Agreement

On 18th October, 2004, upon the fulfilment of certain specific provisions set out in the eSun Settlement Agreement, a cash repayment of HK$20 million was made to GPEL.

Another HK$225 million was restructured into a five-year secured interest-bearing term loan due by the Group to GPEL (the "eSun Loan").

The remaining balance of approximately HK$2,600 million related to the eSun Settlement Agreement was satisfied by the issuance of 5,200 million shares of the Company at the par value of HK$0.50 each (the "eSun Settlement Shares"), upon the completion of which the eSun Group became a 40.8% shareholder of the Company. Subsequent to the balance sheet date, the Group fully repaid the eSun Loan.

For the year ended 31st July, 2005, the Group incurred a loss arising from the Settlements of HK$1,484 million which comprised (i) an agreed premium of HK$257 million pursuant to the Bonds Settlement and (ii) an agreed premium of HK$1,345 million pursuant to the eSun Debt Settlement of which was partially offset by the write back of accrued overdue interest on the Debt of HK$118 million as such overdue interest was waived by eSun upon completion of the Settlements.

Bank and other borrowings

As at 31st July, 2004, all outstanding bank and other borrowings of the Group were repayable within the next twelve months from that date and were classified as current liabilities. After the Completion, the majority of these outstanding bank and other borrowings were either rescheduled or refinanced with longer repayment terms.

Following the Completion of the Settlements as described above, the Group turned around from a deficiency in asset position to a net asset position. As at 31st July, 2005 the Group had consolidated net assets (excluding minority interests) of HK$3,432 million (2004: consolidated deficiency in assets (excluding minority interests) of HK$468 million (restated)). In the wake of the successful rescheduling or refinancing of the Group's bank and other borrowings, the Group also turned around from a net current liability position of HK$5,670 million (restated) as at 31st July, 2004 to a net current asset position of HK$199 million as at 31st July, 2005. The directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due in the foreseeable future.

2. EARLY ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

The Group has resolved to early adopt all Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), in the financial year ended 31st July, 2005. All these early adopted HKFRSs are effective for accounting periods beginning on or after 1st January, 2005 for the preparation of these financial statements.

The following new and revised HKFRSs are relevant to the Group's financial statements and are adopted for the first time for the preparation of the current year's financial statements. In accordance with the relevant requirements under these HKFRSs where permitted, comparative amounts of the financial statements for the year ended 31st July, 2004 have been restated.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS-Int-15	Operating Leases - Incentives
HKAS-Int-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
HK-Int 2	The Appropriate Policies for Hotel Properties
HK-Int 3	Revenue - Pre-completion Contracts for the Sale of Development Properties
HK-Int 4	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12 ,14, 18, 19, 21, 23, 27, 28, 33, 37, 38, 39 (Amendment), HKFRS 5, HK-Int 3 and HKAS-Int-15, has had no material impact on the Group's accounting policies, the methods of computation in the Group's consolidated financial statements and the presentation and disclosures of the consolidated financial statements. The effects of adoption of the relevant HKFRSs including the new accounting measurement and disclosure practices are summarised as follows:

(a) *HKAS 16 - Property, Plant and Equipment and HK-Int 2 - The Appropriate Policies for Hotel Properties*

In prior years, hotel properties were interests in land and buildings and their integral fixed plant which were collectively used in the operation of hotels, and were stated at cost less any impairment losses.

Upon the adoption of HKAS 16 and HK-Int 2, hotel properties are now stated at cost less accumulated depreciation and any impairment losses. This change in accounting policy has been applied restrospectively and the comparative amounts have been restated to conform to the new policy. The effects of the above changes on these financial statements for hotel properties are summarised in note 3 to the announcement.

(b) *HKAS 17 - Leases and HK-Int 4 - Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17 and HK-Int 4, the Group's leasehold interests in land and buildings are separated into leasehold land and leasehold buildings. Leasehold land is classified as operating leases, because the title of the land is not expected to be passed to the Group by the end of the lease terms, and is reclassified from fixed assets to prepaid land lease payments. Leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the respective lease terms. When the lease payment cannot be allocated reliably between the land and buildings elements, the entire lease payment is included in the cost of land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the previously reported consolidated income statement and accumulated losses. The effects of the above changes on comparative amounts as at 31st July, 2004 for prepaid land lease payments are summarised in note 3 to the announcement.

(c) *HKAS 32 and HKAS 39 - Financial Instruments*

In prior years, the Group classified its equity securities and advances to investees intended to be held for a continuing strategic or long term purpose as long term investments. These long term investments were stated at cost less any impairment losses, on an individual investment basis. Short term investments of the Group were investments in equity securities held for trading purposes. Changes in fair value of a security were recognised in the income statement in the period in which they arise.

Upon the adoption of HKASs 32 and 39, the Group's long term investments and short term investments were redesignated as available-for-sale investments and financial assets at fair value through profit or loss, where appropriate, with effect on 1st August, 2004.

Long term investments are those non-derivative investments in equity securities and advances to investees that are designated as available-for-sale investments or they are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investments are sold, collected or otherwise disposed of or until the investments are determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The measurement of financial assets at fair value through profit or loss is similar to those previously classified as short term investments with changes in fair value being recognised in the income statement.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosures of financial instruments. Further details of the effects of the above changes on these consolidated financial statements are summarised in note 3 to the announcement. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(d) *HKAS 40 - Investment Property*

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The change in accounting policy has been adopted retrospectively. The comparative amounts for the year ended 31st July, 2004 have been restated to conform to the new policy. The effects of the above changes on these consolidated financial statements for investment properties are summarised in note 3 to the announcement.

(e) *HKFRS 3 - Business Combinations and HKAS 36 - Impairment of Assets*

In prior years, goodwill arising on acquisitions prior to the adoption of SSAP 30 "Business combinations" in 2001 was eliminated against the consolidated reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions after the adoption of SSAP 30 in 2001 was capitalised and amortised on the straight-line basis over its estimated useful life, and was subject to impairment testing when there was an indication of impairment.

Upon the adoption of HKFRS 3 and HKAS 36 in the current year, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired) with the impairment loss being recognised in the income statement of the period. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill at 1st August, 2004. Goodwill previously eliminated against the consolidated reserves continues to remain eliminated against the consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes do not have any material effect on the consolidated financial statements. In accordance with the transitional provisions, HKFRS 3 is prospectively applied, and accordingly, comparative amounts have not been restated. HKFRS 3 shall apply to accounting for business combinations for which the agreement date is on or after 1st January, 2005.

(f) *HKAS-Int-21 - Income Taxes - Recovery of Revalued Non-Depreciable Assets*

In prior years, deferred tax arising on the revaluation of investment properties was recognised based on the tax rates that would be applicable upon the sale of the investment properties.

Upon the adoption of HKAS-Int-21, deferred tax arising on the revaluation of the Group's investment properties is determined on the basis that these properties will be recovered through use. Accordingly, the profits tax rate has been applied to the calculation of deferred tax.

The change in the accounting policy has been applied retrospectively from the earliest period presented and the comparative amounts have been restated. Further details of the effects of the above changes are summarised in note 3 to the announcement.

(g) *HKAS 1 - Presentation of Financial Statements*

HKAS 1 affects certain presentation in the consolidated financial statements, including the following:

- taxes of associates attributable to the Group, which were previously included in tax charge in the consolidated income statement, are now included in the share of profits and losses of associates;
- minority interests are now presented in the income statement and within the equity in the consolidated balance sheet separately from the results/equity attributable to equity holders of the parent; and
- the Group is no longer permitted not to disclose comparative information for the reconciliation of movements in property, plant and equipment.

(h) *HKAS 24 - Related Party Disclosures*

HKAS 24 affects the identification of related parties and requires more extensive disclosures for related party transactions.

For those HKFRSs which are effective for accounting periods beginning on or after 1st January, 2006, they have not been early adopted by the Group. The Group has already commenced an assessment of these HKFRSs which are effective for accounting periods beginning on or after 1st January, 2006 but is not yet in a position to state whether these HKFRSs would have a significant impact on its result of operations and financial position.

3. SUMMARY OF THE EFFECTS OF CHANGES IN THE ACCOUNTING POLICIES

Pursuant to HKAS 8 (which outlines the disclosure requirements when a change in accounting policy has a material effect on the current year's and prior years' amounts presented), the Group has restated the opening balances of total equity as at 1st August, 2004 to take into account the effects of changes in the accounting policies disclosed in note 2 to the announcement. The previously reported loss for the year ended 31st July, 2004 has also been restated. The amount of adjustment for each financial statement line item affected and the impact on the basic and diluted earnings per share are summarised as follows:

(a) **Consolidated income statement**

	Impact of new HKFRSs on the Company and its subsidiaries						Impact of new HKFRSs on share of profits and losses of associates	
	HKAS 1	**HKAS 16**	**HKAS 17**	**HKAS 39**	**HKAS 40**	**HKAS-Int-21**		**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st July, 2005								
Increase in other operating expenses	—	(35,330)	(1,010)	—	—	—	—	(36,340)
Increase in revaluation surplus on investment properties	—	—	—	—	599,549	—	—	599,549
Increase in reversal of impairment of property, plant and equipment	—	8,108	—	—	—	—	—	8,108
Decrease in loss on disposal of subsidiaries	—	1,525	3,061	—	—	—	—	4,586
Decrease in loss on deemed disposal of an associate	—	—	—	—	—	—	1,728	1,728
Increase/(decrease) in share of profits and losses of associates	(39,537)	—	—	—	—	—	3,630	(35,907)
Decrease/(increase) in tax	39,537	1,901	—	—	—	(106,818)	—	(65,380)
Decrease/(increase) in loss for the year	—	(23,796)	2,051	—	599,549	(106,818)	5,358	476,344
Decrease/(increase) in loss attributable to equity holders of the parent	—	(15,692)	2,388	—	599,549	(106,818)	5,358	484,785
Decrease in profit attributable to minority interests	—	(8,104)	(337)	—	—	—	—	(8,441)
	—	(23,796)	2,051	—	599,549	(106,818)	5,358	476,344
Increase/(decrease) in earnings/(loss) per share (HK$)	—	—	—	—	0.06	(0.01)	—	0.05

	HKAS 1	HKAS 16	HKAS 17	HKAS 39	HKAS 40	HKAS-Int-21	Impact of new HKFRSs on share of profits and losses of associates	Total
	Impact of new HKFRSs on the Company and its subsidiaries							
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31st July, 2004								
Decrease in cost of sales	—	—	—	—	261,312	—	—	261,312
Increase in other operating expenses	—	(50,202)	(1,055)	—	—	(4,809)	—	(56,066)
Increase in revaluation surplus on investment properties	—	—	—	—	258,779	—	—	258,779
Increase in reversal of impairment of property, plant and equipment	—	19,319	—	—	—	—	—	19,319
Decrease in release of goodwill upon disposal of an investment property	—	—	—	—	—	(182,962)	—	(182,962)
Increase/(decrease) in gain on disposal of subsidiaries	—	12,014	—	—	(28,640)	6,504	—	(10,122)
Decrease in share of profits and losses of associates	(1,333)	—	—	—	—	—	—	(1,333)
Decrease in tax	1,333	1,902	—	—	—	121,239	—	124,474
Increase/(decrease) in profit for the year	—	(16,967)	(1,055)	—	491,451	(60,028)	—	413,401
Increase/(decrease) in profit attributable to:								
Equity holders of the parent	—	(9,964)	(711)	—	491,451	(60,028)	—	420,748
Minority interests	—	(7,003)	(344)	—	—	—	—	(7,347)
	—	(16,967)	(1,055)	—	491,451	(60,028)	—	413,401
Increase/(decrease) in earnings per share (HK$)	—	—	—	—	0.13	(0.02)	—	0.11

(b) **Consolidated balance sheet**

	HKAS 1	HKAS 16	HKAS 17	HKAS 39	HKAS 40	HKAS-Int-21	Impact of new HKFRSs on interests in associates	Total
	Impact of new HKFRSs on the Company and its subsidiaries							
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st July, 2005								
Decrease in property, plant and equipment	—	(36,461)	(18,350)	—	—	—	—	(54,811)
Increase in prepaid land lease payments	—	—	14,550	—	—	—	—	14,550
Increase/(decrease) in interests in associates	—	(12,014)	—	—	—	1,510	(81,422)	(91,926)
Increase in available-for-sale investments	—	—	—	93,000	—	—	—	93,000
Less:								
Decrease/(increase) in deferred tax liabilities	—	16,762	—	—	—	(448,792)	—	(432,030)
Increase/(decrease) in net assets	—	(31,713)	(3,800)	93,000	—	(447,282)	(81,422)	(471,217)
Total equity								
Decrease in investment property revaluation reserve	—	—	—	—	(2,337,358)	—	(104,009)	(2,441,367)
Increase in investment revaluation reserve	—	—	—	93,000	—	—	17,229	110,229
Decrease/(increase) in accumulated losses	—	(23,230)	(1,937)	—	2,337,358	(447,282)	5,358	1,870,267
Decrease in minority interests	—	(8,483)	(1,863)	—	—	—	—	(10,346)
Increase/(decrease) in equity	—	(31,713)	(3,800)	93,000	—	(447,282)	(81,422)	(471,217)
As at 31st July, 2004 and 1st August, 2004								
Decrease in property, plant and equipment	—	(11,066)	(36,370)	—	—	—	—	(47,436)
Increase in prepaid land lease payments	—	—	29,915	—	—	—	—	29,915
Increase/(decrease) in interests in associates	—	(12,014)	—	—	—	1,510	—	(10,504)
Less:								
Decrease/(increase) in deferred tax liabilities	—	14,861	—	—	—	(341,974)	—	(327,113)
Decrease in net assets	—	(8,219)	(6,455)	—	—	(340,464)	—	(355,138)
Total equity								
Decrease in investment property revaluation reserve	—	—	—	—	(1,737,809)	—	—	(1,737,809)
Decrease/(increase) in accumulated losses	—	(7,538)	(4,325)	—	1,737,809	(340,464)	—	1,385,482
Decrease in minority interests	—	(681)	(2,130)	—	—	—	—	(2,811)
Decrease in equity	—	(8,219)	(6,455)	—	—	(340,464)	—	(355,138)
As at 31st July, 2003 and 1st August, 2003								
Decrease in property, plant and equipment	—	(4,211)	(36,370)	—	—	—	—	(40,581)
Increase in prepaid land lease payments	—	—	30,970	—	—	—	—	30,970
Increase in goodwill arising from acquisition of subsidiaries	—	—	—	—	—	92,980	—	92,980
Less:								
Decrease/(increase) in deferred tax liabilities	—	12,959	—	—	—	(556,378)	—	(543,419)
Increase/(decrease) in net assets	—	8,748	(5,400)	—	—	(463,398)	—	(460,050)
Total equity								
Decrease in investment property revaluation reserve	—	—	—	—	(1,246,358)	—	—	(1,246,358)
Decrease/(increase) in accumulated losses	—	2,426	(3,614)	—	1,246,358	(463,398)	—	781,772
Increase in minority interests	—	6,322	(1,786)	—	—	—	—	4,536
Increase/(decrease) in equity	—	8,748	(5,400)	—	—	(463,398)	—	(460,050)

4. SEGMENT INFORMATION

(a) **Business segments**

The following tables present revenue, results and asset, liability and certain expenditure information for the Group's business segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*
Segment revenue:												
Sales to external customers	**3,626**	3,762	**246,717**	1,569,506	**515,384**	514,834	**23,072**	21,411	—	—	**788,799**	2,109,513
Intersegment sales	—	—	**8,555**	6,464	—	655	**22,020**	26,645	**(30,575)**	(33,764)	—	—
Other revenue	—	—	**897**	3,115	**788**	3,195	**490**	3,804	—	—	**2,175**	10,114
Total	**3,626**	3,762	**256,169**	1,579,085	**516,172**	518,684	**45,582**	51,860	**(30,575)**	(33,764)	**790,974**	2,119,627
Segment results	**1,229**	(927)	**785,667**	404,925	**268,983**	196,464	**9,654**	13,885	—	—	**1,065,533**	614,347
Interest income and unallocated gains											**10,381**	9,105
Unallocated expenses											**(113,945)**	(104,943)
Reversal of impairment of available-for-sale debt instruments											**209,478**	33,772
Profit from operating activities											**1,171,447**	552,281
Finance costs											**(115,048)**	(351,362)
Loss arising from the Settlements, net											**(1,483,527)**	—
Provision for contingent liabilities to bondholders											**(136,525)**	—
Gain on cancellation of bond payables											**32,567**	—
Share of profits and losses of associates	**166,973**	17,643	**27,841**	—	**3,734**	—	—	—	—	—	**198,548**	17,643
Share of profits and losses of associates - unallocated											**(29,158)**	(12,380)
Reversal of impairment of associates	—	23,617	**5,396**	—	—	—	—	—	—	—	**5,396**	23,617
Impairment of associates - unallocated											**(1,031)**	(436)
Loss on deemed disposal of an associate											**(16,419)**	—
Profit/(loss) before tax											**(373,750)**	229,363
Tax											**(197,446)**	198,979
Profit/(loss) for the year											**(571,196)**	428,342
Attributable to:												
Equity holders of the parent											**(705,962)**	381,435
Minority interests											**134,766**	46,907
											(571,196)	428,342
Segment assets	**15,107**	11,145	**3,828,852**	3,172,151	**1,520,442**	1,517,122	**47,482**	56,442	—	—	**5,411,883**	4,756,860
Interests in associates	**314,625**	211,788	**78,466**	48,159	**90,976**	89,708	—	—	—	—	**484,067**	349,655
Interests in associates - unallocated											**536,013**	793,167
Unallocated assets											**941,173**	842,383
Total assets											**7,373,136**	6,742,065
Segment liabilities	**56**	71	**71,301**	67,129	**57,446**	80,711	**4,405**	3,498	—	—	**133,208**	151,409
Interest-bearing bank and other borrowings											**2,688,744**	2,291,733
Provision for premium on bonds redemption											—	612,390
Provision for premium on loan repayment											—	32,396
Bonds payable											**40,152**	621,671
Convertible bonds payable											—	906,750
Amount due to an associate											—	1,500,040
Other unallocated liabilities											**712,871**	704,392
Total liabilities											**3,574,975**	6,820,781
Other segment information:												
Amortisation of prepaid land lease payments	—	—	—	—	**1,010**	1,055	—	—	—	—	**1,010**	1,055
Depreciation	—	—	**22**	—	**58,132**	76,182	**89**	80	—	—	**58,243**	76,262
Unallocated amounts											**5,655**	8,957
											63,898	85,219
Capital expenditure	**37**	24	**1,355**	7,291	**9,934**	22,245	**267**	123	—	—	**11,593**	29,683
Unallocated amounts											**494**	530
											12,087	30,213
Amortisation of goodwill on acquisition of subsidiaries	—	—	—	—	—	6,526	—	—	—	—	—	6,526
Impairment of goodwill	—	—	—	—	**2,289**	—	—	—	—	—	**2,289**	—
(Gain)/loss on disposal of subsidiaries	—	—	—	829	**7,752**	(53,012)	—	—	—	—	**7,752**	(52,183)
Reversal of impairment of property, plant and equipment	—	—	—	—	**(176,396)**	(95,803)	—	—	—	—	**(176,396)**	(95,803)
Loss on disposal of investment properties	—	—	—	20,000	—	—	—	—	—	—	—	20,000
Reversal of goodwill upon disposal of an investment property	—	—	—	32,979	—	—	—	—	—	—	—	32,979
Gains on revaluation of investment properties	—	—	**(599,549)**	(258,779)	—	—	—	—	—	—	**(599,549)**	(258,779)

(b) **Geographical segments**

The following tables present revenue and asset and certain expenditure information for the Group's geographical segments:

	Hong Kong		Mainland China		Vietnam		Other locations		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*
Segment revenue:												
Sales to external customers	**569,961**	1,947,200	**—**	—	**218,838**	162,313	**—**	—	**—**	—	**788,799**	2,109,513
Other revenue	**1,747**	10,070	**—**	—	**428**	44	**—**	—	**—**	—	**2,175**	10,114
Total	**571,708**	1,957,270	**—**	—	**219,266**	162,357	**—**	—	**—**	—	**790,974**	2,119,627
Other segment information:												
Segment assets	**4,998,507**	4,354,318	**6,474**	6,371	**406,888**	396,157	**14**	14	**—**	—	**5,411,883**	4,756,860
Capital expenditure	**8,831**	17,079	**—**	—	**3,256**	13,134	**—**	—	**—**	—	**12,087**	30,213

5. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Depreciation	**63,898**	85,219
Amortisation of prepaid land lease payments	**1,010**	1,055
Loss on disposal of property, plant and equipment	**271**	175
Loss on disposal of investment properties	**—**	20,000
Amortisation of goodwill	**—**	6,526

6. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**88,468**	124,074
Interest on bank borrowings wholly repayable beyond five years	**1,059**	—
Interest on an amount due to GPEL	**6,547**	83,800
Interest on bonds payable	**—**	35,234
Interest on convertible bonds	**—**	50,398
Total interest expenses	**96,074**	293,506
Other finance costs:		
Provision for premium on loan repayment	**1,979**	5,521
Bank charges and refinancing charges	**16,995**	52,335
	115,048	351,362

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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.

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Provision for tax for the year:		
Current - Hong Kong	**7,719**	16,463
Deferred tax	**190,494**	(126,881)
	198,213	(110,418)
Prior years' overprovision - Hong Kong	**(767)**	(88,561)
Tax charge/(credit) for the year	**197,446**	(198,979)

In accordance with the presentation requirements of HKAS 1, adopted by the Group during the year as detailed in note 2 to the announcement, taxes of associates that amounted to HK$39,537,000 is now included in "share of profits and losses of associates" on the face of the consolidated income statement. The comparative amounts of the tax charge of HK$1,333,000 for the year ended 31st July, 2004 have been restated to conform to the current year's presentation.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the parent of HK$705,962,000 (2004: profit for the year attributable to equity holders of HK$381,435,000 (restated)) and the weighted average number of 9,589,864,000 (2004: 3,746,002,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the year ended 31st July, 2005 and 2004 have not been disclosed, as no diluting event existed during these years.

9. INTERESTS IN ASSOCIATES

Included in the Group's interests in associates at 31st July, 2005 is the Group's share of net assets of the eSun Group of HK$760,976,000.

At 30th June, 2005, the film rights held by the eSun Group amounted to HK$188,253,000 which represented all rights, titles and interests in 127 films (the "127 Film Rights") valued at HK$190,684,000 as at 31st December, 2004. The directors of eSun had engaged an independent third party (the "Valuer") to perform a valuation (the "Valuation") on the 127 Film Rights as at 31st December, 2004. Having regard to the Valuation performed by the Valuer and having regard to the current market conditions, the directors of eSun are of the opinion that there was no impairment on these film rights as at 30th June, 2005.

With respect to the financial statements of the eSun Group for the year ended 31st December, 2004, the auditors of eSun stated in their reports that:

(i) they had been unable to obtain sufficient reliable information to carry out the auditing procedures required by Statement of Auditing Standards 520 "Using the Work of an Expert", issued by the HKICPA, to satisfy themselves as to (a) the competence and objectivity of the Valuer; and (b) the adequacy of the scope of the Valuer's work as to the 127 Film Rights. They stated that they were unable to obtain sufficient reliable information, or carry out alternative auditing procedures to satisfy themselves as to the appropriateness of the basis of computation of the amount of the amortisation charge for the Film Rights; and

(ii) with respect to the fundamental uncertainty relating to the going concern basis adopted in the presentation of the financial statements of the eSun Group for the year ended 31st December, 2004, the auditors of eSun considered that appropriate disclosures have been made in the financial statements of the eSun Group and their opinion was not qualified in this respect.

Due to the scope limitations in the evidence available to them in (i) above, the auditors of eSun issued a qualified opinion on the financial statements of the eSun Group for the year ended 31st December, 2004.

On 19th May, 2005, eSun issued 74 million new shares to an independent investor for a net proceeds of approximately HK$150 million and the Group's interests in eSun was reduced from 42.54% to 38.31%.

As extracted from note 1 "Basis of Presentation" of the unaudited interim report of eSun as of 30th June, 2005 published on 16th September, 2005, eSun stated that it will continue to seek ongoing support from its financial creditors, and to explore opportunities for different sources of financing to strengthen the eSun Group's working capital position including the negotiation for early repayment of the eSun Loan of HK$225 million by the Company. On the above bases, the directors of eSun consider that the eSun Group will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors of eSun are satisfied that it is appropriate to prepare the unaudited condensed consolidated interim financial statements of eSun as at 30th June, 2005 on a going concern basis.

The eSun Loan was fully repaid subsequent to the balance sheet date.

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

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

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Trade debtors:		
Less than 30 days	**22,456**	24,037
31 - 60 days	**4,370**	3,468
61 - 90 days	**1,506**	1,156
Over 90 days	**6,956**	6,154
	35,288	34,815
Other debtors and deposits	**104,275**	88,902
	139,563	123,717

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Trade creditors:		
Less than 30 days	**11,023**	12,768
31 - 60 days	**1,758**	2,179
61 - 90 days	**332**	301
Over 90 days	**467**	714
	13,580	15,962
Other creditors, deposits received and accruals	**236,757**	437,787
	250,337	453,749

11. COMPARATIVE AMOUNTS

As further explained in notes 2 and 3 to the announcement, due to the early adoption of HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified and restated to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

In Memoriam

Mr. Lim Por Yen, the founder of the Lai Sun Group, passed away in February 2005. He was a man of energy, vision and perseverance and dedicated to work and family. His contribution to the Group is immeasurable and his death an irreplaceable loss.

Results

The year under review was a watershed for the Group. We completed our debt settlement which eliminated approximately HK$3,700 million of debt and put the Group on a firm financial footing. As at 31st July 2005, the Group had consolidated net assets (excluding minority interests) of HK$3,432 million, as compared to a consolidated deficiency in assets (excluding minority interests) of HK$468 million on 31st July 2004 as restated. Net asset value per share as at 31st July 2005 was HK$0.27, as compared to a deficiency in assets per share of HK$0.13 on 31st July 2004 as restated.

The operating environment continued to improve and the Group benefited from the rebound in the property market and the strength in the hotel sector. Operating profits for the year ended 31st July 2005, buoyed by gain on revaluation of investment properties and reversal of impairment of fixed assets and of long term unlisted investments, rose to HK$1,171 million, up 112% from HK$552 million in the previous year. However, due to the loss of HK$1,484 million arising from the debt settlement, the Group recorded a consolidated net loss attributable to shareholders of HK$706 million for the year. Basic loss per share was HK$0.07 in 2004/05 as compared to earning per share of HK$0.1 in 2003/04 (restated).

Dividends

The Directors do not recommend payment of a dividend for the year ended 31st July 2005 (2004: Nil).

Business Review

The Hong Kong economy continued to expand at a brisk pace during the year under review. Merchandise exports performed strongly buoyed by China's strong trade flows. Exports of services were also buoyant due to the strength in trade and vibrant inbound tourism. On the domestic front, consumer spending grew supported by improving labour market conditions and the positive impact of the vigorous recovery in property prices. The broad-based economic expansion boosted employment which rose to a record high while the seasonally adjusted unemployment rate fell to the lowest level since the third quarter of 2001. Because of the recovery in the labour market, salary levels have been rising, as have prices generally as measured by the government's Composite Consumer Price Index.

The Group has benefited from the recovery in the property market; rentals income on reversion is increasing and the underlying value of the Group's properties and other assets and investments have increased.

Property Investment

The Group's investment property portfolio generated gross rental income of HK$247 million for the year, somewhat lower than HK$280 million generated in the previous financial year. The decline was due to the absence of contributions from both the Majestic Centre and the Causeway Bay Plaza 1 which 50% interest and 100% interest were sold in the previous financial year, respectively. Overall unit rentals showed improvement, a reversionary trend which is expected to continue, as current achieved average rents are below market levels and there is substantial scope for upgrading our properties. During the course of the year vacancy levels fell steadily. In August 2004, the overall vacancy of the Group's investment portfolio was about 7% and in July 2005 it had fallen to about 2% and is currently about 1%.

Property Development

During the year, the Group marketed two joint venture development projects, each 50% owned. All the service apartments at No. 26 Kimberley Road were sold for a total consideration of HK$602 million and subsequent to the year end we have also sold the commercial podium of this project realising proceeds of HK$501 million.

As at 31st July 2005, we sold 15 of the 54 houses that comprise our Yuen Long luxury residential project, Rolling Hills II. The proceeds from these sales totalled HK$117 million. We expect to complete the sale of this project in the current financial year.

Hotels

The Group's hotel division benefited from the strong tourism market. For the year under review, the Group's 65%-owned The Ritz-Carlton, Hong Kong achieved an average occupancy of 84.2% and an average room rate of HK$2,072, as compared to 80.2% and HK$1,677 recorded in the previous year. For the Majestic Hotel, the corresponding figures were 91.7% and HK$552 respectively, as compared to 90.6% and HK$433 in the previous year.

The Group disposed of its 62.625% interest in the Furama Resort Danang in July for a consideration of US$16.8 million (approximately HK$131 million), but remains as manager of this hotel. Proceeds from the sale were used for partial repayment of our Series A Bonds. The Group's other hotel investment in Vietnam, namely the Caravelle Hotel situated at Ho Chi Minh City (26.01% interest) achieved an average occupancy of 69.8% and an average room rate of HK$810 as compared to 50.5%and HK$806 respectively in the previous year.

eSun Holdings Limited

eSun Holdings Limited ("eSun") reported a net profit attributable to the equity holders of HK$203 million for the six months ended 30th June 2005, as compared to a loss of HK$33 million in the year earlier period. At the operating level, it reported reduced losses. However, positive contributions from Media Asia Entertainment Group Limited, a 37.3% associate of eSun and from the Company, in which it now holds a 40.8% interest as a result of the debt settlement, enabled eSun to record the sharp turnaround in attributable profits reported by eSun in its interim results.

In May 2005, eSun received conditional approval from the Macau Special Administrative Region Government for its proposed development plans in respect of its property situated in Cotai in Macau. The proposed plans involve the construction of hotels, a television / film studio, concert hall, theatre and event centre and retail and other facilities, with an aggregate gross floor of approximately 340,000 square metres.

Prospects

Interest rate increases, which have been gradual and predictable to date, have had little dampening impact on the overall Hong Kong economy so far. Meanwhile, after two years of macro-economic tightening in China, concerns of an economic hard landing have eased and the Chinese economy is expected to continue growing, albeit, possibly at a somewhat slower pace than the growth rate recorded in recent years.

Although the global economy has been resilient in absorbing the impact of rising oil prices and higher interest rates, continuing oil price increases and further sustained rises in interest rates could slow global economic growth. However, unless global economic growth were to reverse, we are positive about prospects for our businesses.

On the property investment front, as demand remains firm, we believe that rentals could continue to increase next year and will at least be maintained at current levels. We therefore expect positive rental reversions in respect of the Group's core investment properties. In addition, the Group's rental income will be augmented by income from the AIG Tower in which the Group has a 10% interest.

Prospects of the hotel industry are also promising, with both occupancy and room rates likely to show further improvement. The Ritz-Carlton, Hong Kong should be a major beneficiary, while the Majestic Hotel should also turn in better performance although competition in the three-star segment will remain intense.

The Group is very optimistic about the longer-term prospects of eSun despite the fact that its media businesses face a challenging operating environment and despite the delay in obtaining relevant PRC authorities' approval for a satellite television downlink license so that it can benefit from the growing demand for content in China.

Our tremendous optimism about the prospects for eSun is due to the exciting potential represented in its Studio City site in the heart of Cotai in Macau.

The liberalisation of gaming in Macau has catalysed a wave of development that is transforming the Macau economy. Liberalisation has attracted an inflow of capital and investors, and development plans that have been announced suggest that Macau could become Asia's premier gaming / convention / exhibition / entertainment / destination-resort centre, occupying in Asia a position not unlike that of Las Vegas in the U.S.

We believe that Macau is ripe for major development because a confluence of economic and other factors has made it pregnant with potential including:

— resumption of economic growth in Asia and particularly the sustained strong growth in China,

— strong growth in disposable income as a result of economic growth and with such growth, growth in tourism,

— strong growth in China trade. China is today the third largest importer and exporter in world merchandise trade and Hong Kong ranks eleventh in terms of exports.

Macau's central location within Asia, its existing and growing transportation links and its expanding supportive infrastructure make it well placed to become the Vegas of Asia, serving the convention / exhibition needs of two of the world's largest trading economies on its doorstep and serving the recreational / entertainment and shopping needs of its visitors from all over Asia.

eSun's Cotai site development is being planned to offer an attractive themed entertainment and retail experience capitalising on the eSun Group's media assets and its knowledge and contacts in Asia's entertainment industry. Management is in active discussions / negotiations, some recently begun and others in progress for some time, all at various stages of advancement, with a number of potential joint venture partners in this project. Potential partners include potential equity partners as well as potential operational partners who are interested in investing in and / or managing / operating various facets of the development.

Group Restructuring

The Group's debt settlement was completed on 7th December 2004. Its principal terms were:

For eSun

— HK$20 million cash repayment

— A new five-year interest bearing secured term loan of HK$225 million, and

— 5,200 million new Lai Sun Development shares

For the Bondholders

— HK$300 million cash repayment

— Issue of a zero-coupon, secured 'A' Bond due 31st December, 2005 in the amount of HK$266 million, and

— 3,800 million new Lai Sun Development shares.

As a result of the issue of new Lai Sun Development shares, eSun became the largest shareholder of the Group with an interest of approximately 40.8%. The A Bond were secured by, amongst others, three property interests of the Group, namely the Caravelle Hotel (26.01%), the Furama Resort Danang (62.625%) and the remaining units in the Waterfront (10%). As mentioned earlier, the Furama Resort Danang has been sold. These proceeds, together with proceeds from the refinancing of the Caravelle Hotel and certain other funds were used to repay in full the A Bondholders in July 2005. However, under the debt settlement, A Bondholders continue to have an interest in the two remaining of the three property interests. Please refer to the Group's "Proposed Settlement of Indebtedness" Circular dated 15th September, 2004 for full details of the debt settlement.

Liquidity and Financial Resources

Apart from completing the debt settlement, during the year the Group refinanced all its major bank and other borrowings to longer term maturities. The Group has turned around from a net current liability position of HK$5,670 million as at 31st July, 2004 to a net current asset position of HK$199 million as at 31st July, 2005.

As at 31st July, 2005, the Group had outstanding borrowings of approximately HK$2,954 million (as at 31st July, 2004: HK$5,965 million) comprising (i) secured bank loans and other borrowings of approximately HK$2,689 million, (ii) an outstanding amount of approximately HK$3 million, being residual amount payable under the Guaranteed Secured A Bonds due 2005 ("A Bonds"), (iii) an outstanding amount of approximately HK$37 million payable under the Guaranteed Secured B Bonds ("B Bonds") and; (iv) an amount due to the eSun Group of approximately HK$225 million. The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to net assets was approximately 86.19%. The maturity profile of the bank and other borrowings of HK$2,689 million was spread over a period more than 5 years with HK$105 million repayable within 1 year, HK$310 million repayable in the second year, HK$2,158 million repayable in the third to fifth years and HK$116 million repayable beyond 5 years.

As at 31st July, 2005, certain investment properties with carrying amounts of approximately HK$3,798 million, certain property, plant and equipment with carrying amounts of approximately HK$1,256 million and certain bank balances and time deposits with banks of approximately HK$62 million were pledged to banks to secure banking facilities granted to the Group. At the same date, certain investment properties with carrying amounts of approximately HK$4 million, certain property, plant and equipment with carrying amounts of approximately HK$25 million and a time deposit with a bank of approximately HK$8 million were pledged to a bank to back up certain corporate guarantees issued by the Company in respect of certain banking facilities granted by the bank to a subsidiary and an associate of the Group. In addition, 285,512,791 ordinary shares of eSun Holdings Limited ("eSun"), 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 project, and certain shares in a subsidiary held by the group were also pledged to banks and other lenders to secure loan facilities granted to the Group. Certain shares of associates held by the Group were pledged to banks for loan facilities granted to certain associates of the Group. In addition, pursuant to the terms and conditions of the A Bonds, A Bonds are secured by charges over the Group's entire 26.01% interest in Caravelle Hotel, Ho Chi Minh City, Vietnam and charges over the Group's entire 10% interest in The Waterfront, Hong Kong. eSun and the holders of B Bonds share charges over the Group's 65% interest in The Ritz-Carlton, Hong Kong. The secured bank and other borrowings were also secured by floating charges over certain assets held by the Group.

All of the Group's borrowings are denominated in Hong Kong dollars and US dollars. On the interest rate front, the majority of the bank borrowings are being maintained as floating rate debts.

Employees and Remuneration Policies

The Group employed a total of approximately 1,300 (as at 31st July, 2004: 1,600) employees as at 31st July, 2005. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a number of mandatory provident fund schemes for all the eligible employees, a free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programmes.

Contingent liabilities

(i) Contingent liabilities not provided for in the financial statements at the balance sheet date were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**—**	—	**382,244**	1,137,829
Associates	**294,380**	469,088	**294,380**	469,088
	294,380	469,088	**676,624**	1,606,917
Guarantees given in connection with the issue of the Exchangeable Bonds	**—**	—	**—**	621,671
Guarantees given in connection with the issue issue of the Convertible Bonds	**—**	—	**—**	906,750
Guarantees given in connection with the issue issue of the A Bonds	**—**	—	**2,661**	—
Guarantees given in connection with the issue issue of the B Bonds	**—**	—	**37,492**	—
	294,380	469,088	**716,777**	3,135,338

(ii) Pursuant to certain indemnity deeds dated 12th November, 1997 entered into between the Company and Lai Fung Holdings Limited ("Lai Fung"), the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("LAT") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31st October, 1997 (the "Property Interests"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited, independent chartered surveyors, as at 31st October, 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31st 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 indemnity deeds assume that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The 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 18th November, 1997.

Lai Fung had no LAT payable during the year. No income tax payable by Lai Fung was indemnifiable by the Company during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st July, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE MATTERS

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1st January, 2005 throughout the accounting period covered by the annual report. The non-executive Directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

The Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "CG Code") on 1st January, 2005 but transitional arrangements for disclosure are applicable in respect of accounting periods commencing on or after 1st January, 2005. The Company has taken relevant actions to comply with the CG Code.

The annual results of the Company for the year ended 31st July, 2005 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.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 23rd December, 2005. Notice of the Annual General Meeting together with the Company's Annual Report for 2004-2005 will be despatched to the members in due course.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 18th November, 2005

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 and Mr. Cheung Wing Sum, Ambrose; 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.