LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
**(Stock Code: 1125)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2007

## RESULTS

The Board of Directors of Lai Fung Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 July 2007 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 July 2007*

| | Notes | **2007** | 2006 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| | | | (Restated) |
| TURNOVER | 2 | **792,420** | 703,352 |
| Cost of sales | | **(367,111)** | (328,615) |
| Gross profit | | **425,309** | 374,737 |
| Other income and gains | 3 | **108,559** | 76,219 |
| Selling expenses | | **( 11,812)** | ( 28,284) |
| Administrative expenses | | **(105,956)** | (105,625) |
| Other operating expenses, net | | **( 24,185)** | ( 15,279) |
| Fair value gain on investment properties | | **193,837** | 58,828 |
| PROFIT FROM OPERATING ACTIVITIES | 4 | **585,752** | 360,596 |
| Finance costs | 5 | **(107,542)** | ( 60,320) |
| Share of profits of associates | | **81,706** | 3,907 |
| Write-back of provision for amounts due from associates | | **12,630** | 6,175 |
| PROFIT BEFORE TAX | | **572,546** | 310,358 |
| Tax | 6 | **( 64,272)** | (164,098) |
| PROFIT FOR THE YEAR | | **508,274** | 146,260 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the Company | | **470,351** | 132,745 |
| Minority interests | | **37,923** | 13,515 |
| | | **508,274** | 146,260 |
| DIVIDENDS | 7 | | |
| Proposed final | | **32,192** | 8,048 |
| EARNINGS PER SHARE | 8 | | |
| Basic | | **5.84 cents** | 2.15 cents |
| Diluted | | **N/A** | N/A |

**CONSOLIDATED BALANCE SHEET**
*As at 31 July 2007*

| | Notes | **2007** | 2006 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| | | | (Restated) |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **669,668** | 666,683 |
| Properties under development | | **2,107,681** | 1,937,211 |
| Investment properties | | **3,673,600** | 3,189,300 |
| Prepaid land lease payments | | **5,531** | 5,371 |
| Goodwill | | **4,561** | 4,561 |
| Interests in associates | | **1,057,982** | 770,917 |
| Available-for-sale investments | | **-** | 13,464 |
| Long term deposits | 9 | **25,904** | - |
| Pledged time deposits | | **118,914** | - |
| Total non-current assets | | **7,663,841** | 6,587,507 |
| CURRENT ASSETS | | | |
| Properties under development | | **390,209** | 186,243 |
| Completed properties for sale | | **10,591** | 46,672 |
| Debtors, deposits and prepayments | 9 | **106,415** | 62,133 |
| Tax recoverable | | **-** | 12,312 |
| Pledged and restricted time deposits and bank balances | | **321,160** | 207,738 |
| Cash and cash equivalents | | **1,931,371** | 899,125 |
| Total current assets | | **2,759,746** | 1,414,223 |
| CURRENT LIABILITIES | | | |
| Creditors and accruals | 10 | **455,480** | 326,192 |
| Deposits received and deferred income | | **17,729** | 317,161 |
| Rental deposits received | | **20,700** | 13,858 |
| Interest-bearing bank loans, secured | | **894,265** | 89,723 |
| Tax payable | | **231,425** | 134,404 |
| Total current liabilities | | **1,619,599** | 881,338 |
| NET CURRENT ASSETS | | **1,140,147** | 532,885 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **8,803,988** | 7,120,392 |
| NON-CURRENT LIABILITIES | | | |
| Long term rental deposits received | | **17,101** | 21,931 |
| Interest-bearing bank loans, secured | | **123,343** | 753,859 |
| Promissory note | | **167,000** | 167,000 |
| Advances from a substantial shareholder | | **48,273** | 45,542 |
| Fixed rate senior notes | | **1,513,431** | - |
| Derivative financial instruments | | **72,859** | - |
| Deferred tax liabilities | | **593,692** | 627,752 |
| Total non-current liabilities | | **2,535,699** | 1,616,084 |
| | | **6,268,289** | 5,504,308 |

**CONSOLIDATED BALANCE SHEET (continued)**
*As at 31 July 2007*

| | **2007** **HK$'000** | 2006 HK$'000 (Restated) |
|---|---|---|
| EQUITY | | |
| Equity attributable to equity holders of the Company: | | |
| Issued capital | **804,796** | 804,796 |
| Share premium account | **3,876,668** | 3,876,668 |
| Investment revaluation reserve | **-** | ( 1,456) |
| Share option reserve | **1,842** | - |
| Hedge reserve | **( 41,780)** | - |
| Exchange fluctuation reserve | **431,398** | 145,071 |
| Capital reserve | **( 457)** | ( 457) |
| Retained earnings | **851,324** | 413,165 |
| Proposed final dividend | **32,192** | 8,048 |
| | **5,955,983** | 5,245,835 |
| Minority interests | **312,306** | 258,473 |
| | **6,268,289** | 5,504,308 |

**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 also include 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. Turnover and Segment Information

Turnover and segment information is presented by way of the Group's primary segment reporting format, by business segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the property development segment engages in the development of properties in Mainland China; and

(b) the property investment segment invests in service apartments, as well as commercial and office buildings in Mainland China for their rental income potential.

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

## 2. Turnover and Segment Information (continued)

### Business segments

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

Group

| | Property development | | Property investment | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2007 HK$'000** | 2006 HK$'000 (Restated) | **2007 HK$'000** | 2006 HK$'000 (Restated) | **2007 HK$'000** | 2006 HK$'000 (Restated) |
| **Segment revenue** | | | | | | |
| Sales to external customers | **571,347** | 505,731 | **221,073** | 197,621 | **792,420** | 703,352 |
| Other revenue | **3,868** | 2,315 | **50,621** | 46,898 | **54,489** | 49,213 |
| Total | **575,215** | 508,046 | **271,694** | 244,519 | **846,909** | 752,565 |
| **Segment results** | **243,999** | 190,462 | **341,628** | 182,261 | **585,627** | 372,723 |
| Unallocated gains | | | | | **54,070** | 27,006 |
| Unallocated expenses, net | | | | | **( 53,945)** | ( 39,133) |
| Profit from operating activities | | | | | **585,752** | 360,596 |
| Finance costs | | | | | **( 107,542)** | ( 60,320) |
| Share of profits of associates | - | - | **81,706** | 3,907 | **81,706** | 3,907 |
| Write-back of provision for amounts due from associates | - | - | **12,630** | 6,175 | **12,630** | 6,175 |
| Profit before tax | | | | | **572,546** | 310,358 |
| Tax | | | | | **( 64,272)** | ( 164,098) |
| Profit for the year | | | | | **508,274** | 146,260 |
| **Assets and liabilities** | | | | | | |
| Segment assets | **1,707,890** | 1,272,567 | **5,217,882** | 5,046,841 | **6,925,772** | 6,319,408 |
| Interests in associates | - | - | **1,057,982** | 770,917 | **1,057,982** | 770,917 |
| Unallocated assets | | | | | **2,439,833** | 911,405 |
| Total assets | | | | | **10,423,587** | 8,001,730 |
| Segment liabilities | **173,273** | 435,505 | **159,254** | 132,623 | **332,527** | 568,128 |
| Unallocated liabilities | | | | | **3,822,771** | 1,929,294 |
| Total liabilities | | | | | **4,155,298** | 2,497,422 |
| **Other segment information** | | | | | | |
| Depreciation | **822** | 1,215 | **20,223** | 18,762 | **21,045** | 19,977 |
| Capital expenditure | **206,441** | 343,822 | **59,626** | 65,933 | **266,067** | 409,755 |
| Fair value gain on investment properties | - | - | **193,837** | 58,828 | **193,837** | 58,828 |

## 3. Other Income and Gains

The Group’s other income and gains include the following:

| | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|
| Interest income from: | | |
| Bank deposits | **42,653** | 7,904 |
| An associate | **674** | 150 |
| Gain on disposal of interests in subsidiaries | **-** | 14,926 |
| Gain on disposal of available-for-sale investments | **802** | - |

## 4. Profit from Operating Activities

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

| | **2007** **HK$'000** | 2006 HK$'000 (Restated) |
|---|---|---|
| Cost of completed properties sold | **318,230** | 286,883 |
| Outgoings in respect of rental income | **48,881** | 41,732 |
| Total cost of sales | **367,111** | 328,615 |
| Depreciation # | **23,953** | 21,052 |
| Recognition of prepaid land lease payments | **8,003** | 7,133 |
| Capitalised in properties under development | **( 7,847)** | ( 6,983) |
| | **156** | 150 |

\# Depreciation charge of HK$14,732,000 (2006: HK$14,572,000) for service apartments is included in "Other operating expenses, net" on the face of the consolidated income statement.

## 5. Finance Costs

| | Group 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Interest on: | | |
| Bank loans wholly repayable within five years | **62,527** | 57,619 |
| Bank loan repayable beyond five years | **1,294** | 692 |
| Promissory note | **13,053** | 2,306 |
| Fixed rate senior notes, net * | **33,189** | - |
| Amortisation of fixed rate senior notes | **1,622** | - |
| Bank charges | **2,649** | 2,915 |
| | **114,334** | 63,532 |
| Less: Interest capitalised in properties under development | **( 6,792)** | ( 3,212) |
| Total finance costs | **107,542** | 60,320 |

* Net of interest saving of HK$12,705,000 (2006: Nil) arising from cash flow hedges.

## 6. Tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | Group 2007 HK$'000 | 2006 HK$'000 (Restated) |
|---|---|---|
| Current - Mainland China | | |
| Corporate income tax | | |
| Charge for the year | **79,125** | 67,092 |
| Underprovision in prior years | - | 2,443 |
| Land appreciation tax | **71,693** | 66,064 |
| Deferred | **(86,546)** | 28,499 |
| Total tax charge for the year | **64,272** | 164,098 |

Changes in accounting estimates

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") was approved and will be effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. This reduction in the income tax rate will directly reduce the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the corporate income tax rate under the New CIT Law has had the following impact on the results and financial positions of the Group for the year ended 31 July 2007.

## 6. Tax (continued)

(a) Effect on the consolidated balance sheet at 31 July 2007:

| | HK$'000 |
|---|---|
| Decrease in deferred tax liabilities | (163,204) |
| Increase in retained earnings | 144,492 |
| Increase in exchange fluctuation reserve | 2,522 |
| Increase in minority interests | 16,190 |
| | - |

(b) Effect on the consolidated income statement for the year ended 31 July 2007:

| | HK$'000 |
|---|---|
| Decrease in deferred tax charge | 160,649 |
| Increase in profit attributable to minority interests | ( 16,157) |
| | 144,492 |

At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact of the New CIT Law on its operating results and financial positions of future periods as more detailed requirements are issued.

## 7. Dividends

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Proposed final – 0.4 HK cent (2006: 0.1 HK cent) per ordinary share | **32,192** | 8,048 |

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

## 8. Earnings Per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$470,351,000 (2006: HK$132,745,000), and the weighted average number of 8,047,956,478 (2006: 6,173,381,136) ordinary shares in issue during the year.

All share options of the Company had an anti-dilutive effect on the basic earnings per share amount and have not been included in the diluted earnings per share calculation for the year ended 31 July 2007. The diluted earnings per share amount for the year ended 31 July 2006 had not been disclosed as there was no diluting event that occurred during that year.

## 9. Debtors, Deposits and Prepayments

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. Service apartments charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables of the Group are interest-free.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Trade receivables, net | | |
| Within one month | **25,940** | 9,834 |
| One to two months | **5,821** | 243 |
| Two to three months | **893** | 8,894 |
| Three to six months | **246** | - |
| Over six months | **-** | 4,851 |
| | **32,900** | 23,822 |
| Other receivables, prepayments and deposits | **99,419** | 38,311 |
| | **132,319** | 62,133 |
| Portion classified as current assets | **(106,415)** | (62,133) |
| Non-current portion | **25,904** | - |

The carrying amounts of debtors, deposits and prepayments approximate to their fair values at the balance sheet date.

## 10. Creditors and Accruals

An aged analysis of the Group's trade payables as at the balance sheet date, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Trade payables | | |
| Within one month | **12,966** | 5,719 |
| One to three months | **934** | 623 |
| Over three months | **5,328** | 75,514 |
| | **19,228** | 81,856 |
| Accruals and other creditors | **436,252** | 244,336 |
| Financial liability - the put option | **-** | - |
| Total | **455,480** | 326,192 |

Trade payables of the Group are interest-free and are settled pursuant to the terms of the relevant agreements. The carrying amounts of creditors and accruals approximate to their fair values at the balance sheet date.

## 11. Business Combination

During the year, the Group acquired a 100% equity interest in Frank Light Development Limited ("Frank Light") and the shareholders' loans owed by Frank Light with an aggregate amount of HK$216,936,000 for a total consideration of HK$292,300,000. Frank Light and its subsidiary, Guangzhou Honghui Real Estate Development Co., Ltd., (the "Frank Light Group") are engaged in the property development and investment business.

The fair values of the identifiable assets and liabilities of the Frank Light Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

| | Fair value recognised on acquisition HK$'000 | Carrying amount immediately before the acquisition HK$'000 |
|---|---|---|
| Equipment | 37 | 37 |
| Property under development | 348,400 | 232,775 |
| Cash and bank balances | 979 | 979 |
| Other current liabilities, net | ( 434) | ( 434) |
| Interest-bearing bank loans | ( 21,810) | ( 21,810) |
| Deferred tax liability | ( 32,000) | - |
| | 295,172 | 211,547 |
| Expenses incurred for the acquisition | ( 2,872) | |
| | 292,300 | |
| Satisfied by: | | |
| Cash consideration paid | 266,300 | |
| Cash consideration payable two months after the completion of underlying properties of the Frank Light Group | 26,000 | |
| | 292,300 | |

The underlying properties of the subsidiaries acquired were in the development stage and no income or expense was incurred during the year. Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would not be materially different from those disclosed for the year ended 31 July 2007.

## 12. Post Balance Sheet Event

Subsequent to the balance sheet date, on 29 October 2007, Nicetronic Investments Limited ("Nicetronic"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Pilkington Investments Limited (the "Vendor"), an independent third party, whereby Nicetronic agreed to purchase the remaining 50% of the issued share capital of and the entire shareholder's loan advanced to Hankey Development Limited ("Hankey") from the Vendor at a consideration of HK$424,000,000 (the "Acquisition"). Hankey indirectly holds 96.6% and 99% interest in Zhabei Plaza I and Zhabei Plaza II, respectively, located at Tian Mu Road West in the Zhabei District of Shanghai.

Nicetronic is currently holding 50% of the issued share capital of Hankey. Upon completion of the Acquisition, Hankey will become an indirect wholly-owned subsidiary of the Company. The Acquisition is scheduled to be completed on 25 January 2008. Further details of the Acquisition are disclosed in the Company's announcement dated 30 October 2007.

## 13. Comparative Amounts

In prior years, Land Appreciation Tax arisen from the sale of properties ("LAT") was recognised as direct costs and included in the Group's "Cost of sales" as shown on the face of the consolidated income statement, and the relevant LAT payable was included in the Group's "Creditors and accruals" as shown on the face of the consolidated balance sheet.

During the year, the directors considered it a more appropriate presentation, after a reassessment of the nature of the LAT and a study of the market practices, to include LAT in "Tax" on the face of the consolidated income statement, and to include the relevant LAT payable in "Tax payable" on the face of the consolidated balance sheet. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Effect on the consolidated balance sheet at 31 July

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Decrease in creditors and accruals | **(156,319)** | (78,814) |
| Increase in tax payable | **156,319** | 78,814 |
| | **-** | - |

(b) Effect on the consolidated income statement for the year ended 31 July

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Decrease in cost of sales | **(71,693)** | (66,064) |
| Increase in tax | **71,693** | 66,064 |
| | **-** | - |

## FINAL DIVIDEND AND BOOK CLOSE DATES

The Directors propose a final dividend of 0.4 HK cent per ordinary share for the year ended 31 July 2007 (2006: 0.1 HK cent per ordinary share) to shareholders registered as at 21 December 2007. If approved at the Annual General Meeting of the Company, the dividend will be payable on 7 January 2008.

The Register of Members of the Company will be closed from 18 December 2007 to 21 December 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queens' Road East, Hong Kong for registration no later than 4:00 p.m. on 17 December 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

For the year ended 31 July 2007, the Group recorded a turnover of HK$792,420,000 (2006: HK$703,352,000) and a gross profit of HK$425,309,000 (2006 (restated): HK$374,737,000), representing an increase of approximately 13% and 13% respectively from previous year. The Group achieved a profit from operating activities of HK$585,752,000 (2006 (restated): HK$360,596,000) and a profit attributable to equity holders of the Company of HK$470,351,000 (2006: HK$132,745,000), representing an increase of approximately 62% and 254% respectively from previous year.

The increase in profit from operating activities and profit attributable to equity holders of the Company was mainly attributable to higher turnover, higher revaluation gain on investment properties of the Group and in associated companies, and write back of provision on deferred corporate income tax as a result of adjustment in the corporate income tax rate in China.

Basic earnings per share were HK5.84 cents for the year ended 31 July 2007 compared to HK2.15 cents for the previous year.

Shareholders' equity as at 31 July 2007 amounted to HK$5,955,983,000 up from HK$5,245,835,000 as at 31 July 2006. Net asset value per share attributable to equity holders of the Company was HK$0.74 as at 31 July 2007, as compared to HK$0.65 as at 31 July 2006.

**Business Review**

***Investment properties***

*Property rental results*

During the year ended 31 July 2007, the Group recorded turnover of HK$221,073,000 from rental income. Breakdown of turnover from rental income is as follows:

| | Year ended 31 July | | |
|---|---|---|---|
| | **2007**<br>**HK$** | 2006<br>HK$ | Change |
| **Shanghai** | | | |
| Hong Kong Plaza | **174,456,000** | 157,876,000 | +11% |
| **Guangzhou** | | | |
| May Flower Plaza | **46,617,000** | 39,745,000 | +17% |
| Total | **221,073,000** | 197,621,000 | +12% |

***Development properties***

*Property sales results*

| | **Approximate contracted sales area**<br>*sq.m.* | **Approximate average contracted selling price***<br>*HK$/sq.m.* | **Approximate contracted total sales amount***<br>*HK$* |
|---|---|---|---|
| **Shanghai** | | | |
| Regents Park, Phase I | 5,400 | 17,900 | 96,840,000 |
| **Guangzhou** | | | |
| Eastern Place, Phase IV | 36,900 | 10,700 | 393,481,000 |
| Eastern Place, Phase I, II and III | | | 6,905,000 |
| Eastern Place car parks | | | 74,121,000 |
| Total | | | 571,347,000 |

* After business tax

During the year ended 31 July 2007, the Group concluded total contract sales area of approximately 5,400 sq.m. on the remaining units of Regents Park Phase I. In addition, the Group sold 291 car parks in Eastern Place at an average price (before business tax) of RMB268,000 per car park. The units in Eastern Place Phase IV were sold in 2006 and the revenue and profit were recognised in this financial year.

## Market Overview and Operating Environment

The Group is principally engaged in property development for sale and property investment for rental purposes in the Mainland of China ("China"). The Group currently has property projects in Shanghai, Guangzhou and Zhongshan.

China's economy continued its rapid growth and achieved a GDP growth of 10.7% in 2006 and is broadly expected to achieve GDP growth of around 10% in 2007. The resilient economic growth, stable increase in average income per capita and the expectation of Renminbi appreciation would support the growth of urban property market in China.

In the past two years, the central and local governments of China strengthened control over the property sector. These measures are expected to (i) tighten property financing, impose stringent land management controls, stabilise property prices, rationalise property supply structure and tighten credit supply; (ii) reinforce tax management, in particular, the central government announced the measures to strictly enforce the collection and settlement of Land Appreciation Tax; and (iii) regulate and tighten the approval of foreign investment in real estate sector in China.

The Group believes that these measures are aimed at curbing speculation, stabilising property prices and rationalising the property market, which will not restrict the long term development of the property sector in China.

Despite a new series of macroeconomic control measures in China, continuous economic growth and robust end-user demand continue to lend support to quality development projects in Shanghai and Guangzhou.

## Review of Major Property Projects

### *Shanghai*

*Shanghai Hong Kong Plaza*

Shanghai Hong Kong Plaza is a twin-tower prime property located at Huaihaizhong Road, Luwan District, Shanghai with a GFA attributable to the Group of approximately 120,000 sq.m. comprising office, shopping arcades and service apartments. Rental income from Shanghai Hong Kong Plaza for the year ended 31 July 2007 amounted to HK$174,456,000, up from HK$157,876,000 in the previous year.

In line with the positioning of Huaihaizhong Road as a prime and high-end shopping district in Shanghai Puxi area, the Group plans to upgrade and renovate the shopping arcades over the next two years by phases, which will target high-end retail brands to open their flagship stores in Shanghai Hong Kong Plaza. It is expected that the rental yield would improve upon completion of the upgrade and renovation.

The Group also plans to upgrade the quality of the service apartments in order to improve its competitiveness and the image. The whole programme is expected to be completed in the next two years.

*Shanghai Regents Park*

Shanghai Regents Park is a major residential project located in the Zhongshan Park Commercial Area at the prestigious Changning District, Shanghai with a total saleable GFA of approximately 154,000 sq.m. (GFA attributable to the Group of approximately 146,000 sq.m.). During the year under review, the Group has sold all the remaining units in Phase I (equivalent to GFA attributable to the Group of approximately 5,200 sq.m.) for HK$96,840,000.

Phase II of the project will comprise 6 residential towers with approximately 460 units (GFA attributable to the Group of approximately 59,000 sq.m.). Pre-sale of Phase II is expected to start in November 2007. Given the recent strong demand in residential units in Shanghai, we expect the pre-sale would achieve satisfactory results.

*Shanghai May Flower Plaza*

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Zhabei District in Shanghai. This project is situated near the Zhongshan Road North Subway Station. The Group has an effective 95% interest in the project.

The project has a total GFA of approximately 147,900 sq.m. (GFA attributable to the Group of approximately 140,500 sq.m.), comprising residential and office apartments, commercial spaces, carparks and ancillary facilities. Construction work has already been commenced in October 2007 and is scheduled to be completed at the end of 2009 or in early 2010.

*Shanghai Northgate Plaza (also known as Zhabei Plaza)*

Shanghai Northgate Plaza Phase I is a block of office units with retail podium located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal. The Group has an effective 48.3% interest in Phase I.

The Phase I complex has a total GFA of approximately 36,500 sq.m. comprising office units, retail spaces and car parks.

The Group plans to develop Shanghai Northgate Plaza II on the vacant site located adjacent to Phase I. The Group has an effective interest 49.5% interest in Phase II.

The Phase II development will have a total GFA of approximately 34,400 sq.m. comprising service/office apartments with retail podium and car parks. Construction of Phase II is expected to commence in 2008 and is scheduled to be completed in 2010.

On 30 October 2007, the Group announced that it will acquire the remaining 50% interest in the holding company which indirectly holds Shanghai Northgate Plaza I and Shanghai Northgate Plaza II. The total consideration for such acquisition is HK$424,000,000. Upon completion of the acquisition, the Group’s interest in Shanghai Northgate Plaza I and Shanghai Northgate Plaza II will increase to approximately 96.6% and 99% respectively.

***Guangzhou and Zhongshan***

*Guangzhou May Flower Plaza*

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Subway Station in Guangzhou, interchange station of Guangzhou Subway Line No. 1 and 2. The Group has an effective 77.5% interest in this property.

This 13-storey complex has a total GFA of approximately 51,000 sq.m. (GFA attributable to the Group of approximately 39,000 sq.m.) comprising retail spaces, restaurants and fast food outlets, cinema and office units. The property was opened in mid 2005 and is now 100% occupied by tenants that are well known corporations and/or consumer brands. Rental income from Guangzhou May Flower Plaza amounted to HK$46,617,000 for the year ended 31 July 2007, representing an increase of approximately 17% from previous year.

*Guangzhou Eastern Place*

Guangzhou Eastern Place is a multi-phase residential project located at Dongfeng East Road, Yuexiu District, Guangzhou. Phase I to III, which comprise 6 residential towers and the residents' clubhouse, had been completed in years between 1997 and 2004. The resident clubhouse has an Olympic size swimming pool, fitness facilities, convenience store as well as a restaurant.

Phase IV, which comprises 2 residential towers, was completed in December 2006. Most of the units in Phase IV were pre-sold in 2006 and the sales revenue and profit were recognised in this year.

The Phase V development will have an intended total GFA attributable to the Group of approximately 130,700 sq.m. comprising residential blocks, a grade-A office building and retail spaces. In view of the strong demand for service apartments in Guangzhou, the plan has been revised to include 2 residential blocks, a service apartment block, a grade-A office building and retail spaces. Construction work has been commenced and is now scheduled to be completed in 2010.

*Guangzhou West Point*

Guangzhou West Point is located at Zhongshan Qi Road, Liwan District and is within walking distance from the Ximenkou Subway Station. The Group completed the acquisition of 100% interest in this project in February 2007.

The project has a total GFA of approximately 72,000 sq.m., comprising residential, office units, commercial spaces, carparks and ancillary facilities. The exterior and interior fitting of the project is scheduled to be completed in the first half of 2008. Pre-sale is expected to start before the end of this year.

*Guangzhou Jinshazhou Project*

Guangzhou Jinshazhou project is a 50:50 joint venture with CapitaLand China Holdings Pte. Ltd. ("CapitaLand China"). This proposed development in Jinshazhou, Hengsha, Baiyuan District, Guangzhou has a total GFA of approximately 340,000 sq.m. (GFA attributable to the Group of approximately 170,000 sq.m.), comprising low-rise residential units with ancillary facilities including carparks and shopping amenities.

The project is currently in the planning stage. According to current development schedule, the project will be completed in phases from 2009 to 2011.

*Guangzhou Haizhu Plaza*

Guangzhou Haizhu Plaza is located at Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group effectively owns the entire interest in this project.

The proposed development has a GFA of approximately 113,000 sq.m., and is intended to be developed into a grade-A office tower, a service apartment tower, a retail podium, carparks as well as ancillary facilities.

The project is currently in the process of resettlement of original occupants which is expected to be completed in 2008. The development is expected to be completed in 2010.

*Guangzhou Donghua Dong Road Project*

The site was acquired by the Group in a public auction in July 2007. It is located at Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 10,600 sq.m. The project is currently in the planning stage and is intended to be developed into a residential tower. The project is expected to be completed in 2011.

*Guangzhou Da Sha Tou Road / Yuan Jiang Dong Road Project*

The site was acquired by the Group in a public auction in July 2007. It is located at the junction of Da Sha Tou Road and Yuan Jiang Dong Road in Yuexiu District. The permitted GFA is approximately 8,800 sq.m. The project is currently in the planning stage and is intended to be developed into a service apartment tower. The project is expected to be completed in 2011.

*Guangzhou Guan Lu Road Project*

The site was acquired by the Group in a public auction in July 2007. It is located at Guan Lu Road in Yuexiu District. The permitted GFA is approximately 14,000 sq.m. The project is currently in the planning stage and is intended to be developed into a residential tower. The project is expected to be completed in 2011.

*Zhongshan Project*

The Group wholly owns a project located in Caihong Planning Area, West District of Zhongshan with a site area of approximately 236,600 sq.m. The Group plans to apply for a higher plot ratio of this project to increase its approximate total planned GFA from the original 350,000 sq.m. to over 500,000 sq.m., comprising mainly residential units with commercial spaces and ancillary facilities.

Phase I of the project will comprise of 28 blocks of residential towers and service apartments with a total GFA of around 138,000 sq. m.. Construction work of Phase I is expected to be commenced in early 2008 and is expected to be completed by the end of 2009. Other phases of the project is expected to be completed from 2010 to 2011.

**Capital Structure, Liquidity and Debt Maturity Profile**

In March 2007, the Group successfully issued the 9.125% senior notes due 2014 (the "Senior Notes") and raised US$200,000,000 before expenses. The proceeds are intended to be used to finance acquisition of land and property projects, project development, renovation of investment properties and for working capital purposes. Part of the proceeds from the issue of Senior Notes have been used to acquire the three new projects in Guangzhou in July 2007.

Apart from the proceeds from the issue of Senior Notes, the Group has diverse sources of financing comprising internal funds generated from the Group's business operations, bank borrowings on project basis and general bank loan facilities on secured basis.

As at 31 July 2007, the Group had total borrowings in the amount of HK$2,746 million (2006: HK$1,056 million), representing an increase of HK$1,690 million from that as at the preceding financial year end, mainly as a result of the issue of US$200,000,000 Senior Notes. The consolidated net assets attributable to the equity holders of the Company amounted to HK$5,956 million (2006: HK$5,246 million). The total debt to equity ratio was 46% (2006: 20%) and the total debt to total capitalisation (long-term debt + equity) ratio was 35% (2006: 17%).

As at 31 July 2007, approximately 55% and 43% of the Group's borrowings were on a fixed rate basis and floating rate basis respectively, with the remaining 2% of the Group's borrowings were interest free.

Apart from the Senior Notes, the Group's other borrowings of HK$1,233 million were 35% denominated in Renminbi ("RMB"), 15% in Hong Kong dollars ("HKD") and 50% in United States dollars ("USD").

In order to match its USD exposure on the Senior Notes with its revenue, which are mainly denominated in RMB, the Group has hedged its USD exposure on the Senior Notes into RMB. Apart from this hedge, the Group does not hedge its other exposures in RMB and USD.

The maturity profile of the Group's bank borrowings as at 31 July 2007 was spread over a period of 9 years, with approximately 88% repayable within one year, 11% repayable between two to five years and 1% repayable over 5 years. The term loans of the Group have amortisation throughout the tenure. The Group is constantly negotiating with the relevant bank in refinancing and/or rescheduling the principal amortisation schedule where necessary. For HK$781,575,000 outstanding bank loans which are secured by the Group's properties at Shanghai Hong Kong Plaza and Guangzhou May Flower Plaza, the Group has obtained offers from the relevant bank for refinancing of such loans for a period of 5 years.

Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value amounting to approximately HK$3,551 million, service apartments with carrying value of approximately HK$550 million, properties under development with carrying value amounting to approximately HK$858 million, a property with carrying value amounting to approximately HK$45 million, and bank balances amounting to approximately HK$145 million at the balance sheet date.

Taking into account cash held as at the balance sheet date, available banking facilities, loan refinancing and the recurring cashflow from the Group's operating activities, the Group believes it has sufficient liquidity to finance its existing property developments and investment projects.

**Prospects**

The Group principally focuses on property development projects located in prime areas in core cities in China including Shanghai, Guangzhou and Zhongshan.

For our development properties, the Group will accelerate its development schedule whenever possible and to increase its completion volume in the next few years. Apart from the recent acquisitions of three new sites in Guangzhou and additional interest in Shanghai Northgate Plaza I and II, the Group is also looking into investment opportunities in other key cities.

For our investment properties, given the tremendous potential in rental rates in Shanghai and Guangzhou due to strong consumer spending and office demand, the Group will strive to improve the rental income through major renovations and improvement in tenant mix.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31 July 2007, 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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Annual Report save for the following deviations from code provisions A.4.1 and E.1.2:

### 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 is 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.

### Code Provision E.1.2

Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the Annual General Meeting of the Company held on 22 December 2006.

## REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2007 have been reviewed by the audit committee of the Company. The audit committee currently comprises two of the independent non-executive directors of the Company, namely, Messrs. Wong Yee Sui, Andrew and Lam Bing Kwan and a non-executive director of the Company, Mr. Lim Ming Yan.

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

## ANNUAL GENERAL MEETING

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

By Order of the Board
**Lam Kin Ngok, Peter**
*Chairman*

Hong Kong, 9 November 2007

*As at the date of this announcement, the executive directors of the Company are Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven, Ms. Leung Churk Yin, Jeanny, Mr. Cheung Sum, Sam and Mr. Cheng Shin How; the non-executive director is Mr. Lim Ming Yan (Alternate Director: Mr. Cheong Kwok Mun), and the independent non-executive directors are Mr. Wong Yee Sui, Andrew, Mr. Lam Bing Kwan and Mr. Ku Moon Lun.*