



# LAI FUNG HOLDINGS

Lai Fung Holdings Limited  
(Incorporated in the Cayman Islands with limited liability)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST JULY, 2001

### RESULTS

The Board of Directors of Lai Fung Holdings Limited announces that the audited results of the Group for the year ended 31st July, 2001 are as follows:

	Note	2001 HK\$'000	2000 HK\$'000
Turnover	2	161,743	191,593
Cost of sales		(86,841)	(135,407)
Gross profit		74,902	56,186
Other revenues		68,324	51,575
Administrative expenses		(78,601)	(86,810)
Other operating income/(loss), net		8,982	(4,017)
Operating profit	3	73,607	16,934
Finance costs		(139,973)	(91,675)
Share of losses of			
Associated companies		(62,505)	(42,042)
Jointly controlled entities		—	(36,790)
Write-off of unamortised goodwill on acquisition of an associated company		(36,993)	—
Loss before taxation		(165,864)	(153,573)
Taxation credit	4	2,068	120,740
Loss after taxation		(163,796)	(32,833)
Minority interests		(823)	44,373
(Loss)/profit attributable to shareholders		(164,619)	11,540
(Loss)/earnings per share	5	(7.6) cents	1.1 cents

### Notes:

#### 1. Principal accounting policies

The audited consolidated final accounts are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

#### 2. Turnover

The Group's principal activities have not changed during the year and consisted of property development for sale and property investment for rental purposes.

	Turnover		Operating Profit/(Loss)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
Sales of completed properties	76,349	134,639	(5,492)	(768)
Rental	85,394	56,954	79,099	17,702
	161,743	191,593	73,607	16,934

No geographical analysis is presented as over 90% of the Group's turnover and operating profit are derived from activities in the Mainland of the People's Republic of China (the "PRC").

#### 3. Operating profit

	2001 HK\$'000	2000 HK\$'000
This is arrived at after charging/(crediting):		
Auditors' remuneration		
— current year	650	550
— underprovision in prior year	—	200
Cost of completed properties developed for sale recognised	81,841	145,907
Depreciation	1,897	2,961
Outgoings in respect of investment properties	22,271	14,761
Guaranteed rental returns	184	2,603
Operating lease rentals in respect of land and buildings	443	341
Staff costs	13,406	11,574
Amortisation of goodwill arising on acquisition of an associated company	1,156	1,156
(Write back of provision)/provision for doubtful debts	(3,211)	449
Loss on disposal of fixed assets	508	916
Foreign exchange (gains)/losses, net	(16)	93

#### 4. Taxation credit

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 (2000: HK\$Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in places in which the Group operates.

	2001 HK\$'000	2000 HK\$'000
Taxation credit for the year in respect of taxation in the PRC:		
Over-provision of taxation in prior years	2,068	—
Write back of provision for taxation in prior years	—	120,740
	2,068	120,740

#### 5. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated based on the following:

	2001 HK\$'000	2000 HK\$'000
(Loss)/profit attributable to shareholders	(164,619)	11,540
	2001 '000	2000 '000
Weighted average number of ordinary shares in issue during the year	2,172,631	1,047,056

Diluted loss per share for the year has not been shown as potential shares have an anti-dilutive effect on the basic loss per share.

### FINAL DIVIDEND

The Board of Directors does not recommend the payment of any final dividend in respect of the year ended 31st July, 2001 (2000: HK\$Nil).

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Business Review

For the year ended 31st July, 2001, the Group recorded a turnover of HK\$161,743,000 (2000: HK\$191,593,000) and an operating profit of HK\$73,607,000 (2000: HK\$16,934,000), representing a decrease of approximately 16% and an increase of approximately 335% respectively when compared with the previous year. The decrease in turnover was mainly attributed to the slowdown in sale of Phase II of Eastern Place in Guangzhou. The remaining stocks of Phase II of Eastern Place comprised significant numbers of large-size flats with consideration of over RMB1 million each and, as the numbers of unsold units decreased, the choices available to potential buyers were more restrictive. It will normally take a longer time for these units to be absorbed by the market. It is expected that sales will pick up by more vigorous marketing campaigns and when pre-sale of Phase III of Eastern Place begins in the forthcoming year. With a gradual improvement in the occupancy of the offices and service apartments of Hong Kong Plaza, Shanghai, the rental contribution from the properties continued to improve during the year under review. This, plus the result of cost reduction measures and write back of certain provisions related to completed properties for sale and of provision for properties under development held for other than investment potential, has mainly accounted for the improvement in the operating profit. However, the performance of the Group for the year was adversely affected significantly by the share of losses of the associated companies amounting to HK\$62,505,000 (2000: HK\$42,042,000) and the write-off of unamortised goodwill arising from the acquisition of an associated company amounting to HK\$36,993,000 (2000: HK\$Nil). Furthermore, finance costs increased to HK\$139,973,000 (2000: HK\$91,675,000), which included premium on convertible note redemption amounting to HK\$38,333,000 (2000: HK\$20,000,000) and bank charges amounting to HK\$7,035,000 (2000: HK\$Nil) and interest on convertible guaranteed bonds and convertible note amounting to HK\$89,181,000 (2000: HK\$79,819,000). As a result, the Group has recorded a loss attributable to the shareholders for the year of HK\$164,619,000 as compared with a profit of HK\$11,540,000 for last year.

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

On 10th January, 2001, 2,023,713,337 ordinary shares of HK\$0.10 each were allotted and issued at a conversion price of HK\$0.464 to convert the Group's US\$120,385,000 (approximately HK\$939,003,000 at the rate of exchange ruling at the date of conversion) convertible guaranteed bonds (the "CGB") into ordinary shares of the Company in accordance with the terms and conditions on issuance of the CGB. These shares rank pari passu in all respects with the existing shares of the Company.

During the year, the Group obtained unsecured loan facilities from Mr. Lim Por Yen, a substantial shareholder of the Company. The loans were repayable on or before 31st December, 2003 and were bearing interest at the Best Lending Rate and the LIBOR quoted by The Hongkong and Shanghai Banking Corporation Limited. The aggregate outstanding balances of the loans as at 31st July, 2001 were HK\$53,285,000.

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 31st July, 2001, the Group has a gross borrowing (inclusive of the loans of HK\$53,285,000 loaned by Mr. Lim Por Yen) amounting to HK\$1,031 million, representing a decrease of HK\$787 million over that of the previous year. Net debt (gross borrowing less cash and cash equivalent) and net debt to shareholders' funds were HK\$933 million (2000: HK\$1,638 million) and 16% (2000: 33%) respectively as at 31st July, 2001.

All of the Group's gross borrowings were on a floating rate basis at the balance sheet date. The Group is expected to benefit from the decrease in the prevailing interest rate. As at 31st July, 2001, approximately 19% of the Group's gross borrowings were denominated in Renminbi, 4% were denominated in Hong Kong dollars and 77% were denominated in US dollars.

The maturity profile of the Group's borrowings as at 31st July, 2001 was spread over a period of five years, with approximately 8% repayable within one year and 92% repayable between more than one to five years. Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value amounting to HK\$2,954 million and properties under development with carrying value amounting to HK\$520 million.

With the cash held as at the balance sheet date as well as available banking facilities, and the improvement in the Group's operating activities, the Group has sufficient liquidity to finance orderly its existing and planned property development and other investment projects.

#### Contingent Liabilities

As a common practice in the PRC for banks to provide mortgage financing to end-users, the banks will normally require the developers to provide buy-back guarantee to secure the due performance of the mortgagors. The Company is currently providing buy-back guarantees to banks for granting mortgage loans to buyers of Hong Kong Plaza, and Phase I and Phase II of Eastern Place. As the PRC property market is currently stable, the management does not expect such contingent liability to be crystallized.

#### Prospects

The real estate markets in major cities in the PRC have experienced a reasonable recovery in the year under review as both residential and commercial rentals have exhibited a steady uptrend. With the opening of the luxurious clubhouse and the implementation of more vigorous marketing campaigns since this summer, sales of completed units in Eastern Place have picked up considerably. Rental contributions from both Hong Kong Plaza in Shanghai and Tianhe Entertainment Plaza in Guangzhou, in which the Group has a 25% interest, should continue to improve. The envisaged pre-sale of Phase III of Eastern Place and New Trend Plaza in Guangzhou next year will also prove beneficial.

Following the restructuring of the borrowings of the Group, it is anticipated that the finance expenses of the Group will be reduced in the long run.

#### Employees and Remuneration Policies

The Group employs a total of approximately 371 employees. The Group recognises the importance of the strength of its human resources for its success. Pay rates of employees are maintained at competitive levels and promotion and salary increments are assessed on a performance related basis. Discretionary bonuses are granted to certain employees on a merit basis and in accordance with industry practice. Other staff benefits include free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programmes. The Group currently does not have any share option schemes for employees.

#### PRACTICE NOTE 19 TO THE LISTING RULES

Pursuant to paragraph 3.7.1 of Practice Note 19 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company discloses the following details on the CGB which imposes specific performance obligation on Lai Sun Development Company Limited, the then controlling shareholder of the Company:

On 5th January, 1994, Lai Fung Overseas Finance Limited, a wholly-owned subsidiary of the Company, issued US\$150,000,000 CGB. Unless previously redeemed or purchased and cancelled, the CGB are convertible into fully paid shares of the Company at the option of the holders from 28th February, 1998 to 21st November, 2000. It will be an event of default under the CGB if Lai Sun Development Company Limited ceases to own at least 50% of the issued share capital of the Company from 29th November, 1997 to 22nd November, 2000 on a fully diluted basis. No such event of default was noted up to 22nd November, 2000. On 10th January, 2001, the CGB were mandatorily converted into shares of the Company.

#### ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 21st December, 2001. Notice of the Annual General Meeting together with the Company's Annual Report for 2000-2001 will be despatched to the members on or before 28th November, 2001.

#### PUBLICATION OF INFORMATION ON STOCK EXCHANGE WEBSITE

The Annual Report of the Company, which will contain all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules, will be published on the website of the Stock Exchange on or before 30th November, 2001.

By Order of the Board  
Lam Kin Ngok, Peter  
Chairman

Hong Kong, 9th November, 2001