LAI FUNG HOLDINGS

Lai Fung Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST JANUARY, 2004

RESULTS

The Board of Directors of Lai Fung Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2004 as follows:—

Condensed Consolidated Profit and Loss Account
For the six months ended 31st January, 2004

		Six months ended	
		31/1/04	31/1/03
		(unaudited)	(unaudited)
			Restated
	Notes	***HK$'000***	*HK$'000*
TURNOVER	2	**143,143**	63,472
Cost of sales		**(83,157)**	(13,278)
Gross profit		**59,986**	50,194
Other revenues		**26,513**	23,032
Selling and marketing expenses		**(4,836)**	—
Administrative expenses		**(33,752)**	(31,388)
Recovery of impairment loss in interest in a jointly controlled entity		**42,555**	—
PROFIT FROM OPERATING ACTIVITIES	*3*	**90,466**	41,838
Finance costs	*4*	**(16,776)**	(22,347)
Share of losses of associates		**—**	(1,546)
Impairment loss in amounts due from associates		**(7,427)**	—
Impairment loss in interest in a jointly-controlled entity		**—**	(2,118)
PROFIT BEFORE TAX		**66,263**	15,827
TAX	*5*	**(15,534)**	(2,501)
PROFIT BEFORE MINORITY INTERESTS		**50,729**	13,326
Minority interests		**(659)**	(675)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**50,070**	12,651
EARNINGS PER SHARE	*6*		
Basic		**1.08 cents**	0.33 cents
Diluted		**1.08 cents**	N/A

Notes

1. Principal Accounting Policies

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for the revaluation of investment properties and properties under development held for investment potential, and have been prepared in accordance with Statement of Standard Accounting Practice 25 (SSAP 25), "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31st July, 2003, except that the Group has adopted the revised Statement of Standard Accounting Practice 12 "Income Taxes" ("SSAP 12 (Revised)") which become effective for the current accounting period.

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosure for deferred tax. In prior years, deferred tax liabilities was provided, using the income statement liability method, on all significant timing differences to the extent it was probable that the liability would crystallise in the foreseeable future. A deferred asset was not recognised until its realisation was assured beyond reasonable doubt.

SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy resulting from the adoption of SSAP 12 (Revised) has been applied retrospectively. Comparative amounts for prior period have been restated accordingly.

2. Segment Revenue And Results

Business segments

Group

	Property development		Property investment		Consolidated	
	Six months ended		Six months ended		Six months ended	
	31/1/04	31/1/03	**31/1/04**	31/1/03	**31/1/04**	31/1/03
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
		Restated		Restated		Restated
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**83,228**	1,167	**—**	—	**83,228**	1,167
Rental income	**—**	—	**59,915**	62,305	**59,915**	62,305
Other revenue	**—**	—	**15,418**	12,055	**15,418**	12,055
Total	**83,228**	1,167	**75,333**	74,360	**158,561**	75,527
Segment results	**8,151**	86	**36,235**	36,803	**44,386**	36,889
Interest income					**11,095**	10,977
Unallocated expenses					**(7,570)**	(6,028)
Recovery of impairment loss in interest in a jointly-controlled entity	**42,555**				**42,555**	—
Profit from operating activities					**90,466**	41,838
Finance costs					**(16,776)**	(22,347)
Share of losses of associates				(1,546)	**—**	(1,546)
Impairment loss in amounts due from associates			**(7,427)**		**(7,427)**	—
Impairment loss in interest in a jointly-controlled entity		(2,118)			**—**	(2,118)
Profit before tax					**66,263**	15,827
Tax					**(15,534)**	(2,501)
Profit before minority interests					**50,729**	13,326
Minority interests					**(659)**	(675)
Net profit from ordinary activities attributable to shareholders					**50,070**	12,651

No geographical analysis is presented as over 90% of the Group's customers and assets are located in the Mainland of China (the "PRC").

3. Profit From Operating Activities

	Six months ended	
	31/1/04	31/1/03
	(unaudited)	(unaudited)
		Restated
	HK$'000	*HK$'000*
This is arrived at after charging/(crediting):		
Cost of completed properties developed for sale recognised*	**—**	1,081
Cost of properties under development held for purposes other than investment potential recognised	**70,241**	—
Depreciation	**1,683**	1,584
Negative goodwill recognised as income during the period	**(135)**	(135)

* *amount for the six months ended 31st January, 2003 included overprovision for completed properties for sales to net realisable value of HK$200,000.*

4. Finance Costs

	Six months ended	
	31/1/04	31/1/03
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans repayable within five years	**22,627**	22,719
Loans from a substantial shareholder	**549**	181
Bank charges	**2,586**	2,748
	25,762	25,648
Less:		
Amounts capitalised in properties under development	**(8,986)**	(3,301)
	16,776	22,347

5. 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 period (six months ended 31st January, 2003: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31/1/04	31/1/03
	(unaudited)	(unaudited)
		Restated
	HK$'000	*HK$'000*
Group:		
Charge for the period for Mainland of China profits tax	**5,266**	—
Deferred tax	**10,268**	2,673
	15,534	2,673
Share of tax attributable to associates	**—**	(172)
Tax charge for the period	**15,534**	2,501

6. Earnings Per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK$50,070,000 (six months ended 31st January, 2003 — restated: HK$12,651,000), and the weighted average of 4,618,256,661 (six months ended 31st January, 2003: 3,838,533,653) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK$50,070,000, and the diluted weighted average of 4,627,289,516 ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 31st January, 2003 has not been shown because there were no potential ordinary shares outstanding during that period.

7. Comparative Amounts

As further explained in note 1 to the condensed consolidated financial statements, due to the adoption of a revised SSAP during the current period, the accounting treatment and presentation of certain items and balances in the interim 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, to conform with the current period's presentation.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 31st January, 2004. No interim dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Demand for quality commercial and residential property in the PRC has paralleled the country's continued economic expansion, particularly in the major cities of Shanghai and Guangzhou where the Group's properties are concentrated.

The performance of the Group for the first half financial year has been encouraging. The Group achieved a consolidated net profit attributable to shareholders of HK$50,070,000 for the six months ended 31st January, 2004, as compared with a net profit of HK$12,651,000 for the previous corresponding period and representing an increase of approximately 296%.

For the six months ended 31st January, 2004, the Group registered a turnover of HK$143,143,000 (2003: HK$63,472,000) and a gross profit of HK$59,986,000 (2003: HK$50,194,000), representing an increase of approximately 126% and approximately 20%, respectively when compared with the previous corresponding period. The increase in turnover and gross profit were mainly due to the Pre-sale of Phase I of Regents Park in Shanghai and Phase III of Eastern Place in Guangzhou commencing in November 2003 and August 2003, respectively, whilst the Group's flagship project in Shanghai, Hong Kong Plaza, continued to provide a stable rental income for the Group.

On 20th August, 2003, the Group through its newly formed wholly-owned subsidiary, Zhongshan City Bao Li Properties Development Limited ("Zhongshan Bao Li"), entered into an agreement with Zhongshan Li Shan Properties Development Limited ("Zhongshan Li Shan"), a jointly-controlled entity of the Group, and a third party in the PRC, pursuant to which the Group gave up the entitlement of its investment in 50% of Zhongshan Li Shan and in return was compensated by a new piece of land of approximately 55,000 sq.m. in Zhongshan, the Land Use Rights Certificates of which were issued to Zhongshan Bao Li by the People's Government of Zhongshan on 24th October, 2003. The gain arising from the above transaction was approximately HK$42,555,000.

As a result, the Group achieved an increase in profit from operating activities of 116% at HK$90,466,000, as compared with HK$41,838,000 for the previous corresponding period.

Alongside with the business growth of the Group, the Group successfully reduced its finance costs by 25% to HK$16,776,000 (2003: 22,347,000). The Group is committed to continue its efforts to enhance the financial position for the coming year.

Review of Projects

Shanghai

Hong Kong Plaza

Rising above the Huangpi South Road subway station at one of Shanghai's prime downtown addresses on famous Huaihaizhong Road, the property has become a prestigious landmark in the heart of the city. Offering a gross floor area of approximately 140,000 sq.m., the twin-building complex contains offices, shopping arcades and service apartments with extensive clubhouse facilities. Since its opening in late 1997, Hong Kong Plaza has attracted a diverse portfolio of prominent shopping arcade tenants. It is also a choice location for many esteemed corporate tenants who lease office space and service apartments. The occupancy rate of service apartments in the period under review recovered from the decline caused by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the first half year of 2003.

Regents Park

Another key project of the Group is located in Shanghai's prestigious Changning District near Zhongshan Park subway station on a 36,000 sq.m. site. Upon completion, the Regents Park community will comprise 13 residential towers with approximately 156,000 sq.m. of gross floor area, a fully appointed clubhouse, and other facilities in approximately 15,900 sq.m. Phase I of the project, including 7 residential towers with approximate 1,000 units, is scheduled for completion in 2005.

The pre-sale permits for Tower 1 and 2 were obtained in late October 2003. The Pre-sale started in November 2003 and achieved an impressive sales performance. For the six months ended 31st January, 2004, 77 units of Tower 1 and 2 were sold and turnover and profit are recognised progressively starting from the signing of sale and purchase agreements after the issue of the pre-sale permits. After the period under review, the pre-sale permit for Tower 3 was issued in late February 2004 and the pre-sale permits for other Towers are expected to be issued in phases in mid/late 2004.

Guangzhou

Eastern Place

The project, located on Dongfeng East Road in Guangzhou's desirable Dongshan District, has earned a distinctive reputation as one of the most sought-after residential addresses in Guangzhou. With a total site area of approximately 60,000 sq.m., the entire project includes 8 residential towers and a 130,000 sq.m. commercial/office complex to be developed in several phases. Now in place are Phase I and II, which comprise 4 residential towers (Towers 1 to 4), and the well-appointed residents' clubhouse, Eastern Club. Other deluxe facilities including a 50-metre swimming pool, tennis courts and golf amenities have also been completed, making Eastern Place a fully self-sufficient community, not to mention an even more highly esteemed residence. Resident amenities are among the most luxurious and comprehensive available at any residential property in downtown Guangzhou.

For Phase III, there are 2 residential towers (Tower 5 and 6) with 446 units and the substantial structural work was completed in the period under review. The pre-sale permit for Tower 6 was obtained in June 2003 resulting in an impressive sales performance. For the six months ended 31st January, 2004, 127 units of Tower 6 were sold and turnover and profit are recognised progressively starting from the signing of sale and purchase agreements after the issue of the pre-sale permit. The pre-sale permit for Tower 5 was also obtained in late December 2003 but the tower was not officially launched to the market in the period under review.

May Flower Plaza

The property, which enjoys a prime strategic location directly above the Gongyuanqian subway station on Zhongshanwu Road, is now undergoing internal works including electrical and mechanical engineering, partitioning and decoration. May Flower Plaza will provide commercial tenants with exceptional convenience and access to a well-developed transportation network, directly linked as it is to two exits of the subway station and situated in close proximity to the bustling Beijing Road Buxingjie shopping street, a popular and mature shopping district. Its superior location is already drawing enormous traffic flow to the Plaza. The 13-storey complex will soon offer approximately 35,000 sq.m. of office and commercial floor area, as well as a four-storey basement of approximately 14,000 sq.m. earmarked for commercial and car park usage. With a view to having, before the formal market launch, the most carefully selected mix and layout of retail tenants, exhibition centres, restaurants and cinemas with state-of-the-art facilities, May Flower Plaza is scheduled to open in late 2004.

Capital Structure, Liquidity and Debt Maturity Profile

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 January, 2004, the Group had a gross borrowing (inclusive of the loan of HK$39,634,000 (2003: HK$16,170,000) loaned by Mr. Lim Por Yen) amounting to HK$1,270 million (2003: HK$1,138 million), representing an increase of HK$132 million over that of the preceding financial year-end. The consolidated net assets of the Group amounted to HK$5,301 million (2003: HK$5,077 million). The resultant debt to equity ratio was 0.24 (2003: 0.22).

During the period, the Group obtained an additional unsecured loan of RMB27,000,000 from Mr. Lim Por Yen, a substantial shareholder in the Group. The Group has repaid HK$2,384,000 to Mr. Lim Por Yen during the period under review. The aggregate outstanding balance of the loans from Mr. Lim as at 31st January, 2004 was HK$39,634,000.

Approximately 99% of the Group's gross borrowings were on a floating rate basis at the balance sheet date and the remaining 1% were interest-free. As at 31st January, 2004, approximately 45% of the Group's gross borrowings were denominated in Renminbi ("RMB") and 55% were denominated in United States dollars ("USD").

The Group's monetary assets, loans, and transactions are principally denominated in Hong Kong dollars ("HKD"), RMB and USD. Considering that the exchange rate between HKD and USD is pegged, and that there is insignificant fluctuation in the exchange rate between HKD and RMB, the Group believes its exposure to exchange rate risk is nominal. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations involving USD and RMB. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The maturity profile of the Group's bank borrowings as at 31st January, 2004 was spread over a period of five years, with approximately 11% repayable within one year and 89% repayable between two to five years. Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value amounting to approximately HK$2,893 million and properties under development with carrying value amounting to approximately HK$1,807 million, and bank balances amounting to approximately HK$16 million at the balance sheet date.

Taking into account cash held as at the balance sheet date, available banking facilities and recent improvements in the Group's operating activities, the Group believes it has sufficient liquidity to finance its existing and currently planned property developments and investment projects. The Group will consistently maintain a prudent financial policy.

Contingent Liabilities

According to a practice common among banks in the PRC when providing mortgage financing to property buyers, the bank will require the property developer to provide a buy-back guarantee to secure the due performance of borrowers. The Company is currently providing a number of buy-back guarantees to banks that have granted mortgage loans to buyers of office space and residential units in Hong Kong Plaza, Phase I of Regents Park, and Phase I to III of Eastern Place. As the PRC property market is currently stable, the management does not expect such contingent liabilities to crystallise in the near term.

Employees and Remuneration Policies

As the employer of approximately 400 staff, the Group recognises the importance of maintaining strong human resources in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels, whilst 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 a share option scheme, a mandatory provident fund, a free hospitalisation insurance plan, subsidised medical care and subsidies for external education and training programmes.

Prospects

With the PRC's steady integration into the World Trade Organisation ("WTO"), the constraints for overseas investors in some special areas such as banking, insurance and services sectors will be reduced. This will continue to draw an influx of foreign corporations seeking to establish or strengthen their presences in the PRC. With the implementing of the Closer Economic Partnership Arrangement ("CEPA"), and hosting of 2010 World Expo in Shanghai, Hong Kong and foreign corporations will undoubtedly gravitate towards the PRC market in ever-greater numbers, further stimulating the already surging demand for quality commercial and residential properties.

Considering this favourable outlook, the Group projects satisfactory growth for the second half financial year. The Group expects its flagship Shanghai property, Hong Kong Plaza, to continue to contribute stable rental income. The scheduled pre-sale and sale of completed developments in the second half financial year, including Phase I of Regents Park in Shanghai and Phase III of Eastern Place in Guangzhou, are also expected to boost turnover and profitability. With the completion of the above-mentioned Zhongshan transaction, together with the likely construction of the Hongkong-Zhuhai-Macau bridge, the Group has a very positive view on the economic development and property market of Zhongshan and will seriously consider the investment potentials thereat. With other completed projects scheduled to come on stream amid a favourable leasing market, the Group is prudently optimistic of achieving solid growth and higher earnings in coming years.

Robust economic growth is expected to continue in the PRC, especially in the Yangtze and Pearl River deltas, home to the country's fastest growing cities. As an early entrant into the PRC with over ten years of property development experience in the market, the Group is in prime position to seize future opportunities to fuel growth. Moving forward, the Group will maintain its focus on property investment and development projects in Shanghai and Guangzhou, the country's two primary engines for growth, while prudently exploring opportunities to expand its land bank in due course.

PUBLICATION OF INFORMATION ON STOCK EXCHANGE WEBSITE

The interim report of the Company containing all the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be submitted to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on or before 30th April, 2004 for publication on the website of the Stock Exchange.

By Order of the Board
Lim Por Yen
Chairman

Hong Kong, 16th April, 2004

As at the date hereof, the executive directors of the Company are Mr. Lim Por Yen, Mr. Lam Kin Ming (alternate director to Mr. Ho Wing Tim, Mr. Lam Kin Ko, Stewart, Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Siu Fai Wing and Ms. Yu Po Kwan), Mr. Lam Kin Hong, Matthew, Mr. Ho Wing Tim, Mr. Lam Kin Ngok, Peter, Mr. Lee Po On, Madam U Po Chu and Mr. Yew Yat Ming, the non-executive directors are Mr. Lam Kin Ko, Stewart, Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Siu Fai Wing and Ms. Yu Po Kwan and the independent non-executive directors are Mr. Wong Yee Sui, Andrew and Mr. Lam Bing Kwan.