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 31ST JULY, 2004

RESULTS

The Board of Directors of Lai Fung Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st July, 2004 as follows:

	Notes	**2004** *HK$'000*	2003 *HK$'000* (Restated)
TURNOVER	2	**630,204**	119,338
Cost of sales		**(406,446)**	(25,561)
Gross profit		**223,758**	93,777
Other revenue		**58,314**	51,751
Selling expenses		**(26,765)**	(1,289)
Administrative expenses		**(67,359)**	(56,125)
Loss on disposal of a jointly-controlled entity		**—**	(3,772)
Gain on disposal of partial interest in a subsidiary		**—**	27,095
Loss on disposal of a subsidiary		**(290)**	—
PROFIT FROM OPERATING ACTIVITIES	3	**187,658**	111,437
Finance costs	4	**(31,758)**	(38,728)
Share of profit of an associate		**30,125**	—
Write-back of impairment loss/(impairment loss) in amounts due from associates		**11,865**	(31,377)
Write-back of provision for impairment in an interest in a jointly-controlled entity		**42,555**	—
PROFIT BEFORE TAX		**240,445**	41,332
Tax	5	**(63,820)**	(40,462)
PROFIT BEFORE MINORITY INTERESTS		**176,625**	870
Minority interests		**(3,851)**	3,483
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**172,774**	4,353
EARNINGS PER SHARE	6		
Basic		**3.39 cents**	0.10 cents
Diluted		**3.39 cents**	N/A

Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The audited consolidated financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention except for the periodic remeasurement of investment properties and properties under development held for investment potential.

SSAP12 (Revised): "Income taxes" and Interpretation 20: "Income taxes — Recovery of revalued non-depreciable assets" are effective for the first time for the current year's financial statements. The SSAP and Interpretation prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting the SSAP and Interpretation are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. This policy has been applied by the Group in respect of the revaluation of its investment properties and properties under development held for investment potential in the deferred tax calculated under SSAP 12.

In previous years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively such that the comparatives presented have been restated to conform to the changed policy.

This change in accounting policy has resulted in an increase in the Group's deferred tax liabilities as at 31st July, 2004 and 2003 by HK$711,510,000 and HK$555,783,000, respectively. As a consequence, the consolidated net profit attributable to shareholders for the years ended 31st July, 2004 and 2003 have been decreased by HK$15,383,000 and HK$52,642,000, respectively, and the consolidated reserves as at 1st August, 2003 and 2002 have been reduced by HK$524,902,000 and HK$410,951,000, respectively.

2. TURNOVER AND SEGMENT INFORMATION

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

	Property development		**Property investment**		**Consolidated**	
	2004 ***HK$'000***	2003 *HK$'000*	**2004** ***HK$'000***	2003 *HK$'000* (Restated)	**2004** ***HK$'000***	2003 *HK$'000* (Restated)
Segment revenue:						
Sales to external customers	**501,600**	6,712	**—**	—	**501,600**	6,712
Rental income	**—**	—	**128,604**	112,626	**128,604**	112,626
Other revenue	**826**	3,829	**33,452**	25,888	**34,278**	29,717
Total	**502,426**	10,541	**162,056**	138,514	**664,482**	149,055
Segment results	**90,496**	18,626	**93,623**	88,671	**184,119**	107,297
Interest income and other revenue					**24,036**	22,034
Unallocated expenses					**(20,497)**	(14,122)
Loss on disposal of a jointly-controlled entity					**—**	(3,772)
Profit from operating activities					**187,658**	111,437
Finance costs					**(31,758)**	(38,728)
Share of profit of an associate	**—**	—	**30,125**	—	**30,125**	—
Write-back of impairment loss/ (impairment loss) in amounts due from associates	**—**	—	**11,865**	(31,377)	**11,865**	(31,377)
Write-back of provision for impairment in an interest in a jointly-controlled entity					**42,555**	—
Profit before tax					**240,445**	41,332
Tax					**(63,820)**	(40,462)
Profit before minority interests					**176,625**	870
Minority interests					**(3,851)**	3,483
Net profit from ordinary activities attributable to shareholders					**172,774**	4,353

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

3. PROFIT FROM OPERATING ACTIVITIES

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

	2004 ***HK$'000***	2003 *HK$'000* (Restated)
Cost of completed properties held for sale	**174,976**	4,629
Cost of pre-sale of properties under development	**209,379**	—
Depreciation	**3,930**	4,025
Write-back of provision for a deposit paid	**—**	(3,632)
Write-back of provision for a completed property for sale	**(2,533)**	—
Negative goodwill recognised as income*	**(270)**	(270)

* The negative goodwill recognised in the profit and loss account is included in "Other revenue" on the face of the consolidated profit and loss account.

4. FINANCE COSTS

	2004 ***HK$'000***	2003 *HK$'000*
Interest expense on:		
Bank loans wholly repayable within five years	**47,773**	44,023
Loans from a substantial shareholder	**758**	228
Bank charges	**4,150**	4,168
	52,681	48,419
Less: Interest capitalised in properties under development	**(20,923)**	(9,691)
	31,758	38,728

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 year (2003: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004 ***HK$'000***	2003 *HK$'000* (Restated)
Charge for the year for Mainland of China profits tax	**38,470**	3,567
Under/(over)provision of Mainland of China profits tax in prior years	**4,855**	(464)
	43,325	3,103
Under/(over)provision of Hong Kong profits tax in prior years	**(100)**	1,000
	43,225	4,103
Deferred tax	**8,773**	36,359
	51,998	40,462
Share of deferred tax attributable to an associate	**11,822**	—
Total tax charge for the year	**63,820**	40,462

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 year of HK$172,774,000 (2003 — restated: HK$4,353,000) and the weighted average of 5,097,409,009 (2003: 4,388,064,327) ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of diluted earnings per share for the year is based on the net profit attributable to shareholders for the year of HK$172,774,000 and the weighted average number of 5,101,620,993 ordinary shares outstanding during the year, adjusted for the effects of all dilutive potential shares.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 5,097,409,009 ordinary shares in issue during the year plus the weighted average of 4,211,984 ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options have been exercised.

The diluted earnings per share for the year ended 31st July, 2003 has not been disclosed as no diluting events existed during that year.

FINAL DIVIDEND

The Board of Directors does not recommend the payment of any final dividend in respect of the year ended 31st July, 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Demand for quality commercial and residential property in Mainland of China ("Mainland") has tracked the country's continued economic expansion, particularly in the major cities of Shanghai and Guangzhou where the Group's properties are concentrated.

Further to the turnaround in the last financial year, the Group achieved a consolidated net profit from ordinary activities attributable to shareholders of HK$172,774,000 for the year ended 31st July, 2004, as compared with a restated net profit of HK$4,353,000 for the previous year and, representing an increase of approximately 3,869%. The remarkable improvement has been achieved by the encouraging operating performance and successful negotiation for more favourable terms with joint venture partners and their associates, representing the management's effort in the last few years.

For the year ended 31st July, 2004, the Group registered a turnover of HK$630,204,000 (2003: HK$119,338,000) and a gross profit of HK$223,758,000 (2003: HK$93,777,000), representing an increase of approximately 428% and 139%, respectively from last year. The increase can mainly be attributed to the pre-sale of Phase I Regents Park in Shanghai, and Phase III Eastern Place in Guangzhou, which had commenced in October 2003 and August 2003, respectively. The Group's flagship project in Shanghai, Hong Kong Plaza, attained a record-high rental income for the year.

The Group achieved an increase in profit from operating activities of 68% at HK$187,658,000, as compared with HK$111,437,000 (restated) for the previous year.

On 20th August, 2003, the Group, through its newly formed wholly-owned subsidiary, Zhongshan Bao Li Properties Development Limited (formerly known as "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 Mainland, pursuant to which the Group conceded the entitlement of its investment in 50% of Zhongshan Li Shan, and was compensated by a new piece of land of approximately 55,000 sq.m. in Zhongshan. The Land Use Rights Certificates were issued to Zhongshan Bao Li by the Zhongshan People's Government on 24th October, 2003. The gain arising from the above transaction was approximately HK$42,555,000.

An investment of one of the Group's associates (the "Associate") is the development of a complex with 2 high-rise towers above a commercial podium in the Mainland. In respect of one of the towers and its related portion of the podium below, the Associate had entered into an agreement with a third party (the "Sino Party") under which, the Associate was responsible for the construction work and the budgeted construction costs were to be paid by both parties under an agreed ratio. In return for the accumulated costs, the Associate would be entitled to equivalent rental income for the related portion of the commercial podium over a 20-year period. The cost paid will be treated as rental prepayment for the period. However, actual construction took longer than anticipated and the rental prepayment could not be fully recovered from the net cash inflow, resulting in share of loss of the Associate of HK$43,470,000 in the financial year ended 31st July, 2002. Consequently, a supplementary agreement was signed between the two parties, with Sino Party agreeing to transfer its share of 1st to 5th floors and basement levels 1 and 2 of the podium (approximately 13,000 sq.m), including the corresponding land use rights, to the Associate as compensation. The related certificate of real estate ownership was issued to the Associate on 16th June, 2004. The aforesaid provision was written back as a consequence of the compensation received, leading to profit being shared from the Associate and a write-back of impairment loss in amount due from the Associate.

The Group has also successfully reduced its finance cost by 18% to HK$31,758,000 (2003: HK$38,728,000) amid its business growth. The Group is committed to continuing efforts to enhance its financial position for the coming year.

During the year, the Group has adopted the revised Statement of Standard Accounting Practice 12 "Income Taxes" (Revised) ("SSAP 12") and Interpretation 20 "Income taxes — Recovery of revalued non-depreciable assets" ("Interpretation 20") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). SSAP 12 principally prescribes the accounting treatment and disclosure for deferred tax. Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale even if the Group does not have any intention to sell the properties. In the absence of any specific transitional requirements in SSAP 12 and Interpretation 20, the new accounting policy resulting from the adoption of SSAP 12 and Interpretation 20 has been applied retrospectively. Comparative amounts for last year have been restated accordingly. The deferred tax expenses for the current year and last year are HK$20,595,000 and HK$36,359,000, respectively.

Business Environment

During the year under review, the Mainland's economy has continued to experience robust growth while demand in the property market has remained strong. However, bottleneck issues have emerged in the energy and raw materials sectors due to excessive growth in certain industries.

In the first half of 2004, the Chinese Central People's Government ("Central Government") launched a series of macro-economic policies for stable development of the economy and prevention of vigorous fluctuations. The measures include the increase of capital ratio of real estate project from 30% to 35%, doubling the bank reserve ratio, tightening of bank loans to property developers, and control of land supply to name but a few. The economy is now starting to see the effects of such policies, with prices for raw materials such as steel and cement gradually decreasing, together with month on month decrease in the rate of real estate development investment and a decrease in the total area for land development. All these factors point to the real estate market being back on track.

Despite the Central Government's macro-economic policies, which affected some enterprises engaging in real estate development, the impact on the Group has been minimal due to its:

- lower finance costs;
- efficient operations;
- solid capital base;
- development projects located at prime locations; and
- steady recurring revenue from investment properties.

The Group is expected to face better opportunities as the property market remains active and adverse effects of the macro-economic policies subside. The Group is committed to focusing on the implementation of the following development strategies to achieve better results:

- Raise the quantity and quality of its land bank prudently through participating in various formats of open trading of land, including public and private tendering and bidding.
- Actively identify new investment opportunities in cities featuring high economic growth, including but not limited to Shanghai, Guangzhou and Zhongshan. The Group is now in a better position to increase its land bank in prime locations as excessive premiums have been reduced by macro-economic policies.
- Adjust product mix and optimise the Group's investment portfolio to further enhance performance.

Review of Projects

Shanghai

During the year, the Shanghai Municipal Government implemented a series of policies targeting the property market, with a view to optimising the demand and supply structure, controlling excessive growth in market price and improving industry operations. The two most significant real estate policies launched in April 2004 are "online filing and registration of sales contracts" and "transfer restriction on uncompleted flats". These policies are aimed at improving the transparency of property transactions and reducing short-term speculation. As a result, the general market sentiment remained optimistic even though Shanghai property prices rose at a slower pace.

Hong Kong Plaza

High above the Huangpi South Road subway station at one of Shanghai's prime downtown addresses on the 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 (356 units) with extensive clubhouse facilities. Since its opening in late 1997, Hong Kong Plaza has attracted a diverse portfolio of prominent shopping arcade tenants including HSBC, Bank of China, Physical Fitness Centre, Zen, KFC, Ajisen Ramen, China Resources Logic Office Furniture and Cyber Mart. It is also a choice location for many esteemed corporate tenants who lease office space and service apartments. In the year under review, not only has the occupancy level and room rates of service apartments recovered from the aftermath of outbreak of the Severe Acute Respiratory Syndrome (SARS) in the first half of 2003, but has, in fact, risen higher than before. Hong Kong Plaza has contributed both a record-high rental income from HK$112,626,000 to HK$128,604,000, and maintained a reliable stable income flow.

Regents Park

Another key project of the Group is a 36,000 sq.m. site located in Shanghai's prestigious Changning District near Zhongshan Park subway station. On completion, the Regents Park community will comprise 13 residential towers, with approximately 156,000 sq.m. of gross floor area, around 14,800 sq.m. of commercial area, a fully appointed clubhouse and other facilities. Regents Park was designed to perfection at international standards by an award-winning team of renowned professionals, reflecting the best qualities in an exclusive residence. This includes meticulous planning, optimum architecture, landscaped courtyards of 15,000 sq.m., exclusive roof-top gardens for deluxe apartments and a state-of-the-art cinema. Phase I of the project, including 7 residential towers (Towers 1 to 7) with approximately 1,000 units, is scheduled for completion in 2005.

The pre-sale permits for Towers 1 to 5 were obtained during the year under review. Pre-sale started in October 2003 and achieved an impressive sales performance. For the year ended 31st July, 2004, 360 units of 407 units of Towers 1 to 5 were sold. Turnover and profit were recognised gradually after the signing of sales and purchase agreements following the issue of the pre-sale permits. Pre-sale permit for Tower 7 was issued in September 2004 and pre-sale permit for Tower 6 will be issued at a later stage.

Guangdong

The impact of the macro-economic policies in Guangdong in the first half of 2004 was relatively low compared to other regions as Guangdong was not a main target market. Property prices rose steadily and market sentiments, especially in Guangzhou and other surrounding areas, remain optimistic. Stable but strong demand from local residents in improving living conditions in Guangdong has become the fundamental force driving the market. This is also one of the most important elements for ensuring a healthy market.

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 an approximately 140,000 sq.m. commercial/office complex, to be developed in several phases. Now in place are Phases 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 exclusive community. Resident amenities are among the most luxurious and comprehensive available anywhere in downtown Guangzhou.

For Phase III, there are 2 towers (Towers 5 and 6) with 446 units, and the pre-sale permits were issued in June 2003. The pre-sale achieved an impressive result. For the year ended 31st July, 2004, 374 units were sold. For Phase IV (Towers 7 and 8), the development and construction plan has been approved by governmental authorities and the preliminary construction work has already begun.

May Flower Plaza

The property, which enjoys a prime strategic location directly above the Gongyuanqian subway station, interchange station of Subway Lines No. 1 and 2, on Zhongshanwu Road, is now undergoing internal structural work and decoration. May Flower Plaza will provide commercial tenants with exceptional convenience and access to a well-developed transportation network, directly linked to two exits of the subway station and in close proximity to the bustling Beijing Road Buxingjie shopping street, a popular and mature shopping district. Its superior location has already drawn enormous traffic flow to the Plaza. The 13-storey complex will soon offer approximately 35,000 sq.m. office and commercial floor area, as well as a four-storey basement of approximately 14,000 sq.m. earmarked for commercial and car park use. Targeted to house a carefully selected mix of retail tenants, exhibition centres, restaurants and a cinema with state-of-the-art facilities, May Flower Plaza is scheduled to open in early 2005.

Zhongshan

Since development of the land previously held by Zhongshan Li Shan was not commercially feasible and the remaining term of the joint-venture was short, the Group conceded the entitlement of its investment in 50% of Zhongshan Li Shan, and was compensated by a piece of land of approximately 55,000 sq.m. in Zhongshan. The Land Use Rights Certificates were issued to Zhongshan Bao Li, a wholly owned subsidiary of the Group, by the Zhongshan People's Government on 24th October, 2003.

Apart from this, Zhongshan Bao Li also acquired a new piece of land beside the above-mentioned land on 18th May, 2004. The size of this land is approximately 10,600 sq.m. The revised and combined Land Use Rights Certificates for these two pieces of land were issued to Zhongshan Bao Li on 10th June, 2004 and 20th July, 2004, respectively. On 30th September, 2004, Zhongshan Bao Li acquired a new piece of land which is also beside the above-mentioned site through a public auction. The size of the land is approximately 70,400 sq.m. Zhongshan Bao Li is also looking for other prime locations in order to increase its land bank in Zhongshan. The Group is working on the development plan.

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.

On 3rd June, 2004, the Company announced a rights issue of 1,174,591,295 right shares of HK$0.10 each at HK$0.10 per rights share in the proportion of one rights share for every four existing shares held on 23rd June, 2004 (the "Rights Issue"). A total of 1,174,591,295 shares were allotted and issued, representing approximately 25% and 20% of the original and enlarged issued share capital of the Company, respectively. The Directors consider that in view of the implementation of macro-economic policies in the Mainland in the first half of 2004 and the widely projected upward trend in interest rates, it is prudent to finance the Group's long term growth by long term funding, preferably in the form of equity. Furthermore, the Directors consider that it is in the interest of the Company to enlarge its capital base by way of the Rights Issue which will allow all Shareholders the opportunity to participate in the growth of the Group.

As at 31st July, 2004, the Group had a gross borrowings (inclusive of the loan of HK$11,324,000 (2003: HK$16,170,000) loan from Mr. Lim Por Yen) amounting to HK$1,194 million (2003: HK$1,138 million), representing an increase of HK$56 million over that of the preceding financial year-end. The consolidated net assets of the Group amounted to HK$5,275 million (2003 — restated: HK$5,077 million). The resultant debt to equity ratio was 0.23 (2003 — restated: 0.22).

During the year under review, the Group has repaid HK$4,846,000 to Mr. Lim Por Yen, a substantial shareholder of the Group. The aggregate outstanding balance of the loans from Mr. Lim as at 31st July, 2004 was HK$11,324,000.

Approximately 99.6% of the Group's gross borrowings were on a floating rate basis at the balance sheet date and the remaining 0.4% were interest-free. As at 31st July, 2004, approximately 41.2% of the Group's gross borrowings were denominated in Renminbi ("RMB") and 58.8% 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 July, 2004 was spread over a period of five years, with approximately 8% repayable within one year and 92% 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$2,642 million and properties under development with carrying value amounting to approximately HK$1,562 million, and bank balances amounting to approximately HK$7 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 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 Mainland 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. The Group's obligations have been gradually relinquished along with the settlement of the mortgage loans granted by the bank to the end-buyers. As the Mainland property market is currently stable, the management does not expect such contingent liabilities to crystallise into a material extent in the near term.

Employees and Remuneration Policies

As the employer of approximately 490 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.

Share Option Scheme

In order to provide the Group with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible employees (including executive and non-executive directors) and for such other purposes as the Directors may approve from time to time, a share option scheme was adopted by the shareholders of the Company on 21st August, 2003. On 19th September, 2003, a total of 92,124,800 share options were granted to two directors of the Company in respect of their services to the Group. These share options have an exercise price of HK$0.169 per share and an exercise period from 3rd October, 2003 to 2nd October, 2011. The closing price of the Company's shares at the date of grant was HK$0.161 per share. On 8th January, 2004, the 92,124,800 share options were exercised by the Directors. The price of the Company's shares at the date of exercise was HK$0.255 per share. There were no share options outstanding as at 31st July, 2004 (2003: Nil).

Prospects

Despite a series of macro-economic policies implemented in the first half of 2004, economic growth is expected to thrive in the Mainland, especially in the Yangtze and Pearl River deltas, home to the country's fastest growing cities. Previous constraints for overseas investors in areas such as banking, insurance and service sectors are expected to ease given the Mainland's steady integration into the World Trade Organisation (WTO). As a result, this will continue to draw an influx of foreign corporations seeking to establish or strengthen their presence in the Mainland. With implementation of the second stage of Closer Economic Partnership Arrangement (CEPA), and hosting of 2010 World Expo in Shanghai and 2010 Asian Games in Guangzhou, foreign and Hong Kong corporations will undoubtedly gravitate towards the Mainland in greater numbers, spurring demand for quality commercial and residential properties.

As an early entrant into the Mainland, with over ten years of property development experience in the market, the Group is in a 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.

In view of this favourable outlook, the Group projects satisfactory growth for the coming financial years. 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 coming financial years, including Phases I and II of Regents Park in Shanghai and Phases III and IV of Eastern Place in Guangzhou, are also expected to boost turnover and profitability.

With completion of the above-mentioned Zhongshan transaction, together with the likely construction of the Hongkong-Zhuhai-Macau Bridge, the Group is optimistic about future economic growth and development of the Zhongshan property market. Coupled with recent successful investments by other leading property developers from Hong Kong and the Mainland, Zhongshan is set to become one of the most prosperous property markets in Guangdong Province. 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 the coming years.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 29th December, 2004. Notice of the Annual General Meeting together with the Company's Annual Report for 2003–2004 will be despatched to the members in due course.

PUBLICATION OF INFORMATION ON STOCK EXCHANGE WEBSITE

All information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules, applicable under the transitional arrangements announced by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30th January, 2004, will be submitted to the Stock Exchange on or before 29th November, 2004 for publication on the website of the Stock Exchange.

By Order of the Board
Lim Por Yen
Chairman

Hong Kong 12th November, 2004

As at the date of this announcement, the Executive Directors of the Company are Mr. Lim Por Yen, Mr. Lam Kin Ming, 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, Mr. Lam Bing Kwan and Mr. Mui Ying Chun, Robert.