



# LAI SUN DEVELOPMENT

Lai Sun Development Company Limited  
(Incorporated in Hong Kong with limited liability)  
(Stock Code: 488)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST JULY, 2006

### RESULTS

The Board of Directors of Lai Sun Development Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st July, 2006 as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31st July, 2006

		2006	2005
	Notes	HK\$'000	HK\$'000
TURNOVER	2	793,807	788,799
Cost of sales		<u>(270,574)</u>	<u>(278,885)</u>
Gross profit		523,233	509,914
Other revenue	3	36,656	12,556
Administrative expenses		(268,980)	(263,785)
Other operating expenses		(61,075)	(64,909)
Fair value gain on investment properties		315,091	599,549
Reversal of impairment of/(impairment of) available-for-sale debt investments		(2,969)	209,478
Reversal of impairment of property, plant and equipment		—	176,396
Loss on disposal of subsidiaries		—	(7,752)
PROFIT FROM OPERATING ACTIVITIES	4	541,956	1,171,447
Finance costs	5	(156,943)	(115,048)
Loss arising from the Bonds Settlement and the eSun Settlement, net	6	—	(1,483,527)
Reversal of provision for/(provision for) contingent liabilities to bondholders		4,848	(136,525)
Gain on cancellation of bond payables		37,492	32,567
Share of profits and losses of associates		107,752	169,390
Reversal of impairment of associates		—	4,365
Gain/(loss) on deemed disposal of interest in an associate		94,653	(16,419)
PROFIT/(LOSS) BEFORE TAX		629,758	(373,750)
Tax	7	(80,656)	(197,446)
PROFIT/(LOSS) FOR THE YEAR		<u>549,102</u>	<u>(571,196)</u>
Attributable to:			
Equity holders of the Company		512,922	(705,962)
Minority interests		<u>36,180</u>	<u>(571,196)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8	<u>HK\$0.04</u>	<u>(HK\$0.07)</u>
Basic		<u>HK\$0.04</u>	<u>(HK\$0.07)</u>
Diluted		<u>HK\$0.04</u>	<u>N/A</u>

### EQUITY

#### Equity attributable to equity holders of the Company

Issued capital	6,373,021	6,373,021
Share premium account	5,858,164	5,858,164
Investment revaluation reserve	106,111	111,598
Share option reserve	1,660	—
Capital redemption reserve	1,200,000	1,200,000
Exchange fluctuation reserve	38,430	42,472
Accumulated losses	<u>(9,640,262)</u>	<u>(10,153,184)</u>
	3,937,124	3,432,071
Minority interests	384,881	366,090
	<u>4,322,005</u>	<u>3,798,161</u>

### 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and financial assets at fair value through profit or loss, 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.

The accounting policies adopted in the preparation of these financial statements are consistent with those adopted in the audited financial statements for the year ended 31st July, 2005.

#### 2. Segment Information

##### (a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st July, 2006 and 2005:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	—	3,626	265,402	246,717	497,202	515,384	31,203	23,072	—	—	793,807	788,799
Intersegment sales	—	—	6,740	8,555	—	—	21,851	22,020	(28,591)	(30,575)	—	—
Other revenue	—	—	992	897	421	788	134	490	—	—	1,547	2,175
Total	—	3,626	273,134	256,169	497,623	516,172	53,188	45,582	(28,591)	(30,575)	795,354	790,974
Segment results	(279)	1,229	516,425	785,667	106,182	268,983	8,679	9,654	—	—	631,007	1,065,533
Interest income and unallocated gains											35,109	10,381
Unallocated expenses											(121,191)	(113,945)
Reversal of impairment of/(impairment of) available-for-sale debt investments											(2,969)	209,478
Profit from operating activities											541,956	1,171,447
Finance costs											(156,943)	(115,048)
Loss arising from the Bonds Settlement and the eSun Settlement, net											—	(1,483,527)
Reversal of provision for/(provision for) contingent liabilities to bondholders											4,848	(136,525)
Gain on cancellation of bond payables											37,492	32,567
Share of profits and losses of associates											107,752	169,390
Reversal of impairment of associates											—	4,365
Gain/(loss) on deemed disposal of interest in an associate											94,653	(16,419)
Impairment of associates — unallocated											—	5,396
Gain/(loss) on deemed disposal of interest in an associate											94,653	(16,419)
Profit/(loss) before tax											629,758	(373,750)
Tax											(80,656)	(197,446)
Profit/(loss) for the year											549,102	(571,196)
Assets and liabilities:												
Segment assets	67,793	15,107	4,146,746	3,828,852	1,453,840	1,520,442	21,145	47,482	—	—	5,689,524	5,411,883
Interests in associates	30,835	314,625	109,262	78,466	90,858	90,976	—	—	—	—	231,055	484,067
Interests in associates — unallocated											884,775	536,013
Unallocated assets											930,159	941,173
Total assets											7,735,513	7,373,136
Segment liabilities	165	56	80,186	71,301	53,653	57,446	8,948	4,405	—	—	142,952	133,208
Interest-bearing bank and other borrowings											2,544,392	2,688,744
Bonds payable											2,660	40,152
Other unallocated liabilities											723,504	712,871
Total liabilities											3,413,508	3,574,975
Other segment information:												
Amortisation of prepaid land lease payments	—	—	—	—	985	1,010	—	—	—	—	985	1,010
Depreciation	—	—	38	22	55,554	58,132	146	89	—	—	55,738	58,243
Unallocated amounts											8,156	5,655
Capital expenditure	59,735	37	915	1,355	26,832	9,934	218	267	—	—	87,700	11,593
Unallocated amounts											25,980	494
Impairment of goodwill	—	—	—	—	2,289	2,289	—	—	—	—	2,289	2,289
Loss on disposal of subsidiaries	—	—	—	—	—	7,752	—	—	—	—	—	7,752
Reversal of impairment of property, plant and equipment	—	—	—	—	—	(176,396)	—	—	—	—	—	(176,396)
Fair value gain on investment properties	—	—	(315,091)	(599,549)	—	—	—	—	—	—	(315,091)	(599,549)

##### (b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31st July, 2006 and 2005:

	Hong Kong		Vietnam		Other locations		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	625,229	569,961	168,578	218,838	—	—	—	—	793,807	788,799
Other revenue	1,547	1,747	—	428	—	—	—	—	1,547	2,175
Total	626,776	571,708	168,578	219,266	—	—	—	—	795,354	790,974
Other segment information:										
Segment assets	5,307,363	4,998,507	382,040	406,888	121	6,488	—	—	5,689,524	5,411,883
Capital expenditure	93,970	8,831	19,710	3,256	—	—	—	—	113,680	12,087

**3. Other Revenue**

	2006 HK\$'000	2005 HK\$'000
Interest income from bank deposits	12,226	3,608
Other interest income	17,972	2,144
Dividend income from unlisted available-for-sale equity investments	711	671
Others	5,747	6,133
	<u>36,656</u>	<u>12,556</u>

**4. Profit from Operating Activities**

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

	2006 HK\$'000	2005 HK\$'000
Depreciation*	63,894	63,898
Amortisation of prepaid land lease payments	985	1,010
Loss/(gain) on disposal of items of property, plant and equipment	(567)	271
Impairment of goodwill	2,289	2,289

\* Depreciation charge of HK\$56,786,000 (2005: HK\$59,380,000) for property, plant and equipment is included in "other operating expenses" on the face of the consolidated income statement.

**5. Finance Costs**

	2006 HK\$'000	2005 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	129,036	88,468
Interest on bank borrowings not wholly repayable within five years	14,319	1,059
Interest on an amount due to Golden Pool Enterprises Limited, a wholly-owned subsidiary of eSun Holdings Limited ("eSun")	1,886	6,547
Total interest expenses	145,241	96,074
Other finance costs:		
Provision for premium on loan repayment	—	1,979
Bank charges and refinancing charges	11,702	16,995
	<u>156,943</u>	<u>115,048</u>

**6. Loss arising from the Bonds Settlement and the eSun Settlement, net**

In last year, the Group incurred a loss of approximately HK\$1,484 million arising from the settlement of its indebtedness owed to (i) the holders of exchangeable bonds; (ii) the holders of convertible bonds (collectively, the "Bonds Settlement") and (iii) Golden Pool Enterprises Limited, a wholly-owned subsidiary of eSun (the "eSun Settlement").

**7. Tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 HK\$'000	2005 HK\$'000
Provision for tax for the year:		
Current — Hong Kong	7,163	7,719
Current — overseas	1,232	—
Deferred tax	73,344	190,494
	<u>81,739</u>	<u>198,213</u>
Prior years' overprovision — Hong Kong	(1,083)	(767)
Tax charge for the year	<u>80,656</u>	<u>197,446</u>

**8. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Company**

The calculation of basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$512,922,000 (2005: loss for the year attributable to ordinary equity holders of the Company of HK\$705,962,000) and the 12,746,042,000 (2005: weighted average number of 9,589,864,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the year ended 31st July, 2006 is based on the adjusted profit attributable to equity holders of the Company for that year of HK\$512,797,000 and the number of 12,746,042,000 ordinary shares in issue during that year.

The current year adjusted profit attributable to equity holders of the Company is calculated based on the profit attributable to equity holders of the Company for that year of HK\$512,922,000 less the dilution in the results of an associate, eSun, attributable to the Group of HK\$125,000 arising from the deemed exercise of all eSun's share options being outstanding during the year.

Diluted loss per share amount for the year ended 31st July, 2005 has not been disclosed, as no diluting event existed during that year.

**9. Interest in Associates**

Included in the Group's interests in associates at 31st July, 2006 is the Group's share of net assets of eSun and its subsidiaries (the "eSun Group") of HK\$875,991,000 (2005: HK\$760,976,000).

At 30th June, 2006, the film rights held by the eSun Group amounted to HK\$179,039,000 which represented all rights, titles and interests in 127 films (the "127 Film Rights") valued at HK\$187,187,000 as at 31st December, 2005. The directors of eSun had engaged an independent third party (the "Valuer") to perform a valuation (the "Valuation") on the 127 Film Rights as at 31st December, 2005. Having regard to the Valuation performed by the Valuer and the current market conditions, the directors of eSun are of the opinion that there was no impairment on these film rights as at 30th June, 2006.

With respect to the financial statements of the eSun Group for the year ended 31st December, 2005, the auditors of eSun stated in their report that they had been unable to obtain sufficient reliable information to carry out the audit procedures required by Hong Kong Standard on Auditing 620 "Using the Work of an Expert" issued by the HKICPA, to satisfy themselves as to (a) the competence and objectivity of the Valuer; and (b) the adequacy of the scope of the Valuer's work on the 127 Film Rights. They stated that they were unable to carry out adequate audit procedures to assess the carrying amount of the 127 Film Rights as at 31st December, 2005. They were also unable either to obtain sufficient reliable information, or to carry out alternative audit procedures to satisfy themselves as to the appropriateness of the basis of computation of the amount of the amortisation charge for the 127 Film Rights.

Due to the scope limitation in the evidence available to the auditors of eSun, a qualified opinion was issued on the financial statements of the eSun Group for the year ended 31st December, 2005.

On 19th May, 2005, eSun issued 74,000,000 new shares to an independent investor for an aggregate net proceeds of approximately HK\$150 million and the Group's interests in eSun was diluted from 42.54% to 38.31%. On 29th March, 2006, eSun issued 74,518,000 new shares to independent investors for an aggregate net proceeds of approximately HK\$425 million and the Group's interests in eSun was further diluted from 38.31% to 34.83%.

**10. Debtors and Deposits/Creditors, Deposits Received and Accruals**

(a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade debtors are non-interest-bearing.

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

	2006 HK\$'000	2005 HK\$'000
Trade debtors:		
Less than 30 days	20,494	22,456
31 — 60 days	2,730	4,370
61 — 90 days	614	1,506
Over 90 days	5,692	6,956
	<u>29,530</u>	<u>35,288</u>
Other debtors and deposits	79,233	104,275
	<u>108,763</u>	<u>139,563</u>

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

	2006 HK\$'000	2005 HK\$'000
Trade creditors:		
Less than 30 days	12,942	11,023
31 — 60 days	1,543	1,758
61 — 90 days	258	332
Over 90 days	384	467
	<u>15,127</u>	<u>13,580</u>
Other creditors, deposits received and accruals	185,310	236,757
	<u>200,437</u>	<u>250,337</u>

**11. Post Balance Sheet Events**

(a) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24th July, 2006, and the subsequent Order of the High Court of Hong Kong granted on 17th October, 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18th October, 2006. The paid-up capital on each of its issued ordinary shares of HK\$0.50 was cancelled to the extent of HK\$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK\$0.50 per share to HK\$0.01 per share. A total credit of HK\$6,245,561,000 was arisen as a result of the Capital Reduction. An amount of HK\$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK\$626,561,000 was credited to the share premium account of the Company.

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1st August, 2005 in respect of the Company's:

- 50% investment in Fortune Sign Venture Inc., up to an aggregate amount of HK\$1,556,000,000;
- 10% investment in Bayshore Development Group Limited, up to an aggregate amount of HK\$2,923,000,000; and/or
- 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK\$1,140,000,000,

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18th October, 2006 (the effective date of the Capital Reduction) remains outstanding and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisos:

- the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18th October, 2006;
  - the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and
  - in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserves of the Company and the same shall become available for distribution.
- (b) On 5th September, 2006, Key Point Profits Limited, a wholly owned subsidiary of the Company, entered into a shareholders agreement (the "Shareholders Agreement") with Pine Capital Investments Limited, an independent third party, for the establishment of Lucky Result Limited ("Lucky Result"), a joint venture company. Pursuant to the Shareholders Agreement, the Company will hold a 50% effective interest in Brilliant Pearl Limited (the "Project Company"), a wholly owned subsidiary of Lucky Result.

The Project Company has entered into a sale and purchase agreement on the same date for the acquisition of a site situated at Wanchai, Hong Kong (the "Property") for HK\$595 million. The Project Company will be engaged in the acquisition and redevelopment of the Property. Further details of transactions are set out in the Company's circular dated 28th September, 2006.

**MANAGEMENT DISCUSSION AND ANALYSIS****Results**

Benefiting from the continued growth in the economy, the Group operations recorded steady growth. Turnover increased by approximately 1% to HK\$794 million from HK\$789 million in the year to 31st July, 2005. Gross profit rose 3% to HK\$523 million. However, profit from operating activities for the year amounted to HK\$542 million down from HK\$1,171 million for the previous financial year. The sharp decline in profit from operating activities was due to lower gain on revaluation of investment properties of HK\$315 million as compared to HK\$600 million in 2004/05 and the absence of reversal of impairment which in 2004/05 totalled HK\$386 million. Pre-tax profit for the year benefited from a gain of HK\$95 million on the deemed disposal of interest in an associate and the absence of the loss in the previous year of HK\$1,484 million arising from the Bonds Settlement and the eSun Settlement. After tax and minorities, the Group's audited consolidated net profit attributable to equity holders of the Company for the year ended 31st July, 2006 amounted to HK\$513 million as compared to a loss of HK\$706 million for the previous financial year.

**Dividends**

The Directors do not recommend payment of a dividend for the year ended 31st July, 2006 (2004/05: Nil).

**Business Review**

The Hong Kong economy continued to expand at a brisk pace during the year under review although in the second quarter of 2006 economic growth did moderate somewhat. Export growth slackened due to weaker consumer demand, particularly in the US market. Notwithstanding the moderation of growth, the Government, in its latest Economic Report, expects that economic growth in Hong Kong in 2006 could be at the high end of the range of the 4-5% growth it had previously forecast and Hong Kong's economic growth in 2006 is likely to be more in line with consensus estimates of around 6% real GDP growth.

Continued economic growth has underpinned the Hong Kong property market which otherwise might have been negatively affected by the rising trend in interest rates. In addition, the Group has benefited by the continued growth of tourism.

**Property**

The Group's investment property portfolio generated gross rental income of approximately HK\$265 million for the year, representing an increase of about 7% from the HK\$247 million generated in the previous financial year. The Group's investment portfolio has been and remains practically fully let.

The Group's share of property development profits from its associates for the year amounted to approximately HK\$55 million, largely from the sale of our Rolling Hills Phase II project. In the previous financial year, the Group's share of property development profits from its associates amounted to approximately HK\$167 million.

**Hotels**

In Hong Kong, both The Ritz-Carlton Hong Kong and the Majestic Hotel benefited from the growth in tourist arrivals. For the year under review, The Ritz-Carlton Hong Kong achieved an average occupancy of 84.7% and an average room rate of HK\$2,441 as compared to 84.2% and HK\$2,072 recorded in the previous year. For the Majestic Hotel, the corresponding figures were 93.3% and HK\$592 as compared to 91.7% and HK\$552 in the previous year. The Group's hotel operation in Vietnam has been affected by increased competition. Rising interest expenses also affected divisional profits. Overall, however, the Group's hotel operations performed well.

**eSun Holdings Limited ("eSun")**

eSun in which the Group now has a 34.83% interest following a placement of 74,518,000 new eSun shares, announced a net profit of HK\$54 million for the six months ended 30th June, 2006 (2005: HK\$203 million). The decline reflects the much reduced gain on revaluation of the Group's investment property and absence of impairment reversal which has affected eSun's results as eSun is the Group's

largest shareholder with a 40.8% interest. During the year, eSun's most important business focus was work related to the development of the Macau Studio City Project in Cotai, Macau. In April 2006, eSun entered into an agreement whereby it will initially dispose of 40% of its interest in its Cotai site in Macau to New Cotai, LLC ("New Cotai") and will develop the Macau Studio City Project jointly with New Cotai.

## **Prospects**

### *Property and hotels*

The global economy has been resilient in the face of numerous potentially negative developments such as rising interest rates, high prices for oil and certain other key commodities and geopolitical uncertainties. While such resiliency persists, one can be sanguine about the economy of Hong Kong on which the Group's performance depends.

The Group continues to upgrade its investment properties and rebalance its tenant mix as tenancies expire so as to strengthen its rental income base. The Group has also been replenishing its land bank and continues to look for development projects of a niche nature where it can add value.

The Group is currently studying the possible redevelopment of the Ritz-Carlton Hong Kong site. Given the strong demand for prime office premises in Central and the dearth of new supply in this district, prime office rentals in Central are likely to remain firm and could increase further. The Ritz-Carlton Hong Kong site of approximately 15,000 square feet has excellent potential for redevelopment to provide not less than 225,000 square feet of office accommodation under current building regulations. According to the current lease terms neither land premium payment nor lease modification is required. Redevelopment of the Ritz-Carlton Hong Kong site would have impact on the Group's hotel division, but is likely to significantly enhance recurring rental income after completion of the redevelopment.

### *eSun*

The Macau Studio City development will dramatically transform eSun, considering the financial scale of the project and hence will also be materially beneficial to the Group. The Group, through its equity interest in eSun, shall share eSun's profit arising from the disposal of 40% interest of the Cotai site subject to the completion of the transaction. In the long term the Group shall participate through eSun in the future recurring income from the development of the Cotai site.

eSun and its joint venture partner, New Cotai, are finalizing a Master Development Plan for the Macau Studio City Project in Cotai, Macau and upon approval from the Macau authorities, construction work is expected to commence in 2007.

## **Liquidity and Financial Resources**

As at 31st July, 2006, the Group had consolidated net assets of approximately HK\$3,937 million (as at 31st July, 2005: HK\$3,432 million).

As at 31st July, 2006, the Group had outstanding borrowings of approximately HK\$2,547 million (as at 31st July, 2005: HK\$2,954 million) comprising (i) secured bank loans and other borrowings of approximately HK\$2,544 million and; (ii) an outstanding amount of approximately HK\$3 million, being residual amount payable under the Guaranteed Secured A Bonds due 2005 ("A Bonds"). The debt to equity ratio as expressed as a percentage of the total outstanding borrowings to consolidated net assets was approximately 65%. The maturity profile of the bank and other borrowings of HK\$2,544 million was spread over a period of more than 5 years with HK\$310 million repayable within 1 year, HK\$386 million repayable in the second year, HK\$1,809 million repayable in the third to fifth years and HK\$39 million repayable beyond 5 years.

As at 31st July, 2006, certain investment properties with carrying amounts of approximately HK\$4,113 million, certain property, plant and equipment with carrying amounts of approximately HK\$1,187 million, a prepaid land lease payment of approximately HK\$31 million and certain bank balances and time deposits with banks of approximately HK\$96 million were pledged to banks to secure banking facilities granted to the Group. At the same date, certain investment properties with carrying amounts of approximately HK\$5 million and certain property, plant and equipment with carrying amounts of approximately HK\$24 million were pledged to a bank to back up certain corporate guarantee issued by the Company in respect of a banking facility granted by the bank to a subsidiary of the Group. In addition, the entire holding of the shares of Peakflow Profits Limited together with its 10% shareholding in and its advance to Bayshore Development Group Limited, the joint venture company for the AIG Tower, and certain shares in subsidiaries held by the Group were also pledged to banks and other lender to secure loan facilities granted to the Group. Certain shares of associates held by the Group were pledged to a bank for a loan facility granted to certain associates of the Group. In addition, pursuant to the terms and conditions of the A Bonds, A Bonds were secured by charges over the Group's entire 10% interest in The Waterfront, Hong Kong. The secured bank and other borrowings were also secured by floating charges over certain assets held by the Group.

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31st July, 2006, 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 deviations from code provisions A.4.1 and E.1.2.

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, under the articles of association of the Company, all Directors of the Company are subject to retirement by rotation once every three years since their last election and retiring directors are eligible for re-election.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. 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 23rd December, 2005.

## **REVIEW OF ANNUAL RESULTS**

The annual results of the Company for the year ended 31st July, 2006 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive Directors of the Company, namely, Messrs. David Tang, Lam Bing Kwan and Leung Shu Yin, William.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on Friday, 22nd December, 2006. Notice of the Annual General Meeting together with the Company's Annual Report for 2005-2006 will be despatched to shareholders in due course.

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

Hong Kong, 10th November, 2006

*As at the date of this announcement, the executive Directors of the Company are Mr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven and Mr. Cheung Wing Sum, Ambrose; the non-executive Directors are Mr. Lam Kin Ming and Madam U Po Chu, and the independent non-executive Directors are Mr. David Tang, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William.*