



LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

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

RESULTS

The Board of Directors of Lai Sun Garment (International) 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

	Notes	2006 HK\$'000	2005 HK\$'000
TURNOVER	2		
Continuing operations		25,278	39,764
Discontinued operation		321,880	441,961
		<u>347,158</u>	<u>481,725</u>
Cost of sales		(137,012)	(223,983)
		<u>210,146</u>	<u>257,742</u>
Gross profit			
Other income and gain	3	43,779	45,385
Selling and distribution costs		(164,872)	(166,829)
Administrative expenses		(96,013)	(101,709)
Other operating income/(expenses), net		(7,700)	1,345
Fair value gain on investment properties		175,899	50,920
Write-back of provision for impairment of properties under development		—	50,715
Gain on disposal of investment properties		—	77,009
Loss on disposal of Crocodile Garments Limited ("CGL")		(179,284)	—
Gain on disposal of other subsidiaries, net		95,668	—
		<u>77,623</u>	<u>214,578</u>
PROFIT FROM OPERATING ACTIVITIES	4		
Finance costs	5	(23,888)	(16,220)
Gain/(loss) on deemed disposal of interest in an associate		(254,369)	217,817
Excess over the cost of acquisition of additional interest in an associate		147,013	—
Share of profits and losses of associates		11,723	(20,855)
		<u>134,209</u>	<u>384,263</u>
Discontinued operation (including the loss on disposal of CGL)	7	(176,107)	11,057
		<u>(41,898)</u>	<u>395,320</u>
PROFIT/(LOSS) BEFORE TAX			
Tax	6	(36,912)	(7,404)
Discontinued operation	7	16,900	(12,544)
		<u>(20,012)</u>	<u>(19,948)</u>
PROFIT/(LOSS) FOR THE YEAR			
Continuing operations		97,297	376,859
Discontinued operation (including the loss on disposal of CGL)	7	(159,207)	(1,487)
		<u>(61,910)</u>	<u>375,372</u>
Attributable to:			
Equity holders of the Company			
Continuing operations		47,480	324,465
Discontinued operation (including the loss on disposal of CGL)		(168,256)	(6,424)
		<u>(120,776)</u>	<u>318,041</u>
Minority interests		58,866	57,331
		<u>(61,910)</u>	<u>375,372</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
— For profit/(loss) for the year		(HK\$0.07)	HK\$0.22
— For profit from continuing operations		HK\$0.03	HK\$0.22
Diluted			
— For profit/(loss) for the year		N/A	N/A
— For profit from continuing operations		N/A	N/A

CONSOLIDATED BALANCE SHEET

31st July, 2006

	Notes	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		4,276	31,708
Investment properties		119,100	250,600
Properties under development		138,494	233,250
Goodwill		—	71,907
Interests in associates		2,268,218	2,177,085
Available-for-sale equity investments		466,946	188,361
Loan receivable		40,730	—
Promissory note receivable		167,000	—
Total non-current assets		<u>3,204,764</u>	<u>2,952,911</u>
CURRENT ASSETS			
Equity investments at fair value through profit or loss		—	26,654
Inventories		—	68,007
Debtors, deposits and other receivables	9	6,159	52,021
Tax recoverable		—	369
Cash and cash equivalents		34,692	386,357
Total current assets		<u>40,851</u>	<u>533,408</u>
CURRENT LIABILITIES			
Tax payable		231	21,539
Creditors, deposits received and accruals	10	15,648	109,411
Interest-bearing bank and other borrowings		—	43,867
Total current liabilities		<u>15,879</u>	<u>174,817</u>
NET CURRENT ASSETS		<u>24,972</u>	<u>358,591</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,229,736</u>	<u>3,311,502</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(31,745)	(100,902)
Note payable		(195,000)	(195,000)
Accrued interest payable		(23,313)	(6,148)
Deferred tax liabilities		(20,165)	(20,379)
Total non-current liabilities		<u>(270,223)</u>	<u>(322,429)</u>
		<u>2,959,513</u>	<u>2,989,073</u>
EQUITY			
Equity attributable to equity holders of the Company:			
Issued capital	11	16,174	808,712
Share premium account		1,908,840	1,116,302
Asset revaluation reserve		55,494	55,799
Investment revaluation reserve		265,331	(12,663)
Capital reserve		148,694	148,694
Exchange fluctuation reserve		58,511	43,544
Retained earnings		506,469	626,940
		<u>2,959,513</u>	<u>2,787,328</u>
Minority interests		—	201,745
		<u>2,959,513</u>	<u>2,989,073</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 equity investments and equity investments 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 of the continuing operations and discontinued operation (as detailed in note 7) for the years ended 31st July, 2006 and 2005:

	Continuing operations								Discontinued operation		Consolidated	
	Property development		Property investment		Others		Subtotal		Garment operation			
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:												
Sales to external customers	—	—	15,464	18,126	9,814	21,638	25,278	39,764	321,880	441,961	347,158	481,725
Other income and gain	—	—	—	217	—	—	—	217	20,457	37,943	20,457	38,160
Total	—	—	15,464	18,343	9,814	21,638	25,278	39,981	342,337	479,904	367,615	519,885
Segment results	92,846	50,551	189,312	143,903	(40,116)	724	242,042	195,178	(180,041)*	12,175	62,001	207,353
Interest income and unallocated other revenue and gain							16,683	7,225	6,639	—	23,322	7,225
Unallocated expense							(7,700)	—	—	—	(7,700)	—
Profit/(loss) from operating activities							251,025	202,403	(173,402)	12,175	77,623	214,578
Finance costs							(21,183)	(15,102)	(2,705)	(1,118)	(23,888)	(16,220)
Gain/(loss) on deemed disposal of interest in an associate							(254,369)	217,817	—	—	(254,369)	217,817
Excess over the cost of acquisition of additional interest in an associate							147,013	—	—	—	147,013	—
Share of profits and losses of associates							11,723	(20,855)	—	—	11,723	(20,855)
Profit/(loss) before tax							134,209	384,263	(176,107)	11,057	(41,898)	395,320
Tax							(36,912)	(7,404)	16,900	(12,544)	(20,012)	(19,948)
Profit/(loss) for the year							97,297	376,859	(159,207)	(1,487)	(61,910)	375,372

	Continuing operations								Discontinued operation		2006		2005	
	Property development		Property investment		Others		Subtotal		Garment operation		Consolidated			
	2006	2005	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	HK\$'000	HK\$'000
Assets and liabilities:														
Segment assets	138,494	233,315	119,562	251,841	4,276	7,319	262,332	492,475	—	430,402	262,332	922,877		
Interest in associates											2,268,218	2,177,085		
Unallocated assets											715,065	386,357		
Total assets											3,245,615	3,486,319		
Segment liabilities	710	1,120	3,272	18,013	—	11,412	3,982	30,545	—	100,016	3,982	130,561		
Unallocated liabilities											282,120	366,685		
Total liabilities											286,102	497,246		
Other segment information:														
Depreciation	—	—	—	180	1,709	40	1,709	220	10,255	10,552	11,964	10,772		
Fair value gain on investment properties	—	—	(175,899)	(50,920)	—	—	(175,899)	(50,920)	—	—	(175,899)	(50,920)		
Write-back of provision for impairment of properties under development	—	(50,715)	—	—	—	—	—	(50,715)	—	—	—	(50,715)		
Gain on disposal of investment properties	—	—	—	(77,009)	—	—	—	(77,009)	—	—	—	(77,009)		
Loss on disposal of CGL	—	—	—	—	—	—	—	—	—	179,284	—	179,284		
Gain on disposal of other subsidiaries, net	(91,997)	—	—	—	(3,671)	—	(95,668)	—	—	—	(95,668)	—		
Capital expenditure	156,588	16	274,264	—	1,435	11	432,287	27	10,210	21,298	442,497	21,325		

* The segment results of garment operation for the year ended 31st July, 2006 included the loss on disposal of CGL of HK\$179,284,000.

(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		Mainland China		United States of America		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	212,608	239,190	134,550	187,110	—	55,425	347,158	481,725
Attributable to a discontinued operation	(197,144)	(219,278)	(124,736)	(167,258)	—	(55,425)	(321,880)	(441,961)
Revenue from continuing operations	15,464	19,912	9,814	19,852	—	—	25,278	39,764
Other segment information:								
Segment assets	262,332	623,366	—	295,572	—	3,939	262,332	922,877
Capital expenditure	420,909	18,388	21,588	2,937	—	—	442,497	21,325

3. Other Income and Gain

	Continuing operations		Discontinued operation		Total	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Royalty income	—	—	20,457	33,767	20,457	33,767
Gain on disposal of equity investments at fair value through profit or loss	1,018	—	—	—	1,018	—
Unrealised gain on revaluation of equity investments at fair value through profit or loss	—	2,404	—	—	—	2,404
Dividend income from equity investments at fair value through profit or loss	965	1,100	—	—	965	1,100
Interest income from bank deposits	1,682	264	3,873	1,675	5,555	1,939
Other interest income	13,011	122	—	—	13,011	122
Foreign exchange differences, net	—	(54)	—	1,246	—	1,192
Others	7	3,606	2,766	1,255	2,773	4,861
	16,683	7,442	27,096	37,943	43,779	45,385

4. Profit from Operating Activities

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

	Continuing operations		Discontinued operation		Total	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	1,709	220	10,255	10,552	11,964	10,772
Loss/(gain) on disposal of items of property, plant and equipment	—	(48)	14	(17)	14	(65)
Impairment for loan and interest receivables	7,700	—	—	—	7,700	—
Write-back of provision for doubtful debts	—	—	—	(1,425)	—	(1,425)
Write-back of provision for slow-moving inventories (included in cost of sales)	—	—	(3,695)	(4,633)	(3,695)	(4,633)

5. Finance Costs

	2006		2005	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
Bank loans and overdrafts wholly repayable within five years			2,996	2,132
Other borrowings and note payable wholly repayable within five years			20,892	14,088
Total interest expense			23,888	16,220
Attributable to a discontinued operation			2,705	1,118
Attributable to continuing operations			21,183	15,102
			23,888	16,220

6. Tax

In prior year, Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year. In the current year, no provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year.

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.

For the year:

	2006	2005
	HK\$'000	HK\$'000
Current — Hong Kong	—	25
Deferred tax	30,060	21,334
	30,060	21,359
Prior years' underprovision/(overprovision):		
Hong Kong	600	—
Mainland China	(10,648)	(1,411)
Tax charge for the year	20,012	19,948

7. Discontinued Operation

On 28th February, 2006, the Company and Joy Mind Limited ("Joy Mind"), a wholly-owned subsidiary of the Company, entered into a conditional share sale and purchase agreement with Rich Promise Limited (the "Purchaser"), a company wholly-owned by Mr. Lam Kin Ming, a director of the Company. Pursuant to the conditional share sale and purchase agreement, the Company and Joy Mind agreed to sell and the Purchaser agreed to purchase an aggregate of 314,800,000 ordinary shares of CGL, representing 51.01% of the issued share capital of CGL, for a cash consideration of HK\$192,028,000 (the "CGL Disposal"). CGL and its subsidiaries (the "CGL Group") principally engage in manufacture and trading of garments and property investment.

Since Mr. Lam Kin Ming is a director of the Company and the Purchaser, the CGL Disposal, therefore, constituted a connected and a related party transaction for the Company as defined under the Listing Rules and HKAS 24 "Related Party Disclosures", respectively. The CGL Disposal also constituted a very substantial disposal of the Group pursuant to the Listing Rules. A Company's circular dated 29th April, 2006 was dispatched regarding details of the CGL Disposal. The CGL Disposal became unconditional upon independent shareholders' approval of the conditional share sale and purchase agreement at the Company's extraordinary general meeting held on 24th May, 2006. The CGL Disposal was effectively completed on 29th May, 2006.

Moreover, the Group disposed of its remaining 3.92% interest of the issued share capital of CGL in the stock market during the year at a total consideration of HK\$14,755,000. Upon disposal of all the CGL shares held, the Group ceased the business of manufacture and trading of garments and the Group is set to focus on its property development and property investment businesses.

The consolidated operating results associated with the garment operation for the year and loss on disposal of CGL are presented below:

	2006	2005
	HK\$'000	HK\$'000
Turnover	321,880	441,961
Cost of sales	(134,961)	(222,406)
Other income and gain	27,096	37,943
Selling and distribution costs	(164,872)	(166,829)
Administrative expenses	(43,261)	(79,839)
Other operating income, net	—	1,345
Finance costs	(2,705)	(1,118)
Profit before tax and loss on disposal of CGL	3,177	11,057
Loss on disposal of CGL	(179,284)	—
Profit/(loss) before tax	(176,107)	11,057
Tax	16,900	(12,544)
Loss for the year (including the loss on disposal of CGL)	(159,207)	(1,487)
Attributable to:		
Equity holders of the Company:	(168,256)	(6,424)
Minority interests	9,049	4,937
	(159,207)	(1,487)

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 net profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share for years ended 31st July, 2006 and 2005 have not been disclosed as no diluting event existed during these years.

The calculation of basic earnings/(loss) per share is based on:

	2006	2005
	HK\$'000	HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	47,480	324,465
From discontinued operation (including the loss on disposal of CGL)	(168,256)	(6,424)
	(120,776)	318,041
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	1,617,423,423	1,451,003,601

9. Debtors, Deposits and Other Receivables

Upon the completion of CGL Disposal, the Group's major business are property development and property investment. The major income derived is rental income. 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. In view of the Group's trade debtors relate to a number of diversified customers, there is no significant concentration of credit risk. Trade debtors are non-interest-bearing.

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

	2006	2005
	HK\$'000	HK\$'000
Debtors:		
Current to 90 days	394	7,001
91 to 180 days	41	5,269
181 to 365 days	27	266
Over 365 days	—	4,414
	462	16,950
Deposits and other receivables	5,697	35,071
	6,159	52,021

10. Creditors, Deposits Received and Accruals

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

	2006 HK\$'000	2005 HK\$'000
Creditors:		
Current to 90 days	258	17,601
91 to 180 days	—	1,180
181 to 365 days	—	1,049
Over 365 days	—	14,455
	<u>258</u>	<u>34,285</u>
Deposits received and accruals	15,390	75,126
	<u>15,648</u>	<u>109,411</u>

11. Share Capital

	2006 HK\$'000	2005 HK\$'000
Authorised:		
4,000,000 ordinary shares of HK\$0.01 each (2005: 4,000,000,000 ordinary shares of HK\$0.50 each)	<u>40,000</u>	<u>2,000,000</u>
Issued and fully paid:		
1,617,423,423 ordinary shares of HK\$0.01 each (2005: 1,617,423,423 ordinary shares of HK\$0.50 each)	<u>16,174</u>	<u>808,712</u>

Pursuant to an extraordinary general meeting held on 26th August, 2005, the nominal amount of each of the existing authorised share of the Company was reduced from HK\$0.50 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.49 in respect of each existing authorised share. On the basis of the 1,617,423,423 shares in issue as of that date, the credit arising from such reduction, which amounted to approximately HK\$792,538,000, was credited to the share premium account of the Company.

DIVIDENDS

The Board of Directors do not recommend the payment of a dividend for the year ended 31st July, 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS**Results**

Due to the impact of corporate developments during the year ended 31st July, 2006, the Group recorded a consolidated loss attributable to shareholders of HK\$121 million for the year as compared to a profit of HK\$318 million for the previous year.

Turnover of the Group for the year under review amounted to HK\$347 million of which HK\$25 million derived from continuing operations and HK\$322 million was from discontinued operations. Profit from operating activities included a loss of HK\$179 million arising from disposal of the Group's shareholding in Crocodile Garments Limited upon the Group ceasing to engage in the now discontinued garment business.

The consolidated net loss attributable to shareholders also includes a loss of HK\$254 million on the deemed disposal of interests in associates when Lai Fung issued new shares to CapitaLand China Holdings Pte Ltd thereby diluting the Group's interest in Lai Fung to approximately 40%. By comparison, in the previous year the Group had recorded a gain of HK\$218 million on the deemed disposal of interest in associates.

Business Review*Lai Fung Holdings Limited ("Lai Fung")*

Lai Fung's revenue and core profits achieved impressive growth. Lai Fung reported a total turnover of HK\$703,352,000 and a gross profit of HK\$308,673,000, representing an increase of approximately 75% and 91%, respectively from the previous corresponding period.

Lai Fung recorded turnover of HK\$197,621,000 from rental income during the year under review, representing an increase of approximately 27% over the previous financial year. Gross rental income from Hong Kong Plaza in Shanghai increased by approximately 13%, while gross rental income from May Flower Plaza in Guangzhou increased by 159% as it achieved full occupancy during the year under review. Lai Fung recorded turnover of HK\$505,731,000 from sales of development properties during the year under review (an increase of approximately 104% from the previous financial year), substantially most of which were attributable to the recognition of final portions of the revenue from sales of residential units at Shanghai Regent's Park Phase I made before 1st January, 2005 and the revenue from sales of units at Shanghai Regent's Park made after 1st January, 2005.

Lai Fung achieved a profit from operating activities of HK\$294,532,000 and a consolidated profit attributable to equity holders of the parent of HK\$132,745,000 during the year under review.

The Group completed the sale of its interest in a property at Su Jia Xiang, Shanghai to Lai Fung in May 2006.

Lai Sun Development Company Limited ("LSD")

LSD's operations recorded steady growth. LSD reported a total turnover of HK\$794 million and a net profit of HK\$513 million during the period under review.

Its investment property portfolio, which has been and remains practically fully let, generated gross rental income of approximately HK\$265 million during the year under review, representing an increase of about 7% over the previous financial year. LSD's share of property development profits from its associates for the year fell from approximately HK\$167 million in the previous year to approximately HK\$55 million which derived largely from the sale of its Rolling Hills Phase II project. LSD's hotel division also recorded a satisfactory performance with its hotel operations in Hong Kong benefiting 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.

eSun Holdings Limited ("eSun")

eSun, a 34.83%-owned associate of LSD, reported 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 LSD's investment property and absence of impairment reversal which has affected eSun's results as eSun is the largest shareholder of LSD with a 40.8% interest. During the year, eSun's most important business focus was work related to the redevelopment of its site in Macau. In April 2006, eSun entered into an agreement whereby it will initially dispose of 40% of its interest in a site in Cotai, Macau to New Cotai LLC ("New Cotai") and will develop the Cotai site jointly with New Cotai. The disposal transaction is pending completion subject to fulfillment of certain conditions precedent.

Crocodile Garments Limited ("CGL")

During the year under review, the Group disposed of its entire stake in CGL and thereby exited the garment business. However, it retains an interest in CGL's property at 79 Hoi Yuen Road, Kwun Tong under the terms of an agreement to jointly redevelop this site. On completion of this redevelopment, the Group will retain the retail portion of the project and portion of the car-parking spaces.

Prospects*Lai Fung*

Despite the recent property control measures introduced by the Chinese government, Lai Fung remains confident about the prospects of the property markets in the Mainland of China ("PRC"). For investment properties, Lai Fung will continue to improve the rental income from its investment properties through improvement of tenant mix, renovations and facelifts. For development properties, Lai Fung has accelerated its property development schedule and expects the completion volume to increase significantly in the next few years.

Lai Fung is actively looking for property development opportunities in the core cities such as Shanghai and Guangzhou where we already have a strong presence. Other than the replenishment of land bank in Shanghai and Guangzhou, Lai Fung is also studying the potential of Beijing and other major cities of the PRC where such opportunities may materialize. Going forward, one of the key development strategies to be adopted by Lai Fung is through co-operation with joint venture partners.

LSD and eSun

LSD's property investment income and income from hotel operations are expected to continue growing steadily. It also aims to improve the return on its Hong Kong property investment portfolio and its hotel assets. In particular, it is assessing the redevelopment potential of the Ritz-Carlton Hong Kong in the light of the strong demand for and limited new supply of prime office accommodation in Central.

LSD's associate, eSun and its joint venture partner New Cotai LLC, is 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.

79 Hoi Yuen Road Project, Kwun Tong

On completion of this joint redevelopment with CGL, the Group will retain the retail portion of this redeveloped property. This redevelopment is expected to be completed by the end of 2009 and by then will significantly augment the Group's recurring rental income base.

Liquidity and Financial Resources

As at 31st July, 2006, total borrowings (comprising the note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen) amounted to HK\$227 million. At that date, consolidated net assets of the Group amounted to HK\$2,960 million. The debt to equity ratio as expressed as a percentage of total borrowings to net assets as at that date was approximately 7.7%.

The note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen have maturity dates on 30th April, 2006 and 30th November 2005, respectively. The Group has received confirmation from the executor of the estate of the late Mr. Lim Por Yen that such note payable and loan are not repayable within one year from the balance sheet date.

The Group's borrowings were maintained as floating rate debts. Attention will be paid to the interest rate movements. Hedging instruments will be employed when necessary to hedge against unanticipated interest rate volatilities.

As at 31st July, 2006, certain investment properties with carrying value of approximately HK\$116 million were pledged to banks to secure banking facilities granted to the Group.

Cash and bank balances held by the Group as at 31st July, 2006 amounted to HK\$35 million, which was considered adequate to cover the working capital requirement of the Group.

Most of the Group's sale and purchases during the year under review were mainly conducted in US dollar, HK dollar, Renminbi and euro. Foreign purchases in euro were mostly covered with forward exchange contracts in order to minimise the exchange risk. The foreign exchange exposure of the Group has much reduced in the wake of the discontinuation of the garment operation and the disposal of the property at Su Jia Xiang, Shanghai to Lai Fung.

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 deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors of the Company is appointed for a specific term. However, 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.

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. Wan Yee Hwa, Edward, Leung Shu Yin, William and Chow Bing Chiu.

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 Ming
Chairman

Hong Kong, 10th November, 2006

As at the date of this announcement, the executive directors of the Company are Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Mr. Shiu Kai Wah, Mr. Lee Po On, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven and Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu); the non-executive directors are Madam U Po Chu, Mr. Chiu Wai, Madam Lai Yuen Fong and Miss Lam Wai Kei, Vicky (alternate director to Madam Lai Yuen Fong) and the independent non-executive directors are Mr. Wan Yee Hwa, Edward, Mr. Leung Shu Yin, William and Mr. Chow Bing Chiu.