



LAI SUN GARMENT

(Incorporated in Hong Kong with limited liability)

LAI SUN GARMENT (INTERNATIONAL) LIMITED

Interim Report 2000-2001

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Lim Por Yen (Chairman and Managing Director)

Lam Kin Ngok, Peter (Deputy Chairman)

Lam Kin Ming (Deputy Chairman)

Chiu Wai

Shiu Kai Wah

Lee Po On, Mark

Lam Kin Hong, Matthew (appointed on 1st March, 2001)

U Po Chu

Lai Yuen Fong

Wong Kai Cho, Kenneth*

Mui Chiu Ying*

** Independent Non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

RESULTS

The Board of Directors of Lai Sun Garment (International) Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2001 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January, 2001

	Notes	Six months ended	
		31/1/2001 (Unaudited) HK\$'000	31/1/2000 (Unaudited) HK\$'000
TURNOVER	2	705,060	1,707,489
Cost of sales		(484,554)	(1,200,952)
Gross profit		220,506	506,537
Other revenue		60,182	262,059
Administrative expenses		(59,162)	(249,894)
Selling and distribution costs		(149,714)	(171,567)
Other operating expenses		(10,628)	(135,838)
Loss on deemed disposal of interest in a listed subsidiary		—	(3,970)
Loss on disposal of a long term listed investment		—	(3,500)
Provision for impairment in values of long term unlisted investments		—	(56,586)
Provisions for diminutions in values of fixed assets		—	(649,257)
Provisions for diminutions in values of properties under development		—	(559,679)
Provisions for diminutions in values of completed properties for sale		—	(113,527)
Deficits of investment property revaluation reserve	3	(206,452)	—
LOSS FROM OPERATING ACTIVITIES	4	(145,268)	(1,175,222)
Finance costs	5	(5,455)	(442,418)
Share of losses less profits of associates		(467,551)	(45,706)
LOSS BEFORE TAX		(618,274)	(1,663,346)
Tax	6	(10,950)	(28,033)
LOSS BEFORE MINORITY INTERESTS		(629,224)	(1,691,379)
Minority interests		(4,704)	1,175,629
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(633,928)	(515,750)
LOSS PER SHARE	7		
Basic		HK\$0.44	HK\$0.36
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31st January, 2001

	<i>Notes</i>	<i>(Unaudited)</i> <i>HK\$'000</i>
Share of deficits on revaluation of investment properties of associates	13	(79)
Exchange differences on translation of the financial statements of foreign entities	13	1,433
Net gain not recognised in the profit and loss account		1,354
Net loss from ordinary activities attributable to shareholders	13	(633,928)
Total recognised gains and losses		(632,574)
Negative goodwill credited to/(goodwill eliminated against) capital reserve arising on:		
Acquisition of subsidiaries	13	(480)
Acquisition of associates	12, 13	1,079,084
Adjustment for negative goodwill eliminated against capital reserve arising on acquisition of additional interests in subsidiaries in prior year	13	22,673
		<u>468,703</u>

CONDENSED CONSOLIDATED BALANCE SHEET

31st January, 2001

		31st January, 2001 (Unaudited) HK\$'000	31st July, 2000 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		368,424	376,975
Investment properties		77,700	77,700
Properties under development		187,840	187,840
Goodwill on consolidation of subsidiaries		127,029	128,366
Interests in associates		2,809,353	2,654,130
		3,570,346	3,425,011
CURRENT ASSETS			
Short term listed investments		24,300	—
Inventories	9	132,515	120,210
Trade receivables and bill receivables	10	184,092	175,678
Deposits and other receivables		93,800	60,826
Cash and cash equivalents		57,948	136,696
		492,655	493,410
CURRENT LIABILITIES			
Other payables and accruals		155,075	83,369
Trade payables and bill payables	11	203,200	211,578
Tax payable		31,160	38,997
Interest-bearing bank and other borrowings		73,869	116,142
		463,304	450,086
NET CURRENT ASSETS		29,351	43,324
TOTAL ASSETS LESS CURRENT LIABILITIES — page 5		3,599,697	3,468,335

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

31st January, 2001

		31st January, 2001 (Unaudited) HK\$'000	31st July, 2000 (Audited) HK\$'000
	Notes		
<hr/>			
TOTAL ASSETS LESS CURRENT			
LIABILITIES — page 4		3,599,697	3,468,335
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		50,045	7,858
Amount due to a shareholder	8(iii)	44,000	—
Deferred tax		1,063	1,063
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		95,108	8,921
<hr/>			
		3,504,589	3,459,414
CAPITAL AND RESERVES			
Share capital		718,855	718,855
Reserves	13	2,582,147	2,541,679
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		3,301,002	3,260,534
MINORITY INTERESTS		203,587	198,880
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		3,504,589	3,459,414
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2001

	<i>(Unaudited)</i>
	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	73,406
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(5,822)
TAXES PAID	(10,829)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(179,658)
NET CASH OUTFLOW BEFORE FINANCING	(122,903)
FINANCING	41,450
DECREASE IN CASH AND CASH EQUIVALENTS	(81,453)
Cash and cash equivalents at beginning of period	124,846
Exchange realignments	(260)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>43,133</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	57,948
Bank overdrafts	(1,513)
Trust receipt loans with maturity of less than three months at the acquisition date	(13,302)
	<u>43,133</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The condensed consolidated financial statements have been prepared in accordance with Statement of Accounting Practice No.25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("SSAP 25") except that no comparative figures have been presented for the condensed consolidated statement of recognized gains and losses and the condensed consolidated cash flow statement, being the first condensed consolidated statement of recognized gains and losses and the first condensed consolidated cash flow statement included in the interim report relating to accounting period ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st July, 2000.

2. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution/(absorption) to loss from operating activities by activity and geographical area for the six months ended 31st January, 2001 is as follows:

	Six months ended		Six months ended	
	31/1/2001	31/1/2000	31/1/2001	31/1/2000
	Turnover	Turnover	Contribution/ (absorption)	Contribution/ (absorption)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Manufacture and sale of garments	695,147	725,059	15,906	13,321
Sales of properties	—	467,040	—	(187,782)
Property rentals	7,063	292,542	(2,315)	189,782
Hotel, restaurant and other operations	2,850	222,848	(1,961)	69,755
	705,060	1,707,489	11,630	85,076
Other revenue			60,182	262,059
Other operating expenses			(10,628)	(135,838)
Loss on deemed disposal of interest in a listed subsidiary			—	(3,970)
Loss on disposal of a long term listed investment			—	(3,500)
Provision for impairment in values of long term unlisted investments			—	(56,586)
Provisions for diminution in values of fixed assets			—	(649,257)
Provisions for diminution in values of properties under development			—	(559,679)
Provisions for diminution in value of completed properties for sale			—	(113,527)
Deficits of investment property revaluation reserve			(206,452)	—
LOSS FROM OPERATING ACTIVITIES			(145,268)	(1,175,222)

2. SEGMENTAL INFORMATION (Continued)

	Six months ended		Six months ended	
	31/1/2001	31/1/2000	31/1/2001	31/1/2000
	Turnover (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution/ (absorption) (Unaudited) HK\$'000	Contribution/ (absorption) (Unaudited) HK\$'000
By geographical area:				
The People's Republic of China:				
Hong Kong	547,417	1,378,323	11,703	88,328
Elsewhere	146,372	250,105	1,447	7,614
The United States of America	7,965	15,768	(1,246)	(2,238)
The United Kingdom	83	805	(13)	(114)
Others	3,223	62,488	(261)	(8,514)
	705,060	1,707,489	11,630	85,076
Other revenue			60,182	262,059
Other operating expenses			(10,628)	(135,838)
Loss on deemed disposal of interest in a listed subsidiary			—	(3,970)
Loss on disposal of a long term listed investment			—	(3,500)
Provision for impairment in values of long term unlisted investments			—	(56,586)
Provisions for diminution in values of fixed assets			—	(649,257)
Provisions for diminution in values of properties under development			—	(559,679)
Provisions for diminution in value of completed properties for sale			—	(113,527)
Deficits of investment property revaluation reserve			(206,452)	—
LOSS FROM OPERATING ACTIVITIES			(145,268)	(1,175,222)

3 DEFICITS OF INVESTMENT PROPERTY REVALUATION RESERVE

This represents the amount charged to the profit and loss account in respect of the deficits in the investment property revaluation reserve account arising from release of reserves upon the deemed disposal of interest in a subsidiary by an associate.

4. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging:

	Six months ended	
	31/1/2001	31/1/2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
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Depreciation:		
Owned fixed assets	9,765	30,444
Leased fixed assets	40	40
Amortisation of goodwill on acquisition of:		
Subsidiaries	1,337	3,775
An associate	—	578
Loss on disposal of investment properties	—	150,034
Loss on deemed disposal of subsidiaries	—	3,970
and after crediting:		
Gain on disposal of subsidiaries	(20,709)	(74,112)
Gain on disposal of associates	—	(178)
Gain on disposal of short term listed investments	—	(16,470)
Write back of revaluation deficits previously written off, arising from disposal of investment properties	—	(157,074)
Write back of contingent loss in respect of a guarantee given to a bank	—	(38,406)
Unrealized gain on short term listed investment	(3,121)	—
Forfeited contributions in respect of retirement scheme contributions	(18,163)	—
Forfeiture of deposits received in respect of a property sale transaction	—	(12,004)
Provision written back following the sale of slow moving stock items	—	(10,960)
		<hr/>

5. FINANCE COSTS

	Six months ended	
	31/1/2001	31/1/2000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	5,455	294,988
Interest on bonds payable	—	22,387
Interest on convertible bonds and convertible note	—	61,630
Less: Amounts capitalised in properties under development	—	(31,473)
Amounts capitalised in associates engaged in property development	—	(19,082)
Amounts capitalised in jointly controlled entities engaged in property development	—	(710)
	5,455	327,740
Provision for premium on bonds redemption	—	56,820
Provision for premium on note redemption	—	10,000
Bank charges and refinancing charges	—	47,858
	5,455	442,418

6. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period.

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.

	Six months ended	
	31/1/2001	31/1/2000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for tax for the period:		
Hong Kong	2,176	18,179
Outside Hong Kong	817	9,343
	2,993	27,522
Associates:		
Hong Kong	7,957	599
Outside Hong Kong	—	(88)
	7,957	511
Tax charge for the period	10,950	28,033

7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$633,928,000 (2000: HK\$515,750,000) and the number of 1,437,709,710 (2000: 1,437,709,710) ordinary shares in issue during the period.

7. LOSS PER SHARE (Continued)

The diluted loss per share for the current and prior periods has not been presented because any potential shares of the Group outstanding during these periods has an anti-dilutive effect on the basic loss per share for these periods.

8. RELATED PARTY TRANSACTIONS

During the period, group companies entered into the following material transactions with related parties who are not members of the Group.

		Six months ended	
		31/1/2001	31/1/2000
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Interest income received from associates	(i)	—	18,152
Rental expenses paid to related companies	(ii)	5,739	—
Interest expenses paid to a shareholder	(iii)	1,151	—

(i) Interest was charged on advances to associates at prevailing market rates. The amounts due are unsecured and have no fixed terms of repayment.

(ii) Rental expenses were charged by related companies pursuant to the respective lease agreements.

(iii) On 22nd November, 2000, an unsecured revolving loan facility of up to a maximum principal amount of HK\$100 million (the "Facility") was obtained by the Company from Mr. Lim Por Yen, a substantial shareholder and Director of the Company. The Facility was mainly for the purpose of financing the Acquisition by the Company as detailed in note 12. The Facility was for a term of approximately two years to 30th November, 2002 and was bearing interest on the amount drawn at the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited. The outstanding loan balance as at 31st January, 2001 amounted to HK\$44,000,000.

9. INVENTORIES

	31st January, 2001	31st July, 2000
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Raw materials	15,899	18,566
Work in progress	717	4,354
Finished goods	115,491	97,290
Goods in transit	408	—
	132,515	120,210

Inventories which are carried at net realisable value and included in the above balance amounted to HK\$26,315,000 (At 31st July, 2000: HK\$34,828,000).

10. TRADE RECEIVABLES AND BILL RECEIVABLES

The Group's average credit term to trade debtors is 120 days. The ageing analysis of trade receivables and bill receivables as at 31st January, 2001 is as follows:

	31st January, 2001	31st July, 2000
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	155,969	111,769
91 days to 180 days	3,097	11,075
181 days to 365 days	9,818	3,443
Over 365 days	15,208	49,391
	184,092	175,678

11. TRADE PAYABLES AND BILL PAYABLES

The ageing analysis of trade payables and bill payables as at 31st January, 2001 is as follows:

	31st January, 2001	31st July, 2000
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	163,836	143,822
91 days to 180 days	9,500	8,979
181 days to 365 days	7,585	7,976
Over 365 days	22,279	50,801
	203,200	211,578

12. ACQUISITION OF INTEREST IN LAI FUNG HOLDINGS LIMITED

During the period between 21st November, 2000 and 23rd November, 2000, the Company acquired certain convertible guaranteed bonds due 2000 issued by Lai Fung Overseas Finance Limited, a subsidiary of Lai Fung Holdings Limited ("Lai Fung") ("LF Convertible Bonds") with an aggregate principal face value of US\$37,640,000 (approximately HK\$293,592,000) from independent third parties at an aggregate consideration of approximately HK\$155,476,000 and 1,000,000 shares in Lai Fung from independent third parties at an aggregate consideration of HK\$426,584 (the "Acquisition"). Lai Fung was then a 74.49%-owned subsidiary of Lai Sun Development Company Limited ("LSD") which was in turn a 42.25%-owned associate of the Company.

On 10th January, 2001, an aggregate of 632,741,377 new shares of HK0.10 each in the share capital of Lai Fung ("Lai Fung Shares") were allotted and issued to the Company at a conversion price of HK\$0.464 per new Lai Fung Share upon mandatory conversion of the LF Convertible Bonds in accordance with the terms and conditions of the LF Convertible Bonds. Following the allotment and issue of the new Lai Fung Shares, the Company owned a beneficial interest of 20.64% in Lai Fung. A negative goodwill of approximately HK\$1,079,084,000 arising from the acquisition of the interests in Lai Fung was credited to the capital reserve.

As a result of the mandatory conversion of the LF Convertible Bonds, the shareholding percentage of LSD in Lai Fung reduced, by way of dilution, from approximately 74.49% of the then issued share capital of Lai Fung to approximately 25.40% of the issued share capital of Lai Fung as enlarged by the allotment and issue of the new Lai Fung Shares.

13. RESERVES

	Revaluation reserve for properties under investment development								Total
	Share premium account	Fixed asset revaluation reserve	property revaluation reserve	held for investment potential	Capital reserve	General reserve	Exchange fluctuation reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31st July, 2000 and 1st August, 2000 (Audited)	1,119,738	87,297	37,759	489,333	3,384,186	57	33,445	(2,610,136)	2,541,679
Share of deficits on revaluation of investment properties of associates	—	—	(79)	—	—	—	—	—	(79)
Release upon deemed disposal of a subsidiary by an associate	—	—	(37,680)	(326,165)	(58,518)	—	(5,872)	—	(428,235)
Exchange realignments:									
Subsidiaries	—	—	—	—	—	—	(260)	—	(260)
Associates	—	—	—	—	—	—	1,693	—	1,693
Negative goodwill arising on acquisition of an associate (note 12)	—	—	—	—	1,079,084	—	—	—	1,079,084
Goodwill arising on acquisition of interest in a subsidiary	—	—	—	—	(480)	—	—	—	(480)
Adjustment for negative goodwill arising on acquisition of additional interests in subsidiaries in prior year	—	—	—	—	22,673	—	—	—	22,673
Net loss for the year	—	—	—	—	—	—	—	(633,928)	(633,928)
At 31st January, 2001 (Unaudited)	1,119,738	87,297	—	163,168	4,426,945	57	29,006	(3,244,064)	2,582,147

14. CONTINGENT LIABILITIES

Crocodile Garments Limited ("CGL"), a 54.93%-owned subsidiary, is involved in legal disputes in which a supplier, who alleges that CGL has infringed its trademark in the People's Republic of China ("PRC"), is seeking orders from the courts in Hong Kong to prohibit CGL from registering certain trademarks in the PRC and orders from the court in the PRC for a compensation of RMB3,500,000.

The High Court and the Court of Appeal ruled in favour of the supplier and CGL is considering to appeal against the judgements to the Court of Final Appeal. The Court in the PRC has not delivered the judgement as at the date of this report. In the opinion of the Directors, having taken legal advice, the claim for compensation against CGL is unlikely to be successful and, therefore, no provision has been made in these financial statements.

15. COMPARATIVE AMOUNTS

Due to the adoption of Statements of Standard Accounting Practice No.1 "Presentation of Financial Statements" and No. 2 "Net Profit or Loss for the Period, Fundamental Errors and Change in Accounting Policies" during current period, the presentation of the consolidated profit and loss account, consolidated balance sheet and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the financial year ending 31st July, 2001. No interim dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group reported an unaudited net loss attributable to shareholders of HK\$633.9 million for the half-year ended 31st January, 2001. Turnover decreased by around 59% compared with the previous corresponding period mainly due to the deconsolidation of the results of Lai Sun Development Company Limited ("LSD") since 2nd May, 2000 when LSD ceased to be a subsidiary of the Company. Although the garment operations of the Company continued to report steady profit and Crocodile Garments Limited ("CGL"), the subsidiary of the Company, had also attained profitability, the overall consolidated results had been affected after accounting for the results of LSD, the principal associated company.

LSD reported an unaudited net loss attributable to shareholders of HK\$1,125.9 million for the period under review. The loss was mainly attributable to the loss on deemed disposal by LSD of Lai Fung Holdings Limited ("Lai Fung") following the issue and allotment by Lai Fung in January 2001 of new shares on mandatory conversion of the Lai Fung convertible guaranteed bonds ("LF Convertible Bonds"). LSD's interest in Lai Fung had thus been diluted from 74.5% to 25.4%.

The operating results of LSD have shown noticeable improvement over the previous corresponding period. The debt reduction programme implemented by the company proved rewarding and overall interest expenses had been reduced by 26% from the same period last year. However, following the disposal of certain non-core commercial and industrial property assets, the total investment property portfolio of LSD was reduced to 2 million sq. ft., resulting in lower gross rental income. Through two respective repayments to holders of the outstanding exchangeable and convertible bonds on 31st August, 2000 and 31st January, 2001, LSD had reduced the total outstanding principal of both bonds by 17.5% to US\$218.625 million (approximately HK\$1,693 million).

eSun Holdings Limited ("eSun"), a listed subsidiary of LSD until 4th April, 2001, reported an audited net loss attributable to shareholders of HK\$305.65 million for the year ended 31st December, 2000. This loss was mainly due to a provision of HK\$351 million for diminution in value of the 295 million shares in SUNDAY Communications Limited held by eSun. The loss from operating activities was partly

offset by the gross profit of HK\$82.3 million recorded by the company. Following completion of a restructuring scheme implemented by both LSD and eSun in mid-2000, eSun will concentrate on the development and operation of and investment in telecommunications, media, entertainment and other related businesses through the Internet and other electronic means.

Lai Fung reported an unaudited net loss attributable to shareholders of HK\$39.2 million for the half-year under review. It achieved a higher operating profit of HK\$35.2 million on a turnover of HK\$74.8 million, a year-on-year decline of around 46% which was mainly attributable to the slowdown in sales of Phase II of Eastern Place in Guangzhou. However, the results had been affected unfavourably by finance costs and an increase in losses of associated companies.

Lai Fung issued and allotted a total of 2,023 million new shares to holders of the LF Convertible Bonds in January 2001, thus diluting the shareholding interest of LSD in Lai Fung from 75.4 % to around 25.4 %. The Company made an investment in the LF Convertible Bonds prior to its mandatory conversion and as a result, new shares in Lai Fung amounting to an interest of around 20.6% in the enlarged share capital of Lai Fung were allotted to the Company. The current combined shareholding interests of the Company and LSD in Lai Fung therefore amount to around 46%.

CGL had reported an encouraging turnaround for the period under review. A mild decline in turnover had been recorded but improvement in gross profit margin and tight control in selling and distribution costs contributed to the achievement of the net profit attributable to shareholders of HK10.7 million for the period. This compares favourably with the net loss of HK\$13.8 million recorded for the same period of the previous year.

CGL continued to implement its policy of rationalising its network of retail shops in Hong Kong by closing down loss-incurring shops and opening new shops in more suitable districts. It had also made encouraging progress in expanding its sales network in the Mainland of China through active development of its franchisee base. This had resulted in a significant increase in turnover of 26% in the Mainland compared with the previous period.

Prospects

With the anticipated accession of China to the World Trade Organization in the near future, and increasing competition in the Hong Kong garments exports markets, the Company will continue to actively evaluate the investment potential of various business sectors, including opportunities in the Mainland of China.

While the local economy appeared to have regained a certain degree of stability, the sudden reversal of the wealth effect on the stock market following the fall in technology stock values will undoubtedly impact unfavourably on consumer sentiment. Although local interest rates will tend to move lower, this is likely to be overshadowed by pessimism over income growth and high unemployment rate. Against this backdrop, it is not anticipated that any significant growth in office and commercial rentals can be achieved in the short term as demand is expected to remain flat. The mass residential property market will be restrained by abundance in supply and any dramatic increase in capital values in the short-to medium-term is unlikely, despite liquidity in the banking sector for mortgage loans. LSD will continue to closely monitor the evolving trends and will flexibly realise its property portfolios as and when appropriate.

Following the restructuring scheme completed in mid-2000, eSun has been steadily expanding its multimedia business through acquisition of various investments. eSun announced in February 2001 the establishment of East Asia Satellite Television (EAST) ("EAST") and the construction of East Asia Satellite Television City ("EAST-TV City") in Macau. The EAST TV City will, on completion, house production facilities for EAST whilst at the same time serving as an attraction for both local and overseas visitors. EAST is expected to commence commercial broadcasting in early 2002, targeting primarily viewers in major cities in the Mainland.

The real estate markets in the major cities in the Mainland in which Lai Fung operates have been showing signs of a steady recovery over the past six months. This has been helped in part by the widely expected accession to the World Trade Organization by China in 2001. Any increase in the level of overseas or domestic investment activities should, in turn, be beneficial to the property portfolios of Lai Fung. Rental contributions from Hong Kong Plaza in Shanghai, which has reported an average occupancy of over 70%, should continue to improve. Sales should also improve when pre-sale of Phase III of Eastern Place begins in the second-half of this year and the potential launch of New Trend Plaza by the end of this year. With the mandatory conversion in January 2001 of the LF Convertible Bonds, finance costs for the company is expected to decrease significantly. With its strong asset backing and low financial gearing, Lai Fung is well-placed to capitalise on business opportunities that may arise in the near future.

The Hong Kong retail operation of CGL had been streamlined to adapt to the slow retail market conditions following the financial turbulence in recent years. For the Mainland operation, CGL will reinforce its menswear line for which there is a stable market, and at the same time will also promote the "Croco Ladies" line. Management control of the Mainland operation will be strengthened, and plans to increase the number of operations office to ten are being pursued.

Liquidity and Financial Resources

As at 31st January, 2001, total bank and other borrowings (including the amount due to Mr. Lim Por Yen of HK\$44 million as referred to below) and consolidated net assets of the Group amounted to HK\$168 million and HK\$3,301 million, respectively. The debt to equity ratio, expressed as a percentage of total bank and other borrowings to total net assets, as at that date was only 5.1% which was considered to be at a comfortable level.

The maturity profile of the total bank and other borrowings of HK\$168 million as at 31st January, 2001 was spread over a period of two years with HK\$74 million repayable or renewable within one year and HK\$94 million repayable or renewable between one to two years.

The Group's bank borrowings were mainly in Hong Kong dollar and US dollar, thereby reducing its exchange risk exposure. The majority of the bank and other borrowings were maintained as floating rate debts. Attention will be paid to the interest rate movements such that appropriate action will be taken when necessary to hedge against interest rate volatilities.

As at 31st January, 2001, certain investment properties with carrying value of approximately HK\$74 million and certain fixed assets with carrying value of approximately HK\$325 million were pledged to banks to secure banking facilities granted to the Group. In addition, 120,000,000 ordinary shares of LSD and 96,000,000 ordinary shares of CGL held by the Group were pledged to a bank to secure banking facilities granted to the Group.

During the period under review, an unsecured revolving loan facility of up to a maximum principal amount of HK\$100 million was obtained by the Company, from Mr. Lim Por Yen, a substantial shareholder and a director of the Company, for a term of approximately two years to 30th November, 2002. The loan facility was obtained by the Company mainly for financing its acquisition of the interest in Lai Fung. The outstanding loan balance as at 31st January, 2001 was HK\$44 million. Please refer to note 8(iii) and note 12 to the condensed consolidated financial statements for more details.

The Group's cash and bank balances as at 31st January, 2001 amounted to HK\$58 million. The available cash balance together with the short term listed investments of HK\$24 million held by the Company as at the same date were adequate to cover the working capital requirement of the Group.

Most of the Group's sales and purchase were made mainly in US dollar, Hong Kong dollar, Renminbi and French franc. Most of the transactions in French franc were covered with forward exchange contracts in order to minimize the exchange risk exposure.

Employees and Remuneration Policies

The Group employed a total of approximately 1,900 (as at 31st July, 2000: 2,000) employees as at 31st January, 2001. Pay rates of employees are maintained at competitive levels. Salary adjustments are made and bonuses are rewarded on a performance related basis. Other staff benefits included a number of mandatory provident fund schemes for all the eligible employees of the Group, free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes.

Contingent Liabilities

Details of contingent liabilities are set out in note 14 to the financial statements.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st January, 2001, the interests of the Directors and the chief executive of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(1) The Company

	Number of Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	484,991,750	Nil	Nil	Nil	484,991,750
Lam Kin Ngok, Peter	110,794,951	Nil	Nil	Nil	110,794,951
Chiu Wai	199,600	Nil	Nil	Nil	199,600
U Po Chu	3,669,000	Nil	Nil	Nil	3,669,000
Lai Yuen Fong	4,451,790	Nil	Nil	Nil	4,451,790

(2) Associated Corporations:

(a) Lai Sun Development Company Limited ("LSD")

	Number of LSD Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	197,859,550	Nil	1,582,869,192	Nil	1,780,728,742
			<i>(note)</i>		
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
Chiu Wai	195,500	Nil	Nil	Nil	195,500
U Po Chu	633,400	Nil	Nil	Nil	633,400

Note: The Company and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in LSD. Mr. Lim Por Yen was deemed to be interested in such shares by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were Directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.

(b) eSun Holdings Limited ("eSun")

	Number of eSun Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	1,656,867	Nil	285,512,791	Nil	287,169,658
			<i>(note 1)</i>		
Lam Kin Ngok, Peter	3,426,567	Nil	Nil	10,500,000	3,426,567
				<i>(under share options)</i>	
				<i>(note 2)</i>	
U Po Chu	112,500	Nil	Nil	Nil	112,500
Lee Po On, Mark	Nil	Nil	Nil	6,000,000	Nil
				<i>(under share options)</i>	
				<i>(note 3)</i>	

Note 1: Lai Sun Development Company Limited ("LSD") and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. The Company and its wholly-owned subsidiary held, in turn, an interest of approximately 42.25% in the issued ordinary share capital of LSD. Mr. Lim Por Yen was deemed to be interested in such shares in eSun by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok,

Peter, Madam U Po Chu and Madam Lai Yuen Fong were Directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.

Note 2: An employee share option scheme (the "Scheme") was adopted by eSun in November 1996. An option was granted by eSun under the Scheme to Mr. Lam Kin Ngok, Peter on 12th February, 2000 to subscribe for 20,000,000 shares in eSun at HK\$0.61 per share exercisable during the period from 13th August, 2000 to 12th August, 2002. Another option was granted by eSun to Mr. Lam under the Scheme on 4th March, 2000 to subscribe for 15,000,000 shares in eSun at HK\$1.40 per share exercisable during the period from 5th September, 2000 to 4th September, 2002.

On consolidation of every five issued and unissued shares into one ordinary share of HK\$0.50 each in eSun with effect from 29th December, 2000, the respective number of Mr. Lam's options for each of the two periods was adjusted to 4,000,000 shares and 3,000,000 shares whereas the respective exercise price per option for each of the two periods was adjusted to HK\$3.05 and HK\$7.00 respectively.

Pursuant to the rights issue of eSun on the basis of one rights share for every two existing consolidated ordinary shares held, the respective number of Mr. Lam's options for each of the two periods was further adjusted to 6,000,000 shares and 4,500,000 shares respectively, whereas the respective exercise price per option for each of the two periods was further adjusted to HK2.655 and HK\$6.094 respectively.

During the six months ended 31st January, 2001, Mr. Lam had not exercised any share options.

Note 3: An option was granted by eSun under the Scheme to Mr. Lee Po On, Mark on 4th March, 2000 to subscribe for 20,000,000 shares in eSun at HK\$1.40 per share exercisable during the period from 5th September, 2000 to 4th September, 2002.

After the consolidation of shares in eSun and the subsequent rights issue as mentioned in Note 2 above, the number of options and the subscription price per share are adjusted to 6,000,000 shares and HK\$6.094 respectively.

During the six months ended 31st January, 2001, Mr. Lee had not exercised any share options.

(c) **Lai Fung Holdings Limited (“Lai Fung”)**

	Number of Lai Fung Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	1,413,700,289 <i>(note)</i>	Nil	1,413,700,289

Note: Mr. Lim Por Yen was deemed to be interested in 1,413,700,289 shares in Lai Fung by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of the Company which, together with its wholly-owned subsidiary, held 633,741,377 shares in Lai Fung. Further, the Company and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of Lai Sun Development Company Limited which held 779,958,912 shares in Lai Fung. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were Directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.

(d) **Crocodile Garments Limited (“CGL”)**

	Number of CGL Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	338,982,809 <i>(note)</i>	Nil	338,982,809
Lee Po On, Mark	3,000,000	Nil	Nil	Nil	3,000,000

Note: The Company and its wholly-owned subsidiary beneficially owned 338,982,809 shares in CGL. Mr. Lim Por Yen was deemed to be interested in such shares by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were Directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.

In addition to the above, certain Directors of the Company held non-beneficial interests in the share capital of some of the Company's associated corporations as nominee shareholders, mainly for the purpose of complying with the statutory requirement for a minimum number of shareholders for those associated corporations.

Save as disclosed above, as at 31st January, 2001, none of the Directors or the chief executive of the Company or their respective associates had any interests in the equity or debt securities of the Company or of any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part 1 of the Schedule to that Ordinance) or the Model Code or which were required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS

As at 31st January, 2001, the following person was interested in 10% or more of the total issued share capital of the Company as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of Shares Held
Mr. Lim Por Yen	493,112,540 (<i>Note</i>)

Note: Mr. Lim Por Yen's interest in the said 493,112,540 shares in the Company included 4,451,790 shares and 3,669,000 shares in the Company respectively held by Madam Lai Yuen Fong and Madam U Po Chu, the spouses of Mr. Lim Por Yen, who were also deemed under the SDI Ordinance to have interest in Mr. Lim Por Yen's interest in the share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2001, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by this Interim Report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The non-executive Directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company. This Interim Report has been reviewed by the Audit Committee of the Company.

By Order of the Board
Lim Por Yen
Chairman and Managing Director

Hong Kong, 20th April, 2001