



LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED

(Stock code: 191)

Interim Report 2006-2007

CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Shiu Kai Wah

Lam Kin Hong, Matthew

Tam Kin Man, Kraven

Lam Hau Yin, Lester⁺ (appointed as alternate Director to Madam U Po Chu on 2nd August, 2006)

U Po Chu

Chiu Wai

Lai Yuen Fong

Lam Wai Kei, Vicky[#]

Wan Yee Hwa, Edward^{*}

Leung Shu Yin, William^{*}

Chow Bing Chiu^{*}

Lee Po On (resigned on 22nd January, 2007)

+ *Also alternate Director to Madam U Po Chu*

Alternate Director to Madam Lai Yuen Fong

* *Independent non-executive Directors*

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Company Secretary

Yeung Kam Hoi

Qualified Accountant

Alan K. L. Tse

Lai Sun Garment (International) Limited

11/F Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon, Hong Kong

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E-mail advpr@laisun.com

Stock code on Hong Kong Stock Exchange: 191

RESULTS

The Board of Directors of Lai Sun Garment (International) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2007

	Notes	Six months ended	
		31st January, 2007	2006
		HK\$'000 (Unaudited)	HK\$'000 (Audited) (Reclassified)
TURNOVER	3		
Continuing operations		5,372	14,693
Discontinued operation		—	194,588
		5,372	209,281
Cost of sales		(883)	(82,205)
Gross profit		4,489	127,076
Other revenue and gain	4	10,364	22,082
Selling and distribution costs		—	(95,236)
Administrative expenses		(15,006)	(53,656)
Other operating income/(expenses), net		4,059	(599)
Fair value gain on investment properties		21,400	158,799
PROFIT FROM OPERATING ACTIVITIES	5	25,306	158,466
Finance costs	6	(9,061)	(11,497)
Share of profits and losses of associates		82,509	26,763
PROFIT BEFORE TAX			
Continuing operations		98,754	167,464
Discontinued operation		—	6,268
		98,754	173,732
Tax	7		
Continuing operations		(3,745)	(30,398)
Discontinued operation		—	16,146
		(3,745)	(14,252)
PROFIT FOR THE PERIOD			
Continuing operations		95,009	137,066
Discontinued operation		—	22,414
		95,009	159,480

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

For the six months ended 31st January, 2007

	Notes	Six months ended	
		2007	2006
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
			(Reclassified)
Attributable to:			
Equity holders of the Company			
Continuing operations		95,009	87,327
Discontinued operation		—	12,313
		95,009	99,640
Minority interests		—	59,840
		95,009	159,480
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
— For profit for the period	8	HK 5.87 cents	HK 6.16 cents
— For profit from continuing operations		HK 5.87 cents	HK 5.40 cents
Diluted			
— For profit for the period		N/A	N/A
— For profit from continuing operations		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January, 2007

	Notes	31st January, 2007 HK\$'000 (Unaudited)	31st July, 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		3,844	4,276
Investment properties		140,500	119,100
Properties under development		152,210	138,494
Interests in associates		2,428,048	2,268,218
Available-for-sale equity investments		466,946	466,946
Loan receivable		—	40,730
Promissory note receivable		167,000	167,000
Total non-current assets		3,358,548	3,204,764
CURRENT ASSETS			
Debtors, deposits and other receivables	10	9,252	6,159
Cash and cash equivalents		68,511	34,692
Total current assets		77,763	40,851
CURRENT LIABILITIES			
Tax payable		231	231
Creditors, deposits received and accruals	11	18,082	15,648
Total current liabilities		18,313	15,879
NET CURRENT ASSETS		59,450	24,972
TOTAL ASSETS LESS CURRENT LIABILITIES		3,417,998	3,229,736
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings		(31,745)	(31,745)
Note payable		(195,000)	(195,000)
Accrued interest payable		(32,322)	(23,313)
Deferred tax liabilities		(23,910)	(20,165)
Total non-current liabilities		(282,977)	(270,223)
		3,135,021	2,959,513
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		16,174	16,174
Share premium account		1,908,840	1,908,840
Asset revaluation reserve		55,494	55,494
Investment revaluation reserve		265,732	265,331
Share option reserve		306	—
Capital reserve		148,694	148,694
Exchange fluctuation reserve		138,303	58,511
Retained earnings		601,478	506,469
		3,135,021	2,959,513

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2007

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Asset revaluation reserve	Investment revaluation reserve	Share option reserve	Capital reserve	Exchange fluctuation reserve	Retained earnings	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st July, 2006 and 1st August, 2006 (Audited)	16,174	1,908,840	55,494	265,331	—	148,694	58,511	506,469	2,959,513	—	2,959,513
Share of reserve movements of an associate	—	—	—	401	306	—	79,792	—	80,499	—	80,499
Net income recognised directly in equity	—	—	—	401	306	—	79,792	—	80,499	—	80,499
Profit for the period	—	—	—	—	—	—	—	95,009	95,009	—	95,009
At 31st January, 2007 (Unaudited)	16,174	1,908,840	55,494	265,732	306	148,694	138,303	601,478	3,135,021	—	3,135,021
At 31st July, 2005 and 1st August, 2005 (Audited)	808,712	1,116,302	55,799	(12,663)	—	148,694	43,544	626,940	2,787,328	201,745	2,989,073
Exchange realignment: Subsidiaries	—	—	—	—	—	—	1,278	—	1,278	—	1,278
Changes in fair values of available-for-sale equity investments	—	—	—	83,892	—	—	—	—	83,892	—	83,892
Share of reserve movement of an associate	—	—	—	—	—	—	4,897	—	4,897	—	4,897
Net income recognised directly in equity	—	—	—	83,892	—	—	6,175	—	90,067	—	90,067
Profit for the period	—	—	—	—	—	—	—	99,640	99,640	59,840	159,480
Total recognised income for the period	—	—	—	83,892	—	—	6,175	99,640	189,707	59,840	249,547
Capital reduction	(792,538)	792,538	—	—	—	—	—	—	—	—	—
Contribution from minority equity holders	—	—	—	—	—	—	—	—	—	10,859	10,859
At 31st January, 2006 (Audited)	16,174	1,908,840	55,799	71,229	—	148,694	49,719	726,580	2,977,035	272,444	3,249,479

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2007

	Six months ended	
	31st January,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(10,276)	(16,866)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	44,145	(88,587)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(50)	(1,681)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	33,819	(107,134)
Cash and cash equivalents at beginning of period	34,692	383,932
CASH AND CASH EQUIVALENTS AT END OF PERIOD	68,511	276,798
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	11,511	152,835
Non-pledged time deposits with original maturity of less than three months when acquired	57,000	126,743
Bank overdrafts	—	(2,780)
	68,511	276,798

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31st January, 2007 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The condensed consolidated interim financial statements for the six months ended 31st January, 2006 had been audited by the Company's auditors. Upon the disposal of all the shares of Crocodile Garments Limited ("CGL"), a former subsidiary of the Group, which was principally engaged in manufacture and trading of garments and property investment, held by the Group in May 2006, the Group ceased the business of manufacture and trading of garments. Certain comparative amounts as shown in the condensed consolidated income statement and its relevant notes for the six months ended 31st January, 2006 have been reclassified to present this information by continuing operations and discontinued operation so as to achieve a comparable presentation of result for the current period. Such reclassification has not been reviewed or audited by the Company's auditors.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited consolidated financial statements for the year ended 31st July, 2006, except as described below:

2.1 Impact of new and revised Hong Kong Financial Reporting Standards ("HKFRS", which also include HKASs and Interpretations)

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2006. The Group has adopted the following new and revised HKFRSs which are pertinent to its operations and relevant to these unaudited condensed consolidated interim financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) — Int 8	Scope of HKFRS 2

The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated interim financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January, 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1st January, 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1st January, 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. The standard will supersede HKAS 14 "Segment Reporting".

HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1st November, 2006, 1st March, 2007 and 1st January, 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION

(a) Business segments

The Group is currently focusing on its property development and property investment businesses. The Group was also involved in the business of manufacture and trading of garments which was discontinued during the year ended 31st July, 2006.

The following table presents revenue and profit/(loss) for the Group's business segments:

	Continuing operations								Discontinued operation		Consolidated	
	Property development		Property investment		Others		Sub-total		Garment operation		Six months ended	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31st January,		31st January,		31st January,		31st January,		31st January,		31st January,	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment revenue:												
Sales to external customers	—	—	5,372	8,473	—	6,220	5,372	14,693	—	194,588	5,372	209,281
Other revenue and gain	—	—	—	107	—	—	—	107	—	13,310	—	13,417
Total	—	—	5,372	8,580	—	6,220	5,372	14,800	—	207,898	5,372	222,698
Segment results	—	—	10,883	150,810	—	(5,128)	10,883	145,682	—	4,119	10,883	149,801
Unallocated other revenue and gain							10,364	5,714	—	2,951	10,364	8,665
Unallocated other operating income							4,059	—	—	—	4,059	—
Profit from operating activities							25,306	151,396	—	7,070	25,306	158,466

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(b) Geographical segments

The following table presents revenue for the Group's geographical segments:

	Hong Kong		Mainland China		Consolidated	
	Six months ended		Six months ended		Six months ended	
	31st January,		31st January,		31st January,	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
		(Reclassified)		(Reclassified)		(Reclassified)
Segment revenue:						
Sales to external customers	5,372	131,698	—	77,583	5,372	209,281
Attributable to a discontinued operation	—	(123,225)	—	(71,363)	—	(194,588)
Revenue from continuing operations	5,372	8,473	—	6,220	5,372	14,693

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

4. OTHER REVENUE AND GAIN

	Continuing operations		Discontinued operation		Total	
	Six months ended		Six months ended		Six months ended	
	31st January,		31st January,		31st January,	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
		(Reclassified)		(Reclassified)		(Reclassified)
Royalty income	—	—	—	11,532	—	11,532
Unrealised gain on revaluation of equity investments at fair value through profit or loss	—	696	—	—	—	696
Dividend income from equity investments at fair value through profit or loss	—	458	—	—	—	458
Interest income from bank deposits	941	963	—	2,951	941	3,914
Other interest income	9,423	3,597	—	—	9,423	3,597
Others	—	107	—	1,778	—	1,885
	10,364	5,821	—	16,261	10,364	22,082

5. PROFIT FROM OPERATING ACTIVITIES

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

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	Continuing operations		Discontinued operation		Total	
	Six months ended		Six months ended		Six months ended	
	31st January,		31st January,		31st January,	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
		(Reclassified)		(Reclassified)		(Reclassified)
Depreciation	915	870	—	5,808	915	6,678
Reversal of impairment for loan and interest receivable*	(4,059)	—	—	—	(4,059)	—
Write-back of provision for slow-moving inventories**	—	—	—	(2,922)	—	(2,922)
Loss on disposal of items of property, plant and equipment	—	—	—	14	—	14

* This item is included in "Other operating income/(expenses), net" on the face of the condensed consolidated income statement.

** This item is included in "Cost of sales" on the face of the condensed consolidated income statement.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6. FINANCE COSTS

	Six months ended	
	31st January,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited) (Reclassified)
Interests on:		
Bank loans and overdrafts wholly repayable within five years	—	802
Note payable and other borrowings wholly repayable within five years	9,011	10,695
	<hr/>	<hr/>
Total interest expense	9,011	11,497
Bank charges and refinancing charges	50	—
	<hr/>	<hr/>
	9,061	11,497
	<hr/>	<hr/>
Attributable to continuing operations	9,061	10,695
Attributable to a discontinued operation	—	802
	<hr/>	<hr/>
	9,061	11,497
	<hr/>	<hr/>

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 31st January, 2006: 17.5%) 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 places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31st January,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited) (Reclassified)
Provision for the period:		
Deferred tax	3,745	24,858
Prior periods' overprovision:		
Mainland China	—	(10,606)
	<hr/>	<hr/>
Tax charge for the period	3,745	14,252
	<hr/>	<hr/>
Attributable to continuing operations	3,745	30,398
Attributable to a discontinued operation	—	(16,146)
	<hr/>	<hr/>
	3,745	14,252
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 31st January, 2007 and 2006 have not been disclosed as no diluting event existed during these periods.

The calculation of basic earnings per share is based on:

	Six months ended 31st January,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Audited) (Reclassified)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	95,009	87,327
From discontinued operation	—	12,313
	95,009	99,640

Shares

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,617,423,423	1,617,423,423
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9. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	Six months ended 31st January,	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Audited)
Rental expense and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	(i)	—	1,060
Related companies	(ii)	421	1,867
Interest expense on note payable to and other borrowing granted by late Mr. Lim Por Yen	(iii)	9,011	8,257
Interest expense on other borrowing granted by Mr. Lam Kin Ngok, Peter	(iii)	—	2,438
Interest income received and receivable from an associate of the Group, Lai Fung Holdings Limited ("Lai Fung")	(iv)	6,635	—
Consideration paid and payable to CGL pursuant to a joint venture agreement for contributing an investment property as security for the construction finance	(v)	4,260	—

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

9. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) Lai Sun Textiles Company Limited is a company beneficially owned by certain directors of the Company. Rental expense and building management fee were paid to this related company pursuant to the respective lease agreements.
- (ii) Rental expense and building management fee were paid to these related companies, of which certain directors of the Company are also directors of these related companies, based on terms stated in the respective lease agreements.
- (iii) The interest expense was charged at the prevailing Hong Kong dollar prime rate as quoted by a designated bank in Hong Kong in respect of the other borrowings and note payable.
- (iv) The interest income was charged at the prevailing Hong Kong dollar prime rate as quoted by a designated bank in Hong Kong in respect of the promissory note receivable from Lai Fung, an associate of the Group.
- (v) In consideration of CGL contributing a property as security for the construction finance of a joint development project of the Group and CGL, the Group agreed to make quarterly payments of HK\$2,130,000 to CGL for the period from the date of delivery of vacant possession of the property for development to the date of issuance of a certificate of practical completion of construction.

(b) Compensation of key management personnel of the Group

	Six months ended	
	31st January,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Short term employee benefits	3,723	6,326
Post-employment benefits	13	25
	3,736	6,351

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

The Group's major businesses are property development and property investment. The major income derived during the interim period 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, as at the balance sheet date is as follows:

	31st January, 2007 HK\$'000 (Unaudited)	31st July, 2006 HK\$'000 (Audited)
Debtors:		
Current to 90 days	219	394
91 to 180 days	2	41
181 to 365 days	—	27
	221	462
Deposits and other receivables	9,031	5,697
	9,252	6,159

11. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	31st January, 2007 HK\$'000 (Unaudited)	31st July, 2006 HK\$'000 (Audited)
Creditors:		
Current to 90 days	19	258
Deposits received and accruals	18,063	15,390
	18,082	15,648

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

12. CONTINGENT LIABILITIES

During the year ended 31st July, 2006, the Group disposed of its entire interests in Assetop Asia Limited (“Assetop”), a then wholly-owned subsidiary of the Group, to Goldthrope Limited (“Goldthrope”), a wholly-owned subsidiary of Lai Fung. The principal asset held by Assetop is a property under development (the “Property”) in Shanghai, the Mainland of China (the “PRC”). Certain subsidiaries of Assetop in the PRC are undergoing merger by absorption and completion of the merger is conditional upon approval of the relevant PRC government authorities. The parties have applied to the relevant authorities for such approval. The Company has agreed to indemnify Lai Fung and Goldthrope against all losses incurred by Lai Fung and Goldthrope as a result of the merger of the above mentioned subsidiaries not being completed or the resettlement costs of approximately RMB124 million (equivalent to approximately HK\$119 million), which had been incurred and paid in prior years in connection with the relocation of the original inhabitants and the demolition of the then building structure erected on the Property (the “Resettlement Costs”), not being tax deductible, up to a maximum amount of HK\$102,000,000, which was estimated based on the prevailing tax regulations. The liability of the Company under this indemnity will terminate on 29th May, 2012. The Resettlement Costs are properly incurred for the project and are properly recorded in the books of the PRC subsidiaries of Assetop. Based on the prevailing rules and regulations, the directors of the Company consider such Resettlement Costs are tax deductible and thus no material liabilities are expected to crystallise under this indemnity.

13. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the balance sheet date:

	31st January, 2007 HK\$'000 (Unaudited)	31st July, 2006 HK\$'000 (Audited)
Capital commitments in respect of development costs attributable to properties under development:		
Contracted, but not provided for	45,422	7,000
Authorised, but not contracted for	308,200	354,000
	353,622	361,000

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the financial year ending 31st July, 2007. No interim dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

As a result of the disposal of the Group's shareholding in CGL in May 2006, and with the Group ceasing to engage in the now discontinued garment business, the Group recorded a turnover of HK\$5,372,000 for the six months ended 31st January, 2007, compared to a turnover of HK\$209,281,000 for the previous corresponding period (of which HK\$14,693,000 was derived from continuing operations and HK\$194,588,000 from discontinued operation).

For the six months ended 31st January, 2007, the Group recorded a consolidated profit attributable to equity holders of the Company of HK\$95,009,000, compared to HK\$99,640,000 for the previous corresponding period.

Shareholders' equity as at 31st January, 2007 amounted to HK\$3,135,021,000, up from HK\$2,959,513,000 as at 31st July, 2006. Net asset value per share as at 31st January, 2007 was HK\$1.94, as compared to HK\$1.83 as at 31st July, 2006.

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Lai Fung

As at 31st January, 2007, the Group held an effective 40.58% interest in Lai Fung.

For the six months ended 31st January, 2007, Lai Fung recorded a turnover of HK\$504,666,000 and a consolidated profit attributable to equity holders of HK\$203,544,000, representing a decrease of approximately 15% and an increase of approximately 194%, respectively from the previous corresponding period.

During the period, Lai Fung derived a turnover of HK\$111,625,000 from gross rental income from Shanghai Hong Kong Plaza and Guangzhou Mayflower Plaza, up approximately 18% from the previous corresponding period. Lai Fung also derived a turnover of HK\$393,041,000 from sale of development properties, down approximately 21% from the previous corresponding period. Substantially most of the turnover from sale of development properties during the period was attributable to the sale of residential units at Guangzhou Eastern Place Phase IV.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Overview of Interim Results (Continued)

Lai Sun Development Company Limited ("LSD")

As at 31st January, 2007, the Group held an effective 11.18% interest in LSD.

For the six months ended 31st January, 2007, LSD recorded a total turnover of HK\$458,030,000 and a consolidated profit attributable to equity holders of HK\$600,103,000, representing an increase of approximately 13% and 159%, respectively from the previous corresponding period.

During the period, LSD derived a turnover of HK\$143,999,000 from gross rental income from its investment properties portfolios and a turnover of HK\$297,755,000 from its hotel operations, up approximately 9% and 16%, respectively from the previous corresponding period. During the period, LSD hotel operations achieved the following average occupancy and average daily room rate compared to the previous corresponding period:

	Effective ownership	For the six months ended 31st January,			
		2007	2006	2007	2006
		Average occupancy (%)	Average daily room rate	Average occupancy (%)	Average daily room rate
The Ritz-Carlton Hong Kong	65%	86	HK\$2,768	83	HK\$2,349
Majestic Hotel, Kowloon, Hong Kong	50%	92	HK\$686	93	HK\$593
Caravelle Hotel, Ho Chi Minh City, Vietnam	26%	71	US\$141	71	US\$113

During the period, LSD derived share of profits from associates of HK\$402,398,000, up approximately 515% from the previous corresponding period largely due to a gain on completion in sale of 40% effective interest in the Macao Studio City project to its joint venture partner by eSun Holdings Limited ("eSun"), in which LSD has a 34.83% interest as at 31st January, 2007.

Prospects

Lai Fung

Lai Fung will continue to focus on property development projects located in prime areas in core cities in China. It currently has a sizeable rental property portfolio with an aggregate gross floor area ("GFA") attributable to the Lai Fung Group of around 200,000 sq.m., and has property under development and land bank with an aggregate GFA attributable to the Lai Fung Group of around 1 million sq.m. in Shanghai, Guangzhou and Zhongshan.

For Lai Fung's investment properties, given the tremendous potential in rental rates in Shanghai and Guangzhou in the next few years due to strong consumer spending and office demand, Lai Fung will strive to improve the rental income from its investment properties through improvement of tenant mix, and major renovations.

For Lai Fung's development properties, Lai Fung has accelerated its property development schedule and expects the completion volume to increase significantly in the next few years.

In future, Lai Fung seeks to expand its land bank in core cities such as Shanghai and Guangzhou where it already has a strong presence and is also actively looking for land acquisition targets in Beijing.

LSD and eSun

LSD will continue to improve its tenant mix in its investment properties so as to strengthen its rental income base. LSD is also actively looking for development projects which offer good investment returns.

LSD is still evaluating the possible redevelopment of The Ritz-Carlton Hong Kong. Redevelopment of The Ritz-Carlton Hong Kong is likely to significantly enhance the recurring rental income and the capital value of the property, after completion of such redevelopment.

eSun's Macao Studio City project will dramatically transform its businesses. Given its mega-scale and its unique positioning in Macau — a new integrated leisure, convention and retail centre in Asia, we expect Macao Studio City will stand as the major entertainment destination for visitors from Greater China and other parts of the world. It will become an important platform for the eSun Group to expand and monetarize its entertainment and media expertise. Upon the completion of Macao Studio City project, the eSun Group will become an operator of integrated leisure and entertainment venues as well as a provider of media and entertainment contents and services. On the media and entertainment businesses, the eSun Group will continue to consolidate its position in the media and entertainment industry.

According to the current plan, the Macao Studio City joint venture intends to tap the international capital markets in the middle of 2007 to raise debt financing to fund its construction and development costs. Foundation work of Macao Studio City will start in the second quarter of 2007 and construction of the superstructure is expected to commence in the fourth quarter of 2007. First phase of the project is scheduled to open in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects (Continued)

79 Hoi Yuen Road, Kwun Tong, Hong Kong

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 augment the Group's recurring rental income base.

Liquidity and Financial Resources

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, and bank and other borrowings.

As at 31st January, 2007, 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. As at that date, consolidated net assets of the Group amounted to HK\$3,135 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 7.2%.

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 and loan payables are not repayable within one year from the balance sheet date.

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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 January, 2007, certain investment properties with carrying value of approximately HK\$137 million were pledged to a bank to secure banking facility granted to the Group.

Cash and bank balances held by the Group as at 31st January, 2007 amounted to approximately HK\$69 million, which was considered adequate to cover the working capital requirement of the Group.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollar. The Group does not have any significant exposure to exchange rate risk.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Employees and Remuneration Policies

The Group employed a total of approximately 40 (as at 31st July, 2006: 50) employees as at 31st January, 2007. Total staff costs for the six months ended 31st January, 2007 amounted to approximately HK\$7 million. Pay rate of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a share option scheme, a mandatory provident fund scheme for all the eligible employees, a free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programmes.

Contingent Liabilities

Details of contingent liabilities of the Group as at the balance sheet date are set out in note 12 to the condensed consolidated interim financial statements.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives or rewards to any eligible employee, director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "Participants") for their contribution or would-be contribution to the Group and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. The Share Option Scheme was adopted by the Company on 22nd December, 2006 and became effective on 29th December, 2006 and unless otherwise cancelled or amended, will remain in force for 10 years from the latter date.

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No options under the Share Option Scheme were granted to any Participants or other persons or were exercised or cancelled or lapsed during the six months ended 31st January, 2007. As at 31st January, 2007, the Company had no share options outstanding under the Share Option Scheme.

DIRECTORS' INTERESTS

As at 31st January, 2007, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

Long positions in the shares

Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	124,644,319	Nil	484,991,750 (Note)	Beneficial owner	609,636,069	37.69%
Lam Kin Ming	5,008,263	Nil	Nil	Beneficial owner	5,008,263	0.31%
U Po Chu	4,127,625	Nil	484,991,750 (Note)	Beneficial owner	489,119,375	30.24%
Lam Hau Yin, Lester	60,623,968	Nil	Nil	Beneficial owner	60,623,968	3.75%
Chiu Wai	199,600	Nil	Nil	Beneficial owner	199,600	0.01%

Note: Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in the Company.

DIRECTORS' INTERESTS (Continued)**(2) Associated Corporation****Lai Fung**

Long positions in the shares of Lai Fung

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note 1)	—	Owner of controlled corporation	3,265,688,037	40.58%
Tam Kin Man, Kraven	Nil	Nil	—	40,000,000 (Note 2)	Beneficial owner	40,000,000	0.50%

Notes:

- 1 The Company and its wholly-owned subsidiary beneficially owned 3,265,688,037 shares in Lai Fung. Mr. Lam Kin Ngok, Peter was deemed to be interested in 3,265,688,037 shares in Lai Fung by virtue of his approximate 37.69% interest in the issued share capital of the Company.
- 2 A share option scheme was adopted by Lai Fung on 21st August, 2003 and will remain in force for 10 years from the date of adoption. Share options granted to the following Director of the Company and outstanding as at 31st January, 2007 are set out below:

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Name of Director	Date of Grant	No. of Share Options	Option Period	Subscription Price per Share
Tam Kin Man, Kraven	9/1/2007	10,000,000	1/1/2007 — 31/12/2007	HK\$0.45
	9/1/2007	10,000,000	1/1/2008 — 31/12/2008	HK\$0.55
	9/1/2007	10,000,000	1/1/2009 — 31/12/2009	HK\$0.65
	9/1/2007	10,000,000	1/1/2010 — 31/12/2010	HK\$0.75
		40,000,000		

Save as disclosed above, as at 31st January, 2007, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation, which were required to be notified to the Company and the Stock Exchange or were required to be entered in the Register as aforesaid.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st January, 2007, the following persons, some of whom are Directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	Long positions in the shares		Percentage
		Nature of Interests	Number of Shares	
Lam Kin Ngok, Peter	Beneficial owner	Personal and Corporate	609,636,069	37.69% (Note 1)
U Po Chu	Beneficial owner	Personal and Corporate	489,119,375	30.24% (Note 1)
Wisdoman Limited	Beneficial owner	Corporate	484,991,750	29.99%
PMA Capital Management Ltd.	Investment manager	Corporate	191,178,000	11.82% (Note 2)
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	Corporate	154,722,000	9.57% (Note 2)
Diversified Asian Strategies Fund	Beneficial owner	Corporate	85,664,000	5.30% (Note 2)

Notes:

1. Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in the Company.
2. Persons falling into the category of "Other Persons" in Practice Note 5 to the Listing Rules.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31st January, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2007, 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 Listing Rules throughout the accounting period covered by the Interim 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 was appointed for a specific term. However, all Directors of the Company are subject to the retirement provisions in the Articles of Association of the Company which provide that the Directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring Director shall be eligible for re-election.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions by Directors (the "Code") on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Code during the six months ended 31st January, 2007.

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REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31st January, 2007 has 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.

By Order of the Board

Lam Kin Ming

Chairman

Hong Kong, 13th April, 2007