



LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED

(Stock code: 191)

Interim Report 2007-2008

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 (*also alternate director to Madam U Po Chu*)

Leung Churk Yin, Jeanny

U Po Chu

Chiu Wai

Lai Yuen Fong

Lam Wai Kei, Vicky (*alternate director to Madam Lai Yuen Fong*)

Wan Yee Hwa, Edward*

Leung Shu Yin, William*

Chow Bing Chiu*

* *Independent non-executive Directors*

Company Secretary

Yeung Kam Hoi

Qualified Accountant

Alan K. L. Tse

1

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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 31 January 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2008

		Six months ended 31 January	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
	Notes		
TURNOVER	3	6,913	5,372
Cost of sales		(1,025)	(883)
Gross profit		5,888	4,489
Other revenue and gain	4	13,918	10,364
Administrative expenses		(13,095)	(15,006)
Other operating income/(expenses), net		(3,199)	4,059
Fair value gain on investment properties		21,415	21,400
PROFIT FROM OPERATING ACTIVITIES	5	24,927	25,306
Finance costs	6	(8,341)	(9,061)
Share of profits and losses of associates		20,219	82,509
PROFIT BEFORE TAX		36,805	98,754
Tax	7	(3,748)	(3,745)
PROFIT FOR THE PERIOD		33,057	95,009
Attributable to:			
Equity holders of the Company		33,057	95,009
Minority interests		—	—
		33,057	95,009
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK 2.04 cents	HK 5.87 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 January 2008

	Notes	31 January 2008 HK\$'000 (Unaudited)	31 July 2007 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,055	2,974
Investment properties		178,300	156,100
Properties under development		207,243	183,529
Interests in associates		2,758,145	2,656,103
Available-for-sale equity investments		269,087	474,860
Promissory note receivable		167,000	167,000
Total non-current assets		3,581,830	3,640,566
CURRENT ASSETS			
Debtors, deposits and other receivables	10	7,485	7,047
Loan and interest receivables		58,338	54,052
Cash and cash equivalents		23,242	18,401
Total current assets		89,065	79,500
CURRENT LIABILITIES			
Creditors, deposits received and accruals	11	26,558	22,831
Tax payable		231	231
Total current liabilities		26,789	23,062
NET CURRENT ASSETS		62,276	56,438
TOTAL ASSETS LESS CURRENT LIABILITIES		3,644,106	3,697,004
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(72,745)	(59,745)
Note payable		(195,000)	(195,000)
Accrued interest payable		(49,302)	(41,037)
Deferred tax liabilities		(30,282)	(26,534)
Total non-current liabilities		(347,329)	(322,316)
		3,296,777	3,374,688
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
Share option reserve		1,129	747
Hedging reserve		(56,589)	(16,954)
Investment revaluation reserve		68,063	273,836
Capital reserve		148,694	148,694
Exchange fluctuation reserve		339,909	206,084
Retained earnings		815,063	781,773
		3,296,777	3,374,688

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2008

	Attributable to equity holders of the Company									Total HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Asset revaluation reserve HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	
At 31 July 2007 and 1 August 2007 (Audited)	16,174	1,908,840	55,494	747	(16,954)	273,836	148,694	206,084	781,773	3,374,688
Changes in fair value of available-for-sale equity investments	—	—	—	—	—	(205,773)	—	—	—	(205,773)
Share of reserve movements of an associate	—	—	—	382	(39,635)	—	—	133,825	233	94,805
Net income recognised directly in equity	—	—	—	382	(39,635)	(205,773)	—	133,825	233	(110,968)
Profit for the period	—	—	—	—	—	—	—	—	33,057	33,057
Total recognised income and expense for the period	—	—	—	382	(39,635)	(205,773)	—	133,825	33,290	(77,911)
At 31 January 2008 (Unaudited)	16,174	1,908,840	55,494	1,129	(56,589)	68,063	148,694	339,909	815,063	3,296,777
At 31 July 2006 and 1 August 2006 (Audited)	16,174	1,908,840	55,494	—	—	265,331	148,694	58,511	506,469	2,959,513
Share of reserve movement of an associate	—	—	—	306	—	401	—	79,792	—	80,499
Net income recognised directly in equity	—	—	—	306	—	401	—	79,792	—	80,499
Profit for the period	—	—	—	—	—	—	—	—	95,009	95,009
Total recognised income and expense for the period	—	—	—	306	—	401	—	79,792	95,009	175,508
At 31 January 2007 (Unaudited)	16,174	1,908,840	55,494	306	—	265,732	148,694	138,303	601,478	3,135,021

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 January 2008

	Six months ended	
	31 January	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(12,213)	(10,276)
NET CASH INFLOW FROM INVESTING ACTIVITIES	5,035	44,145
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	12,019	(50)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,841	33,819
Cash and cash equivalents at beginning of period	18,401	34,692
CASH AND CASH EQUIVALENTS AT END OF PERIOD	23,242	68,511
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	6,242	11,511
Non-pledged time deposits with original maturity of less than three months when acquired	17,000	57,000
	23,242	68,511

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 31 January 2008 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.

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 31 July 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRS", which also include HKASs and Interpretations) which are applicable to the Group and are adopted for the first time for the current period's interim financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

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.

6

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 interim financial statements:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments

HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have a significant financial impact on the Group.

HKFRS 8 shall be applied for annual periods beginning on or after 1 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. This standard will supersede HKAS 14 "Segment Reporting".

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 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

Segment information is presented by way of the Group's primary segment reporting format, by business segment.

No further geographical segment information is presented as all of the Group's revenue is derived from customers based in Hong Kong.

The following table presents revenue and results for the Group's business segments:

	Property development		Property investment		Consolidated	
	Six months ended		Six months ended		Six months ended	
	31 January		31 January		31 January	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:						
Sales to external customers	—	—	6,913	5,372	6,913	5,372
Segment results	(22)	—	27,303	25,889	27,281	25,889
Interest income and unallocated other revenue and gain					13,918	10,364
Unallocated expense					(16,272)	(10,947)
Profit from operating activities					24,927	25,306

4. OTHER REVENUE AND GAIN

	Six months ended	
	31 January	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	165	941
Other interest income	13,680	9,423
Others	73	—
	13,918	10,364

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation	918	915
Impairment/(reversal of impairment) for loan and interest receivables *	3,199	(4,059)
	918	915
	3,199	(4,059)

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

6. FINANCE COSTS

	Six months ended	
	31 January	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interests on:		
Bank loans and overdrafts wholly repayable within five years	874	—
Other borrowing and note payable wholly repayable within five years	8,265	9,011
	9,139	9,011
Total interest expense	9,139	9,011
Bank financing charges	455	50
	9,594	9,061
Less: Amount capitalised in properties under development	(1,253)	—
	8,341	9,061

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 31 January 2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended	
	31 January	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for the period:		
Deferred tax	3,748	3,745

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

The calculation of basic earnings per share amount is based on profit for the period attributable to ordinary equity holders of the Company of HK\$33,057,000 (six months ended 31 January 2007: HK\$95,009,000) and the weighted average number of 1,617,423,423 (six months ended 31 January 2007: 1,617,423,423) ordinary shares in issue during the period.

The diluted earnings per share amounts for the six months ended 31 January 2008 and 2007 have not been disclosed as there were no diluting events occurred during both periods.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

9. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

		Six months ended	
		31 January	
		2008	2007
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Rental expense and building management fee paid and payable to related companies	(i)	423	421
Interest expense on note payable to and other borrowing granted by a former director of the Company, the late Mr. Lim Por Yen	(ii)	8,265	9,011
Interest income received and receivable from an associate of the Group, Lai Fung Holdings Limited ("Lai Fung")	(iii)	6,087	6,635
Consideration paid and payable to Crocodile Garments Limited ("CGL") for pledging a property as security for the construction finance	(iv)	4,260	4,260

Notes:

- (i) Rental expense and building management fee were paid to these related companies, of which certain directors are also directors of the Company, based on terms stated in the respective lease agreements.
- (ii) Interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the other borrowing and note payable.
- (iii) The interest income was charged at the prevailing Hong Kong dollar prime rate quoted by a designated bank in Hong Kong in respect of the promissory note receivable from Lai Fung, an associate of the Group.
- (iv) In consideration of CGL pledging 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 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

9. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Short term employee benefits	3,345	3,723
Post-employment benefits	13	13
	3,358	3,736

10. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

The major income derived from the Group's operations 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 aforementioned and the fact that 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:

	31 January 2008 <i>HK\$'000</i> (Unaudited)	31 July 2007 <i>HK\$'000</i> (Audited)
Debtors:		
Current to 90 days	254	378
91 to 180 days	75	14
181 to 365 days	11	—
	340	392
Deposits and other receivables	7,145	6,655
	7,485	7,047

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

11. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	31 January 2008 HK\$'000 (Unaudited)	31 July 2007 HK\$'000 (Audited)
Creditors aged within 90 days	7,312	3,803
Deposits received and accruals	19,246	19,028
	26,558	22,831

12. CONTINGENT LIABILITIES

During the year ended 31 July 2006, the Company disposed of its entire interests in Assetop Asia Limited ("Assetop"), a then wholly-owned subsidiary of the Group, to Goldthorpe Limited ("Goldthorpe"), a wholly-owned subsidiary of Lai Fung. The principal asset held by Assetop is a property under development (the "Property") in Shanghai, the People's Republic of China (the "PRC"). Certain subsidiaries of Assetop in the PRC underwent merger by absorption and completion of the merger was conditional upon approval of the relevant PRC government authorities. During the year ended 31 July 2007, the aforementioned merger of the PRC subsidiaries of Assetop had been completed. The Company had agreed to indemnify Lai Fung and Goldthorpe against all losses incurred by Lai Fung and Goldthorpe for the resettlement costs of approximately RMB124 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 Resettlement Costs are properly incurred for the project and are properly recorded in the books of the PRC subsidiaries of Assetop. The liability of the Company under this indemnity will terminate on 29 May 2012 (being six years after the completion of the Assetop Disposal). 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.

12

13. CAPITAL COMMITMENTS

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

	31 January 2008 HK\$'000 (Unaudited)	31 July 2007 HK\$'000 (Audited)
Capital commitments in respect of development costs attributable to properties under development:		
Contracted, but not provided for	277,650	18,097
Authorised, but not contracted for	29,099	308,270
	306,749	326,367

INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the financial year ending 31 July 2008. No interim dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 31 January 2008, the Group recorded a turnover of HK\$6,913,000 (2007: HK\$5,372,000), representing an increase of approximately 28.7% from the previous corresponding period in 2007. The turnover figures were mainly rental and management fee income derived from the Group's investment properties.

For the six months ended 31 January 2008, the Group recorded a gross profit of HK\$5,888,000 (2007: HK\$4,489,000) and a profit from operating activities of HK\$24,927,000 (2007: HK\$25,306,000), representing an increase of approximately 31.2% and a slight decrease of 1.5% respectively from the previous corresponding period. Share of profits from associates was HK\$20,219,000 (2007: HK\$82,509,000), representing a decrease of approximately 75.5% from the previous corresponding period. The decrease in share of profits from associates was mainly due to lower revenue generated from sale of properties by the Group's associated company, Lai Fung Holdings Limited, in the period under review.

For the six months ended 31 January 2008, the Group recorded a consolidated profit attributable to equity holders of HK\$33,057,000, compared to HK\$95,009,000 for the previous corresponding period in 2007.

13

Lai Fung Holdings Limited ("Lai Fung")

As at 31 January 2008, the Group held an effective 40.58% interest in Lai Fung.

For the six months ended 31 January 2008, Lai Fung recorded a turnover of HK\$128,685,000 (2007: HK\$504,666,000) and a consolidated profit attributable to equity holders of HK\$85,276,000 (2007: HK\$203,544,000), representing a decrease of approximately 74.5% and 58.1% respectively from the previous corresponding period. The decrease in turnover and net profit was mainly due to lower revenue generated from sale of properties in the period under review.

During the period, Lai Fung derived a turnover of HK\$121,377,000 (2007: HK\$111,625,000) from gross rental income mainly from Shanghai Hong Kong Plaza and Guangzhou May Flower Plaza, up approximately 8.7% from the previous corresponding period in 2007. As most of its pre-sale of its development properties will be launched in the second half of the financial year, Lai Fung only derived a turnover of HK\$7,308,000 (2007: HK\$393,041,000) from sale of development properties in the six months ended 31 January 2008, down approximately 98.1% from the previous corresponding period in 2007.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Overview of Interim Results (Continued)

Lai Sun Development Company Limited ("LSD")

As at 31 January 2008, the Group held an effective 11.18% interest in LSD.

For the six months ended 31 January 2008, LSD recorded a total turnover of HK\$506,562,000 (2007: HK\$458,030,000) and a consolidated profit attributable to equity holders of HK\$882,771,000 (2007: HK\$600,103,000), representing an increase of approximately 10.6% and 47.1%, respectively from the previous corresponding period in 2007.

For the six months ended 31 January 2008, LSD continued to benefit from the continued rental reversion from its investment properties, from the increase in average daily room rate of its hotel operations, from its disposal of hotel assets and from its share of profits of eSun Holdings Limited ("eSun") as a result of the cross-holdings between LSD and eSun.

In December 2007, LSD together with the other three remaining shareholders of Diamond String Limited ("Diamond String") (the company which owns the property of The Ritz-Carlton Hong Kong) completed the sale of a total of 40% interest in Diamond String to CCB International Group Holdings Limited ("CCB International"), a wholly-owned subsidiary of China Construction Bank Corporation. Out of the aforesaid 40% interest, LSD sold 16.57% interest in Diamond String and received a sale consideration of approximately HK\$567 million (subject to adjustment). The transaction price was determined based on HK\$15,800 per square foot in respect of the buildable gross floor area ("GFA") of the site. Immediately following this disposal, LSD and CCB International held 60% and 40% interest in Diamond String respectively. Both parties, through Diamond String, will invest in the redevelopment of the site of The Ritz-Carlton Hong Kong into a grade-A office tower. The hotel operation of The Ritz-Carlton Hong Kong was terminated on 1 February 2008.

14

Development of 79 Hoi Yuen Road, Kwun Tong, Hong Kong

This office and commercial development project is a joint venture between the Group and Crocodile Garments Limited ("CGL"). On completion of this joint redevelopment with CGL, the Group will retain the retail portion of this redeveloped property with a GFA of approximately 100,000 square feet. Construction has started with good progress and completion is now scheduled for the end of 2009.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

Lai Fung

Lai Fung principally focuses on property development projects located in prime areas in core cities in China including Shanghai, Guangzhou and Zhongshan.

In the coming months, Lai Fung will focus on the pre-sale of Regents Park Phase II in Shanghai and West Point in Guangzhou. Initial responses of these pre-sales have been satisfactory.

On the development projects, construction work has already commenced on Shanghai May Flower Plaza, Guangzhou Eastern Place and Zhongshan Palm Springs. Shanghai Northgate Plaza Phase II is also expected to commence construction soon.

Renovation work on the retail podium of Shanghai Hong Kong Plaza will be commenced in the second half of 2008. The upgrade on the service apartments, lift lobbies and common areas of office tower will also be commenced later this year. During the renovation period, the rental income on the retail podium will be affected but Lai Fung expects the impact would not be significant.

In 2008, the Chinese Government has further tightened its monetary policy. This will tighten the lending capacity of the banks and increase the cost of funding. In the medium to long term, this is beneficial to the stable development of the Mainland property market. Lai Fung maintains a healthy financial position and will take a cautious approach in the acquisition of new development opportunities.

15

LSD

LSD continues to improve its tenant mix in its investment properties so as to strengthen its rental income base. On development projects, LSD has started foundation work for its Wood Road, Wanchai residential project and foundation work for its Tai Po Road residential project will be commenced soon. Other than its current development projects, LSD is also actively looking for new development projects in Hong Kong and overseas which offer good investment returns.

On 31 March 2008, LSD completed a further sale of a 10% stake in Diamond String to CCB International for a total consideration of approximately HK\$417 million (subject to adjustment). Immediately after the completion of this sale, LSD and CCB International own this redevelopment project on a 50:50 basis. The buildable GFA for the redevelopment of The Ritz-Carlton Hong Kong site is approximately 225,000 square feet. Demolition work will start in April 2008. The redevelopment is expected to be completed in 2011. The redeveloped office tower will become a landmark property in Central, Hong Kong.

Development of 79 Hoi Yuen Road, Kwun Tong, Hong Kong

The Group plans to start pre-leasing of the rental portion of the development in the first quarter of 2009. Completion of this development will augment the Group's recurring rental income base.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, interest income generated from the promissory note, dividend income from investment in a listed associate and loan facilities provided by banks and the late Mr. Lim Por Yen.

As at 31 January 2008, total borrowings (comprising a secured bank loan of HK\$41 million, a note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen) amounted to HK\$268 million. As at that date, consolidated net assets of the Group amounted to HK\$3,297 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 8.1%. The Group's borrowings were maintained as floating rate debts.

The note payable of HK\$195 million and the loan of HK\$32 million payable to the late Mr. Lim Por Yen have maturity dates on 30 April 2006 and 30 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.

As at 31 January 2008, certain investment properties with carrying value of approximately HK\$174 million were pledged to a bank to secure banking facilities granted to the Group. In addition, the Group's properties under development with carrying cost of HK\$207 million and certain share in a subsidiary held by the Group were pledged to a bank to secure a construction loan facility for financing the redevelopment of that property.

16

As at 31 January 2008, the Group had cash and bank balances amounting to approximately HK\$23 million and unutilised banking facility of HK\$380 million (including HK\$320 million unutilised banking facility for financing the construction costs of a property redevelopment project), 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.

Employees and Remuneration Policies

The Group employed a total of approximately 30 (as at 31 July 2007: 40) employees as at 31 January 2008. Total staff costs for the six months ended 31 January 2008 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 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 and rewards to eligible participants for their contribution or would-be contribution to the Group, to enable the Group to recruit and retain high-calibre employees and to attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors (including executive and non-executive directors), employees of the Group, agents or consultants of the Group, and employees of the shareholder of any member of the Group or holders of securities issued by any member of the Group. The Share Option Scheme was adopted on 22 December 2006 and became effective on 29 December 2006 and, unless otherwise terminated or amended, will remain in force for a period of 10 years from the latter date.

During the period from the date of adoption of the Share Option Scheme on 22 December 2006 to 31 January 2008, no share options had been granted under the Share Option Scheme.

DIRECTORS' INTERESTS

As at 31 January 2008, 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 of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") adopted by the Company, to be notified to the Company and the Stock Exchange:

17

(1) The Company

Long positions in the shares of the Company

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: Both Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares 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)	Nil	Owner of controlled corporation	3,265,688,037	40.58%
Tam Kin Man, Kraven	Nil	Nil	Nil	30,000,000 (Note 2)	Beneficial owner	30,000,000	0.37%

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 21 August 2003 and will remain in force for 10 years from the date of adoption. During the period under review, 10,000,000 share options granted to the following Director lapsed under the share option scheme of Lai Fung. Details of share options outstanding as at 31 January 2008 are set out below:

18

Name of Director	Date of Grant (dd/mm/yyyy)	No. of Share Options	Option Period (dd/mm/yyyy)	Subscription Price per Share
Tam Kin Man, Kraven	09/01/2007	10,000,000	01/01/2008 – 31/12/2008	HK\$0.55
	09/01/2007	10,000,000	01/01/2009 – 31/12/2009	HK\$0.65
	09/01/2007	10,000,000	01/01/2010 – 31/12/2010	HK\$0.75
		<u>30,000,000</u>		

Save as disclosed above, as at 31 January 2008, 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 31 January 2008, 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:

Long positions in the shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Percentage
Lam Kin Ngok, Peter	Beneficial owner	Personal and corporate	609,636,069	37.69% (Note)
U Po Chu	Beneficial owner	Personal and corporate	489,119,375	30.24% (Note)
Wisdoman Limited	Beneficial owner	Corporate	484,991,750	29.99%

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

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 31 January 2008.

19

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2008, 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 this 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Securities Code on terms no less exacting than the required standard set out in the Model Code 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 Securities Code during the six months ended 31 January 2008.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31 January 2008 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.

20

By Order of the Board

Lam Kin Ming

Chairman

Hong Kong, 11 April 2008