



LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED
(Stock code: 191)

Interim Report 2010-2011

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive 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)

Lui Siu Tsuen, Richard (appointed on 1 January 2011)

Non-executive Directors

U Po Chu

Chiu Wai

Leung Churk Yin, Jeanny (re-designated as a non-executive director on 1 January 2011)

Wan Yee Hwa, Edward (re-designated as a non-executive director on 1 February 2011)

Independent Non-executive Directors

Leung Shu Yin, William

Lam Bing Kwan (appointed on 1 February 2011)

Chow Bing Chiu

COMPANY SECRETARY

Kwok Siu Man

Lai Sun Garment (International) Limited

11/F., Lai Sun Commercial Centre

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Kowloon, Hong Kong

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Stock code on the Hong Kong Stock Exchange: **191**

RESULTS

The Board of Directors (the “Board”) 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 2011 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2011

	Notes	Six months ended 31 January	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
TURNOVER	3	27,346	10,008
Cost of sales		(5,882)	(4,455)
Gross profit		21,464	5,553
Other revenue and gain	4	353	4,291
Selling and marketing expenses		(649)	—
Administrative expenses		(20,443)	(11,094)
Other operating income, net		1,138	—
Fair value gain on investment properties		129,704	245,590
PROFIT FROM OPERATING ACTIVITIES	5	131,567	244,340
Finance costs	6	(9,176)	(7,041)
Gains on shares swap transactions	7	2,276,314	—
Share of profits and losses of associates		164,677	183,208
PROFIT BEFORE TAX		2,563,382	420,507
Tax	8	(23,062)	(40,522)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		2,540,320	379,985
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		HK\$ 1.57	HK\$ 0.23
Diluted		N/A	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2011

	Six months ended 31 January	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	2,540,320	379,985
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Change in fair value of an available-for-sale equity investment	62,121	(17,412)
Share of investment revaluation reserve of an associate	54,634	—
Share of exchange fluctuation reserve of associates	55,392	14,411
Share of asset revaluation reserve of an associate	3,786	—
Release of share of exchange fluctuation reserve upon disposal of an associate	(542,299)	—
Release of investment revaluation reserve and exchange fluctuation reserve to income statement upon an available-for-sale equity investment treated as if it were disposed of and re-acquired	(110,547)	—
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD	(476,913)	(3,001)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	2,063,407	376,984

Condensed Consolidated Statement of Financial Position

As at 31 January 2011

	Notes	31 January 2011 (Unaudited) HK\$'000	31 July 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		211	316
Investment properties		1,177,400	1,046,600
Interests in associates	7	5,376,813	3,347,221
Available-for-sale equity investment		—	243,709
Total non-current assets		6,554,424	4,637,846
CURRENT ASSETS			
Debtors, deposits paid and other receivables	11	85,522	6,262
Tax recoverable		139	682
Equity investments at fair value through profit or loss		9,135	—
Cash and cash equivalents		386,780	317,449
Total current assets		481,576	324,393
CURRENT LIABILITIES			
Creditors, deposits received and accruals	12	47,306	66,537
Interest-bearing bank borrowing		32,000	16,000
Total current liabilities		79,306	82,537
NET CURRENT ASSETS		402,270	241,856
TOTAL ASSETS LESS CURRENT LIABILITIES		6,956,694	4,879,702
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(360,745)	(376,745)
Note payable		(195,000)	(195,000)
Accrued interest payable		(83,903)	(78,188)
Deferred tax liabilities		(109,103)	(86,041)
Long term rental deposits received		(13,613)	(12,910)
Total non-current liabilities		(762,364)	(748,884)
		6,194,330	4,130,818
EQUITY			
Equity attributable to ordinary 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	62,624
Share option reserve		105	682
Investment revaluation reserve		54,634	41,458
Capital reserve		—	146,670
Exchange fluctuation reserve		15,969	509,844
Retained earnings		4,143,114	1,444,526
		6,194,330	4,130,818

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2011

	Attributable to ordinary equity holders of the Company								
	Issued capital HK\$'000	Share Premium account HK\$'000	Asset revaluation reserve HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 31 July 2010 and 1 August 2010 (Audited)	16,174	1,908,840	62,624	682	41,458	146,670	509,844	1,444,526	4,130,818
Total comprehensive income/(expenses) for the period	—	—	3,786	—	13,176	—	(493,875)	2,540,320	2,063,407
Share of reserve movements of an associate	—	—	—	105	—	—	—	—	105
Transfer of reserves to retained earnings upon disposal of an associate	—	—	(10,916)	(682)	—	2,511	—	9,087	—
Transfer of reserve to retained earnings upon an available-for-sale equity investment treated as if it were disposed of and re-acquired	—	—	—	—	—	(149,181)	—	149,181	—
At 31 January 2011 (Unaudited)	16,174	1,908,840	55,494	105	54,634	—	15,969	4,143,114	6,194,330
At 31 July 2009 and 1 August 2009 (Audited)	16,174	1,908,840	74,619	1,438	9,498	148,694	479,633	996,951	3,635,847
Total comprehensive income/(expenses) for the period	—	—	—	—	(17,412)	—	14,411	379,985	376,984
Share of reserve movements of an associate	—	—	—	(476)	—	(2,024)	—	524	(1,976)
At 31 January 2010 (Unaudited)	16,174	1,908,840	74,619	962	(7,914)	146,670	494,044	1,377,460	4,010,855

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2011

	Six months ended 31 January	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,886	12,290
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	69,406	(32,782)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(3,961)	64,099
NET INCREASE IN CASH AND CASH EQUIVALENTS	69,331	43,607
Cash and cash equivalents at beginning of period	317,449	75,657
CASH AND CASH EQUIVALENTS AT END OF PERIOD	386,780	119,264
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,678	16,264
Time deposits with original maturity of less than three months when acquired	378,102	103,000
	386,780	119,264

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 2011 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 Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements have not been audited by the Company's auditors but have been reviewed by the Company's auditors in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. The report issued by the Company's auditors on review of interim financial information to the Board is included on page 15. In addition, the condensed consolidated interim financial statements 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 2010. The Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the Group and are effective in the current period. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

Impact of issued but not yet effective HKFRSs

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

Improvements to HKFRSs 2010¹

HKAS 24 (Revised)

HKAS 12 (Amendments)

HKFRS 7 Amendments

HKFRS 9

Related Party Disclosures¹

Deferred Tax : Recovery of Underlying Assets²

Amendments to HKFRS 7 *Financial Instruments*:

*Disclosures — Transfers of Financial Assets*³

Financial Instruments⁴

¹ Effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The adoption of the amendments to HKAS 12 may have a material impact on deferred tax recognised for investment properties that are measured using the fair value model. The Group is in the process of assessing the impact from application of these amendments.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would 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

The following tables present revenue and profit for the Group's reportable segments:

	Property development		Property investment		Consolidated	
	Six months ended		Six months ended		Six months ended	
	31 January		31 January		31 January	
	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	—	—	27,346	10,008	27,346	10,008
Segment results	—	—	20,815	5,553	20,815	5,553
Interest income and unallocated other revenue and gain					353	4,291
Fair value gain on investment properties	—	—	129,704	245,590	129,704	245,590
Unallocated expenses, net					(19,305)	(11,094)
Profit from operating activities					131,567	244,340
Finance costs					(9,176)	(7,041)
Gains on shares swap transactions					2,276,314	—
Share of profits and losses of associates	—	—	1,104	—	1,104	—
Share of profits and losses of associates - unallocated					163,573	183,208
Profit before tax					2,563,382	420,507
Tax					(23,062)	(40,522)
Profit for the period					2,540,320	379,985

The following table presents the total assets for the Group's reportable segments:—

	Property development		Property investment		Consolidated	
	31 January	31 July	31 January	31 July	31 January	31 July
	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	—	—	1,179,430	1,047,439	1,179,430	1,047,439
Interests in associates	—	—	18,224	17,068	18,224	17,068
Interests in associates — unallocated					5,358,589	3,330,153
Unallocated assets					479,757	567,579
Total assets					7,036,000	4,962,239

Notes to Condensed Consolidated Interim Financial Statements (Continued)

4. OTHER REVENUE AND GAIN

	Six months ended 31 January	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest income from bank deposits	97	4
Other interest income	171	4,287
Others	85	—
	353	4,291

5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Depreciation	133	263
Fair value gain on equity investments at fair value through profit or loss*	(1,139)	—

* This item is included in "other operating income, net" on the face of the condensed consolidated income statement.

6. FINANCE COSTS

	Six months ended 31 January	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interests on:		
Bank loans wholly repayable within five years	3,175	1,442
Other borrowings and note payable wholly repayable within five years	5,715	5,715
Total interest expenses	8,890	7,157
Bank financing charges	286	481
	9,176	7,638
Less: Amount capitalised in properties under development	—	(597)
	9,176	7,041

Notes to Condensed Consolidated Interim Financial Statements (Continued)

7. INTERESTS IN ASSOCIATES / GAINS ON SHARES SWAP TRANSACTIONS

On 26 July 2010, the Company entered into a conditional shares swap agreement with eSun Holdings Limited (“eSun”) pursuant to which:

- (a) The Company agreed to transfer or procure the transfer of, and eSun agreed to accept the transfer of, the Company’s direct and indirect interests in 3,265,688,037 shares in the capital of Lai Fung Holdings Limited (“Lai Fung”) (the “Lai Fung Transaction”), representing approximately 40.58% of the existing issued share capital of Lai Fung and the Company’s entire shareholding interest in Lai Fung. The consideration was to be satisfied by (i) the transfer to the Company of eSun’s entire shareholding interest in Lai Sun Development Company Limited (“LSD”); and (ii) cash consideration of approximately HK\$178.4 million payable by eSun to the Company (HK\$100 million to be paid on the date of completion of the Shares Swap Transactions (see definition below), and approximately HK\$78.4 million to be paid, without interest, six months after the date of completion); and
- (b) eSun agreed to procure the transfer of, and the Company agreed to accept the transfer of, eSun’s indirect interest in 5,200,000,000 shares in the capital of LSD (the “LSD Transaction”, together with the Lai Fung Transaction collectively referred to as “Shares Swap Transactions”), representing approximately 36.72% of the existing issued share capital of LSD and eSun’s entire shareholding interest in LSD. The consideration was to be satisfied by the transfer to eSun of the Company’s entire shareholding interest in Lai Fung less the cash consideration of approximately HK\$178.4 million receivable by the Company from eSun.

For the purposes of both Lai Fung Transaction and LSD Transaction, eSun was treated as an associate of a director of the Company and thereby a connected person of the Company under the Listing Rules. The Lai Fung Transaction constituted a very substantial disposal and connected transaction for the Company and the LSD Transaction constituted a very substantial acquisition and connected transaction for the Company under the Listing Rules. Further details of the Shares Swap Transactions were set out in the joint announcement of the Company and eSun dated 26 July 2010 and the circulars of the Company and eSun both dated 30 August 2010. Resolutions for approving the shares swap agreement were duly passed at an extraordinary general meeting of the Company and a special general meeting of eSun on 20 September 2010. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Shares Swap Transactions (“Completion”) took place on 30 September 2010.

Upon Completion, Lai Fung ceased to be an associate of the Group. As at 30 September 2010 and prior to the Completion, the Group held an 11.25% equity interest in LSD which was accounted for as an available-for-sale investment. Upon Completion, LSD became a 47.97%-owned associate of the Group. Gains on Shares Swap Transactions were recognised in the Group’s consolidated income statement for the six months ended 31 January 2011 as below:

	<i>Notes</i>	<i>HK\$’000</i>
Lai Fung Transaction		
Gain on disposal of 40.58% interest in Lai Fung	<i>(i)</i>	1,271,659
LSD Transaction		
Release of reserves upon 11.25% interest in LSD treated as if it were disposed of and reacquired	<i>(ii)</i>	110,547
Discount on acquisition of 47.97% interest in LSD	<i>(iii)</i>	894,108
Gains on Shares Swap Transactions		2,276,314

Notes to Condensed Consolidated Interim Financial Statements (Continued)

7. INTERESTS IN ASSOCIATES / GAINS ON SHARES SWAP TRANSACTIONS (continued)

Notes:

- (i) Taking into account the consideration received by the Group of approximately HK\$4,114 million (being 40.58% of the fair value of Lai Fung's identifiable net assets as at 30 September 2010) for the disposal of its 40.58% equity interest in Lai Fung and the Group's share of net assets of Lai Fung as at 30 September 2010 of approximately HK\$3,384 million, the gain on disposal (including release of exchange fluctuation reserve of Lai Fung shared by the Group up to the date of disposal of approximately HK\$542 million) recognised by the Group in its consolidated income statement was approximately HK\$1,272 million.
- (ii) As at 30 September 2010, the carrying amount of the 11.25% equity interest in LSD held by the Group was approximately HK\$306 million (based on the closing price of LSD's shares as at 30 September 2010) and the corresponding cumulative fair value gains recognised in the investment revaluation reserve and exchange fluctuation reserve retained by the Group were approximately HK\$104 million and HK\$7 million, respectively.

In accordance with the prevailing Hong Kong Financial Reporting Standards, such 11.25% equity interest in LSD is treated as if it were disposed of and reacquired at its carrying value as at the date of the Completion based on the market price of the LSD shares. Therefore, the carrying value of such 11.25% equity interest in LSD would become part of the acquisition cost of the 47.97% equity interest in LSD in stages as an associate. The abovementioned reserves in a sum of HK\$111 million were recycled and released to the consolidated income statement of the Group as a gain.

- (iii) Taking into account the fair value of the consideration given by the Group for its acquisition of approximately HK\$3,936 million (being 40.58% of the fair value of Lai Fung's identifiable net assets as at 30 September 2010 less cash consideration of approximately HK\$178.4 million) and the carrying value of the Group's 11.25% equity interest in LSD of approximately HK\$306 million as at 30 September 2010 as mentioned above, the total cost of acquisition of the LSD shares in stages, as an associate, was approximately HK\$4,242 million. The excess of the Group's 47.97% share of the fair value of LSD's identifiable net assets as at 30 September 2010 of approximately HK\$5,136 million over the total cost of acquisition of approximately HK\$4,242 million was treated as a discount on acquisition of approximately HK\$894 million and was recognised as a gain in the consolidated income statement of the Group.

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 31 January	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current tax	—	—
Deferred tax	23,062	40,522
Tax charge for the period	23,062	40,522

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$2,540,320,000 (Six months ended 31 January 2010: HK\$379,985,000) and the weighted average number of 1,617,423,423 (Six months ended 31 January 2010: 1,617,423,423) ordinary shares in issue during the period.

The diluted earnings per share amounts for the six months ended 31 January 2011 and 2010 have not been disclosed as no diluting events existed during both periods.

10. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	Six months ended 31 January	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Rental expenses and building management fee paid and payable to LSD	(i)	283	283
Interest expenses on note payable to and other borrowing granted by a former director of the Company, the late Mr. Lim Por Yen	(ii)	5,715	5,715
Interest income received and receivable from Lai Fung, a former associate of the Group	(iii)	—	4,209
Consideration paid and payable to Crocodile Garments Limited ("CGL") for pledging a property as security for the construction finance	(iv)	—	1,420

Notes:

- (i) Rental expense and building management fee were charged, 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 note payable and other borrowing.
- (iii) 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. The promissory note was fully repaid in May 2010.
- (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 date of delivery of vacant possession of the property for development to the practical completion of construction. The architect of the project issued a certificate certifying that the construction was practically completed on 30 September 2009. Dr. Lam Kin Ming, a director of the Company, has an interest of approximately 50.89% in CGL within the meaning of the Securities and Futures Ordinance.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

10. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short term employee benefits	3,199	3,283
Post-employment benefits	12	12
	3,211	3,295

11. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

The Group's major businesses are property development and property investment. The major income derived is rental income. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements.

An ageing analysis of the debtors, based on payment due date, as at the end of the reporting period is as follows:

	31 January 2011 (Unaudited) HK\$'000	31 July 2010 (Audited) HK\$'000
Debtors:		
Not yet due or less than 90 days past due	1,563	636
91 to 180 days past due	289	83
181 to 365 days past due	46	22
	1,898	741
Deposits paid and other receivables (Note)	83,624	5,521
	85,522	6,262

Note: Included in deposits paid and other receivables was a cash consideration of HK\$78,353,000 to be received from eSun in relation to the Shares Swap Transactions between the Company and eSun (Note 7).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

12. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

An ageing analysis of the creditors, based on payment due date, as at the end of the reporting period is as follows:

	31 January 2011 (Unaudited) HK\$'000	31 July 2010 (Audited) HK\$'000
Creditors not yet due or less than 90 days past due	22,465	32,579
Deposits received and accruals	24,841	33,958
	47,306	66,537

13. 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 in Shanghai, the People's Republic of China (the "PRC"). Certain subsidiaries of Assetop in the PRC were undergoing 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 was successfully 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 under development (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.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Lai Sun Garment (International) Limited

(Incorporated in Hong Kong with limited liability)

We have reviewed the interim financial statements set out on pages 2 to 14, which comprise the condensed consolidated statement of financial position of Lai Sun Garment (International) Limited as at 31 January 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedure. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 March 2011

INTERIM DIVIDEND

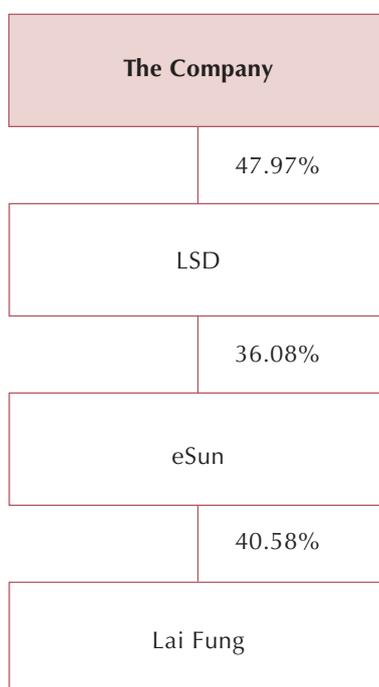
The Board of the Company has resolved not to declare the payment of an interim dividend for the financial year ending 31 July 2011. No interim dividend was declared in respect of the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Reorganisation

On 30 September 2010, the Company and eSun Holdings Limited (“eSun”) completed a group reorganisation (the “Group Reorganisation”). Pursuant to the Group Reorganisation, the Company transferred its entire shareholding interest in Lai Fung Holdings Limited (“Lai Fung”) (approximately 40.58% of the issued share capital of Lai Fung) to eSun; whereby eSun transferred its entire shareholding interest in Lai Sun Development Company Limited (“LSD”) (approximately 36.72% of the issued share capital of LSD) to the Company. In order to account for the difference between the agreed value of the Lai Fung shares and the LSD shares being swapped, eSun further agreed to pay to the Company an additional cash of approximately HK\$178.4 million, out of which HK\$100 million was paid upon completion of the Group Reorganisation and the remaining approximately HK\$78.4 million would be paid, without interest, six months after the completion of the Group Reorganisation.

Immediately following the completion of the Group Reorganisation, the group structure involving the Company, LSD, eSun and Lai Fung has become as follows:



As a result of the Group Reorganisation, the cross-shareholding structure between LSD and eSun that existed since 2004 was dismantled. Further, LSD has become an associated company of the Company and the Company’s shareholding interest in Lai Fung has been held indirectly through eSun.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Group Reorganisation (continued)

The Group Reorganisation simplified the ownership structure of the group involving the Company, LSD, eSun and Lai Fung and eliminated the circular effect of the accounting treatment of the cross-shareholdings between LSD and eSun. More importantly, the directors of the Company believe that the simplified shareholding structure provides greater clarity to shareholders and the market with regard to the core business of each of the above companies.

Overview of Interim Results

For the six months ended 31 January 2011, the Group recorded a turnover of HK\$27,346,000 (2010: HK\$10,008,000) and a gross profit of HK\$21,464,000 (2010: HK\$5,553,000), representing an increase of approximately 173.2% and 286.5% respectively from the previous corresponding period. The Group derived its turnover and gross profit mainly from rental and related income from industrial properties held for investment and the retail portion of the Crocodile Center which was opened at the end of 2009. The substantial increase in turnover and gross profit was mainly due to the rental income contributed from the retail portion of the Crocodile Center.

During the period under review, the Group booked a fair value gain on investment properties of HK\$129,704,000 (2010: HK\$245,590,000) and recorded a profit from operating activities of HK\$131,567,000 (2010: HK\$244,340,000).

For the six months ended 31 January 2011, the Group recorded a share of profits of associates of HK\$164,677,000 (2010: HK\$183,208,000). Prior to the Group Reorganisation, the Group held a 40.58% shareholding interest in Lai Fung and a 11.25% shareholding interest in LSD. Following the Group Reorganisation, the Group holds a 47.97% shareholding interest in LSD while the Group's shareholding interest in Lai Fung is held through eSun, in which LSD has a 36.08% shareholding interest. As a result of the Group Reorganisation, Lai Fung ceased to be an associate of the Company and LSD became an associate of the Company. Accordingly, the share of profits of associates during the period under review was mainly attributable to (i) Lai Fung during the period from 1 August 2010 to 30 September 2010 (being the date of the completion of the Group Reorganisation), and (ii) LSD during the period from 1 October 2010 to 31 January 2011. Lai Fung contributed approximately HK\$11,300,000 to the Group's share of profits of associates from 1 August 2010 to 30 September 2010 whereas LSD contributed approximately HK\$152,300,000 to the Group's share of profits of associates from 1 October 2010 to 31 January 2011.

During the period, finance costs were HK\$9,176,000 (2010: HK\$7,041,000). Further, as a result of the completion of the Group Reorganisation, the Group booked a one-off gain of HK\$2,276,314,000. Due to the reasons stated above, the Group recorded a consolidated profit attributable to ordinary equity holders of the Company for the period under review of HK\$2,540,320,000 (2010: HK\$379,985,000).

Shareholders' equity as at 31 January 2011 amounted to HK\$6,194,330,000, up by 50% from HK\$4,130,818,000 as at 31 July 2010. Net asset value per share as at 31 January 2011 was HK\$3.83, as compared to HK\$2.55 as at 31 July 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review

Retail Portion of Crocodile Center

This joint office and commercial development project located at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong with Crocodile Garments Limited was completed in September 2009. The Group has retained the retail portion comprising a gross floor area of approximately 100,000 square feet of this development since its completion. Most of the premises are now leased to restaurant operators as well as renowned retail brands. Most tenants opened business by the end of 2009. As of 31 January 2011, the retail portion was 93% leased.

Lai Fung

Prior to the Group Reorganisation, the Group held a 40.58% shareholding interest in Lai Fung. Following the completion of the Group Reorganisation on 30 September 2010, the Group's shareholding interest in Lai Fung is now held through eSun, in which LSD has a 36.08% shareholding interest. As a result, Lai Fung has ceased to be an associate of the Company. From 1 August 2010 to 30 September 2010, Lai Fung contributed approximately HK\$11,300,000 to the Group's share of profits of associates.

LSD

Prior to the Group Reorganisation, the Group held a 11.25% shareholding interest in LSD. Following the completion of the Group Reorganisation, the Group's shareholding interest in LSD has increased to 47.97% and LSD has become an associate of the Company. From 1 October 2010 (the date immediately following the date of completion of the Group Reorganisation) to 31 January 2011, LSD contributed approximately HK\$152,300,000 to the Group's share of profits of associates. During such period, LSD's results were mainly contributed by (i) a stable rental income from its investment properties portfolio; (ii) the recognition of revenue and profits from the sale of its residential units at Emerald 28; and (iii) a fair value gain on its investment properties.

Prospects

The Group Reorganisation marked a new phase of development for the Group. Through the vertical shareholding structure, the Group (other than holdings of investment properties) now becomes an investment holding flagship, directly or indirectly owning substantial shareholding interests in LSD, eSun and Lai Fung. The new structure enables the Group to gain strategic exposure to the respective property portfolios of LSD and Lai Fung as well as the media and entertainment businesses of eSun.

Retail Portion of Crocodile Center

The Group expects to fully lease out the retail portion of Crocodile Center in this financial year. Benefited from the favourable retail environment in Hong Kong, this property will contribute more rental income to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects (continued)

LSD

Development Properties

The continued economic growth, a low interest rate, ample liquid funds and a tight market supply of residential units have extended the bullish sentiment to Hong Kong's residential properties since early 2010. As pre-cautionary measures against the rising risks of inflation and the development of a property bubble, the Hong Kong Government and the Hong Kong Monetary Authority in November 2010 introduced a series of tightening measures, including the levy of a special stamp duty on short-term property transactions and the direction to mortgage lenders to lower the loan-to-value ratio for mortgage loans to ease property speculation. Between November 2010 and early 2011, the market experienced a short-term consolidation, evidenced by a sharp drop in the transaction volume. Starting from early 2011, the market gradually stabilised as the transaction volume recovered and the prices of the residential properties edged up modestly. Such recovery has reinforced the confidence of the market and re-opened the windows for primary sales of residential projects. The low interest rate environment and a tight supply of residential units in urban areas are expected to sustain a steady development of the residential market in Hong Kong.

LSD currently holds a number of residential projects under development in Hong Kong. In 2010, LSD has managed to capture the strong growth in the Hong Kong residential property market by achieving satisfactory sales performances for The Oakhill and Emerald 28 projects that it owns 50% and 100% respectively. In 2011, LSD intends to sell the remaining units at The Oakhill and Emerald 28 and starts the preparation work for the pre-sale of the development project in Yau Tong, Kowloon.

Investment Properties

Rentals for office and commercial properties in prime locations in Hong Kong have sustained a rising momentum since the middle of 2009. Favourable operating conditions for most commercial sectors in Hong Kong foster a greater demand for office space which in turn fuels the uptick of rental rates. The improved local consumption expenditure and the strong retail spending by the Mainland visitors provide further impetus to the retail market. The strong retail performance in Hong Kong has boosted rental demand for retail premises. In 2011, LSD will target to maintain high occupancy rates and rental cashflows from its investment properties.

New Investments

With a healthy balance sheet and good cash inflow from the timely sale of its residential units of The Oakhill and Emerald 28, LSD is now actively evaluating new property investment and development opportunities in Hong Kong and overseas.

In February 2011, LSD announced the acquisition of an office building with a total floor area of 41,680 sq. ft. at 36 Queen Street, London, the United Kingdom at a consideration of GBP 16,880,000 (equivalent to approximately HK\$213,532,000). This acquisition represents an opportunity for LSD to own a prime investment property in the core of the financial district of central London that generates a good rental yield and a steady flow of rental income.

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 and loan facilities provided by banks and others.

As at 31 January 2011, total borrowings amounted to HK\$588 million, comprising a secured bank loan of HK\$361 million, a note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen ("Mr. Lim"). As at 31 January 2011, there was an outstanding amount of accrued interests of HK\$84 million in relation to the above-mentioned note and loan payable to the late Mr. Lim. All of the Group's borrowings were maintained as floating rate debts.

As at 31 January 2011, the maturity profile of the secured bank loan of HK\$361 million was spread over a period of 3 years with HK\$32 million repayable within 1 year, HK\$32 million repayable in the second year and HK\$297 million repayable in the third year. The note payable of HK\$195 million and the loan of HK\$32 million payable to the late Mr. Lim 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 that such note and loan payables are not repayable within one year from the end of the reporting period.

As at 31 January 2011, certain investment properties with carrying value of approximately HK\$1,170 million and a share in a subsidiary were pledged to banks to secure banking facilities granted to the Group.

As at 31 January 2011, the Group had cash and bank balances amounting to approximately HK\$387 million and unutilised banking facility of HK\$60 million, which was considered adequate to cover the working capital requirement of the Group.

As at 31 January 2011, consolidated net assets of the Group amounted to HK\$6,194 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 9%.

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 20 employees as at 31 January 2011. Pay rates of employees are maintained at competitive levels and salary adjustments or bonuses are made on a performance related basis. Other staff benefits included a share option scheme, mandatory provident fund scheme for all eligible employees, free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes.

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in Note 13 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 eligible participants for their contribution or would-be contribution to the Group, and/or to enable the Group to recruit and retain high-calibre employees and 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, 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 by the Company on 22 December 2006 (the “Adoption Date”) and became effective on 29 December 2006 and, unless otherwise terminated or amended, it will remain in force for a period of 10 years from the latter date.

Since the Adoption Date, no share options have been granted under the Share Option Scheme.

DIRECTORS’ INTERESTS

The directors and chief executive of the Company who held office on 31 January 2011 and their respective associates (as defined in the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) had the following interests or 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, Chapter 571 of the Laws of Hong Kong (the “SFO”) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO (the “Register”); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company:

(1) The Company

Long positions in the ordinary shares of HK\$0.01 each (the “Shares”)

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	130,544,319	Nil	484,991,750 (Note)	Nil	Beneficial owner	615,536,069	38.06%
Lam Kin Ming	5,008,263	Nil	Nil	Nil	Beneficial owner	5,008,263	0.31%
U Po Chu	4,127,625	Nil	484,991,750 (Note)	Nil	Beneficial owner	489,119,375	30.24%
Lam Hau Yin, Lester	60,623,968	Nil	Nil	Nil	Beneficial owner	60,623,968	3.75%
Chiu Wai	199,600	Nil	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% interests in the issued share capital of Wisdoman Limited which directly owned 484,991,750 Shares of the Company.

DIRECTORS' INTERESTS (Continued)**(2) Associated Corporation****(i) Lai Sun Development Company Limited ("LSD") - an associated company of the Company****Long positions in the ordinary shares of HK\$0.01 each of LSD**

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	10,099,585	Nil	6,792,869,192 (Note)	Nil	Beneficial owner/ Owner of controlled corporation	6,802,968,777	48.04%
U Po Chu	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.004%
Chiu Wai	195,500	Nil	Nil	Nil	Beneficial owner	195,500	0.001%

Note:

The Company and certain of its wholly-owned subsidiaries beneficially owned in aggregate 6,792,869,192 shares in LSD, representing approximately 47.97% of the issued share capital of LSD. As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 6,792,869,192 shares in LSD by virtue of, in aggregate, his approximate 38.06% personal and deemed interests in the issued share capital of the Company.

(ii) eSun Holdings Limited ("eSun") - an associated company of LSD**Long positions in the ordinary shares of HK\$0.50 each of eSun**

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	2,794,443	Nil	447,604,186 (Note 1)	Nil (Note 2)	Beneficial owner/ Owner of controlled corporation	450,398,629	36.30%
Lam Hau Yin, Lester	2,794,443	Nil	Nil	Nil (Note 2)	Beneficial owner	2,794,443	0.23%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	1,267,810 (Note 2)	Beneficial owner	1,267,810	0.10%

Notes:

- (1) The Company was interested in 6,792,869,192 shares in LSD, representing approximately 47.97% of the issued share capital of LSD which in turn was interested in 447,604,186 shares in eSun, representing approximately 36.08% of the issued share capital of eSun. As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 447,604,186 shares in eSun by virtue of, in aggregate, his approximate 38.06% and 48.04% personal and deemed interests in the issued share capital of the Company and LSD respectively.

DIRECTORS' INTERESTS (Continued)**(2) Associated Corporation** (continued)**(ii) eSun Holdings Limited ("eSun") - an associated company of LSD** (continued)

- (2) A share option comprising a total of 1,889,507 underlying shares in eSun granted to each of Messrs. Lam Kin Ngok, Peter and Lam Hau Yin, Lester at an exercise price of HK\$4.68 per share and a share option comprising a total of 1,267,810 underlying shares in eSun granted to Miss Leung Churk Yin, Jeanny at an exercise price of HK\$6.18 per share lapsed on 1 January 2011. Details of the share options outstanding as at the 31 January 2011 are set out below:

Name of Director	Date of Grant (dd/mm/yyyy)	No. of Shares Comprised in Option Outstanding	Exercisable Period (dd/mm/yyyy)	Subscription Price per Share
Leung Churk Yin, Jeanny	20/02/2008	1,267,810	01/01/2011 to 31/12/2011	HK\$6.52
		1,267,810		

(iii) Lai Fung Holdings Limited ("Lai Fung") - an associated company of eSun**Long positions in the ordinary shares of HK\$0.10 each of Lai Fung**

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note 1)	Nil	Owner of controlled corporation	3,265,688,037	40.58%

Notes:

- (1) eSun was interested in 3,265,688,037 shares in Lai Fung, representing approximately 40.58% of the issued share capital of Lai Fung. As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 3,265,688,037 shares in Lai Fung by virtue of, in aggregate, his approximate 36.30% personal and deemed shareholding interests in eSun.
- (2) A share option comprising a total of 10,000,000 underlying shares in Lai Fung granted to Mr. Tam Kin Man, Kraven, a director of the Company, at an exercise price of HK\$0.75 per share lapsed on 1 January 2011.

Save as disclosed above, as at 31 January 2011, none of the Directors and chief executive of the Company were interested or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 January 2011, so far as it is known by or otherwise notified to any director or the chief executive of the Company, the particulars of the corporations or persons (including certain directors of the Company) who had 5% or more interests 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 or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements")(i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate% of Shares in Issue
Lam Kin Ngok, Peter (Note 1)	Beneficial owner	Personal and corporate	615,536,069 (Note 2)	38.06%
U Po Chu (Note 1)	Beneficial owner	Personal and corporate	489,119,375 (Note 2)	30.24%
Wisdoman Limited	Beneficial owner	Corporate	484,991,750 (Note 2)	29.99%
Yu Cheuk Yi	Beneficial owner	Personal	228,000,000 (Note 3)	14.10%
Yu Siu Yuk	Beneficial Owner	Personal	228,000,000 (Note 3)	14.10%
Hsu Feng	Owner of Controlled Corporation	Corporate	80,992,000 (Note 4)	5.00%
Tong Albert	Owner of Controlled Corporation	Corporate	80,992,000 (Note 5)	5.00%
Tong Chi Kar, Charles	Owner of Controlled Corporation	Corporate	80,992,000 (Note 6)	5.00%
Tomson Group Limited	Owner of Controlled Corporation	Corporate	80,992,000	5.00%

Notes:

- (1) Mr. Lam Kin Ngok, Peter and Madam U Po Chu, directors of the Company, are also directors of Wisdoman Limited.
- (2) Both Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 Shares of the Company owned by Wisdoman Limited by virtue of their respective 50% interests in the issued share capital of Wisdoman Limited.
- (3) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 228,000,000 Shares of the Company which were held jointly by them.
- (4) Ms. Hsu Feng was taken to be interested in 80,992,000 Shares of the Company due to her beneficial shareholding interests in Tomson Group Limited.
- (5) Mr. Tong Albert was taken to be interested in 80,992,000 Shares of the Company due to his beneficial shareholding interests in Tomson Group Limited.
- (6) Mr. Tong Chi Kar, Charles was taken to be interested in 80,992,000 Shares of the Company due to his beneficial shareholding interests in Tomson Group Limited.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS *(Continued)*

Save as disclosed above, the directors of the Company are not aware of any other corporation or person who, as at 31 January 2011, had the Voting Entitlements or any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2011, the Company did not redeem any of its listed shares nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed shares.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 31 January 2011 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 (including the independent non-executive directors) of the Company is 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 require that the directors for the time being shall retire from office by rotation once every three years since their last election and the retiring directors are eligible for re-election. In addition, any person appointed by the Board to fill a casual vacancy or as an additional director (including a non-executive director) will hold office only until the next annual general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objective of the relevant code provision and, therefore, does not intend to take any remedial steps in this regard.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry on all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2011.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the information of directors of the Company is updated as follows:

- (1) Mr. Lam Bing Kwan was appointed an independent non-executive director of the Company on 1 February 2011. He presently receives a director's fee of HK\$96,000 per annum.
- (2) Mr. Leung Shu Yin, William, an independent non-executive director of the Company, ceased to be the chairman of remuneration committee of the Company on 1 February 2011. On the same date, he was appointed an independent non-executive director of Crocodile Garments Limited, the issued shares of which are listed and traded on the Stock Exchange.
- (3) Owing to an annual adjustment, the monthly salary of Mr. Lam Kin Ngok, Peter, an executive director of the Company, has been increased from HK\$40,000 to HK\$41,600 with effect from 1 January 2011.

REVIEW OF INTERIM REPORT

The audit committee of the Company currently comprises three independent non-executive directors of the Company, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu and a non-executive director of the Company Mr. Wan Yee Hwa, Edward. It has reviewed this interim report (containing the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2011. In addition, Ernst & Young, the Company's independent auditors, have reviewed the same in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants and their review report is contained on page 15 of this interim report.

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 30 March 2011