LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED

(Stock code: 488)

Interim Report 2007-2008

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Lam Kin Ngok, Peter *(Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Tam Kin Man, Kraven
Cheung Wing Sum, Ambrose
Cheung Sum, Sam
Leung Churk Yin, Jeanny
Lam Kin Ming
U Po Chu
Sir David Tang, KBE*
Lam Bing Kwan*
Leung Shu Yin, William*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

QUALIFIED ACCOUNTANT

Sze Ka Ming

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Stock code on Hong Kong Stock Exchange: 488

RESULTS

The Board of Directors of Lai Sun Development Company 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	2007
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
TURNOVER	*3*	**506,562**	458,030
Cost of sales		**(190,548)**	(177,036)
Gross profit		**316,014**	280,994
Other revenue		**29,780**	33,196
Administrative expenses		**(168,654)**	(162,899)
Other operating expenses, net		**(25,279)**	(26,764)
Fair value gain on investment properties		**472,568**	227,403
Gain on disposal of partial interest in a subsidiary	*4*	**404,409**	—
PROFIT FROM OPERATING ACTIVITIES	*5*	**1,028,838**	351,930
Finance costs	*6*	**(70,016)**	(77,475)
Share of profits and losses of associates		**63,051**	402,398
Loss on deemed disposal of interest in an associate		**(2,664)**	—
PROFIT BEFORE TAX		**1,019,209**	676,853
Tax	*7*	**(100,466)**	(51,920)
PROFIT FOR THE PERIOD		**918,743**	624,933
Attributable to:			
Equity holders of the Company		**882,771**	600,103
Minority interests		**35,972**	24,830
		918,743	624,933
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic		**HK 6.23 cents**	HK 4.53 cents
Diluted		**HK 6.23 cents**	HK 4.49 cents

CONDENSED CONSOLIDATED BALANCE SHEET

31 January 2008

	Notes	**As at 31 January 2008** ***HK$'000*** **(Unaudited)**	As at 31 July 2007 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,217,760**	1,230,513
Prepaid land lease payments		**29,634**	30,148
Investment properties		**5,085,000**	4,614,600
Properties under development		**430,407**	106,942
Goodwill		**155,958**	152,700
Interests in associates	*9*	**1,837,411**	1,734,563
Available-for-sale financial assets		**414,271**	743,516
Pledged bank balances and time deposits	*10*	**94,909**	95,138
Deposits		**—**	36,500
Total non-current assets		**9,265,350**	8,744,620
CURRENT ASSETS			
Completed properties for sale		**2,350**	2,350
Inventories		**4,697**	5,798
Debtors and deposits	*11(a)*	**170,410**	124,712
Cash and cash equivalents		**1,453,512**	965,086
Total current assets		**1,630,969**	1,097,946
CURRENT LIABILITIES			
Creditors, deposits received and accruals	*11(b)*	**198,963**	156,334
Tax payable		**4,056**	12,663
Interest-bearing bank and other borrowings		**388,888**	412,170
Total current liabilities		**591,907**	581,167
NET CURRENT ASSETS		**1,039,062**	516,779
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,304,412**	9,261,399
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**(1,827,990)**	(1,933,139)
Deferred tax		**(816,852)**	(727,972)
Long term rental deposits received		**(42,554)**	(47,155)
Total non-current liabilities		**(2,687,396)**	(2,708,266)
		7,617,016	6,553,133
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*12*	**141,620**	141,620
Share premium account		**6,974,701**	6,974,701
Investment revaluation reserve		**407,351**	377,226
Share option reserve		**14,993**	13,778
Capital redemption reserve		**1,200,000**	1,200,000
General reserve	*12*	**479,201**	479,201
Special capital reserve	*12*	**26,889**	—
Exchange fluctuation reserve		**39,731**	38,828
Accumulated losses		**(2,149,490)**	(3,005,372)
		7,134,996	6,219,982
Minority interests		**482,020**	333,151
		7,617,016	6,553,133

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2008

	Attributable to equity holders of the Company											
	Issued capital	Share premium account	Investment revaluation reserve	Share option reserve	Capital redemption reserve	General reserve	Special capital reserve	Exchange fluctuation reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 July 2007 and 1 August 2007 (Audited)	141,620	6,974,701	377,226	13,778	1,200,000	479,201	–	38,828	(3,005,372)	6,219,982	333,151	6,553,133
Exchange realignments:												
Subsidiaries	–	–	–	–	–	–	–	660	–	660	–	660
Associates	–	–	–	–	–	–	–	529	–	529	–	529
Changes in fair values of available-for-sale financial assets	–	–	26,623	–	–	–	–	–	–	26,623	–	26,623
Share of reserve movements of associates	–	–	3,898	1,215	–	–	–	–	–	5,113	–	5,113
Total income recognised directly in equity	–	–	30,521	1,215	–	–	–	1,189	–	32,925	–	32,925
Released upon deemed disposal of interest in an associate	–	–	(396)	–	–	–	–	(286)	–	(682)	–	(682)
Profit for the period	–	–	–	–	–	–	–	–	882,771	882,771	35,972	918,743
Total recognised income and expense for the period	–	–	30,125	1,215	–	–	–	903	882,771	915,014	35,972	950,986
Transfer of reserves *(note 12)*	–	–	–	–	–	–	26,889	–	(26,889)	–	–	–
Acquisition of additional interests of a subsidiary from a minority shareholder	–	–	–	–	–	–	–	–	–	–	(14,685)	(14,685)
Disposal of partial interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	127,582	127,582
At 31 January 2008 (Unaudited)	141,620	6,974,701	407,351	14,993	1,200,000	479,201	26,889	39,731	(2,149,490)	7,134,996	482,020	7,617,016
At 31 July 2006 and 1 August 2006 (Audited)	6,373,021	5,858,164	106,111	1,660	1,200,000	–	–	38,430	(9,640,262)	3,937,124	384,881	4,322,005
Exchange realignments:												
Subsidiaries	–	–	–	–	–	–	–	30	–	30	–	30
Associates	–	–	–	–	–	–	–	196	–	196	–	196
Changes in fair values of available-for-sale financial assets	–	–	19,710	–	–	–	–	–	–	19,710	–	19,710
Share of reserve movements of associates	–	–	1,939	3,335	–	–	–	–	–	5,274	–	5,274
Total income recognised directly in equity	–	–	21,649	3,335	–	–	–	226	–	25,210	–	25,210
Profit for the period	–	–	–	–	–	–	–	–	600,103	600,103	24,830	624,933
Total recognised income and expense for the period	–	–	21,649	3,335	–	–	–	226	600,103	625,313	24,830	650,143
Capital reduction	(6,245,561)	626,561	–	–	–	–	–	–	5,619,000	–	–	–
Issue of shares	14,160	495,600	–	–	–	–	–	–	–	509,760	–	509,760
Share issue expenses	–	(5,624)	–	–	–	–	–	–	–	(5,624)	–	(5,624)
Equity-settled share option arrangements	–	–	–	6,572	–	–	–	–	–	6,572	–	6,572
Transfer of reserves *(note 12)*	–	–	–	–	–	–	25,320	–	(25,320)	–	–	–
Repayment to minority shareholders	–	–	–	–	–	–	–	–	–	–	(35,000)	(35,000)
At 31 January 2007 (Unaudited)	141,620	6,974,701	127,760	11,567	1,200,000	–	25,320	38,656	(3,446,479)	5,073,145	374,711	5,447,856

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 INFLOW FROM OPERATING ACTIVITIES	**85,672**	88,893
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**532,237**	(192,116)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**(130,143)**	348,469
NET INCREASE IN CASH AND CASH EQUIVALENTS	**487,766**	245,246
Cash and cash equivalents at beginning of period	**965,086**	401,724
Effect of foreign exchange rate changes, net	**660**	29
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,453,512**	646,999
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**198,888**	125,328
Non-pledged time deposits with original maturity of less than three months when acquired	**1,254,624**	521,671
	1,453,512	646,999

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 polices of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements.

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 HKFRS are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

(a) *Business segments*

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

	Six months ended 31 January 2008 (Unaudited)					
	Property development and sales	**Property investment**	**Hotel and restaurant operations**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:						
Sales to external customers	**—**	**164,881**	**330,884**	**10,797**	**—**	**506,562**
Intersegment sales	**—**	**3,771**	**—**	**15,957**	**(19,728)**	**—**
Other revenue	**300**	**237**	**278**	**5**	**—**	**820**
Total	**300**	**168,889**	**331,162**	**26,759**	**(19,728)**	**507,382**
Segment results	**(282)**	**592,821**	**485,671**	**3,253**	**—**	**1,081,463**
Interest income and unallocated gains						**28,960**
Unallocated expenses						**(81,585)**
Profit from operating activities						**1,028,838**

	Six months ended 31 January 2007 (Unaudited)					
	Property development and sales	Property investment	Hotel and restaurant operations	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	—	143,999	297,755	16,276	—	458,030
Intersegment sales	—	3,497	—	14,310	(17,807)	—
Other revenue	—	469	284	2	—	755
Total	—	147,965	298,039	30,588	(17,807)	458,785
Segment results	—	335,750	74,939	9,748	—	420,437
Interest income and unallocated gains						32,441
Unallocated expenses						(100,948)
Profit from operating activities						351,930

3. **SEGMENT INFORMATION** *(continued)*

(b) *Geographical segments*

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

	Six months ended 31 January 2008 (Unaudited)		
	Hong Kong	**Vietnam**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue:			
Sales to external customers	**375,414**	**131,148**	**506,562**
Other revenue	**820**	**—**	**820**
Total	**376,234**	**131,148**	**507,382**

	Six months ended 31 January 2007 (Unaudited)		
	Hong Kong	Vietnam	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	356,144	101,886	458,030
Other revenue	755	—	755
Total	356,899	101,886	458,785

4. **GAIN ON DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY**

During the six months ended 31 January 2008, the Group completed its disposal of 16.57% interest in Diamond String Limited ("Diamond String") to CCB International Group Holdings Limited ("CCB International") with a consideration of approximately HK$575 million, subject to adjustment with reference to the net asset value of Diamond String as at 31 March 2008 when the completion accounts are drawn up. An amount of HK$404,409,000 (subject to adjustment to consideration) was recognised as gain on disposal of partial interest in Diamond String in the condensed consolidated income statement of the Group for the six months ended 31 January 2008. Further details of the transaction are set out in the Company's circular dated 29 November 2007.

As at 31 January 2008, the Group and CCB International hold 60% and 40% interest in Diamond String respectively.

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
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation#	**27,196**	32,389
Amortisation of prepaid land lease payments*	**514**	514
Impairment of goodwill*	**1,144**	1,144
Equity-settled share option expense for options granted to a director	**—**	6,572
Gain on disposal of subsidiaries*	**(154)**	(2,431)
Loss/(gain) on disposal of items of property, plant and equipment*	**22**	(1,544)
Loss on disposal of an investment property	**2,920**	—
Interest income from bank deposits	**(18,059)**	(9,308)
Other interest income	**(5,973)**	(8,960)
Dividend income from unlisted available-for-sale equity investments	**(1,558)**	(200)
Return of capital from an unlisted available-for-sale equity investment	**—**	(1,914)

\# Depreciation charge of HK$22,902,000 (2007: HK$28,479,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the condensed consolidated income statement.

* These items are included in "other operating expenses, net" on the face of the condensed consolidated income statement.

6. FINANCE COSTS

	Six months ended 31 January	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings:		
— wholly repayable within five years	**69,832**	63,627
— not wholly repayable within five years	**—**	7,536
Total interest expenses	**69,832**	71,163
Bank financing charges	**3,549**	6,312
	73,381	77,475
Less: Amounts capitalised in properties under development	**(3,365)**	—
	70,016	77,475

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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 31 January	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision for tax for the period:		
Current — Hong Kong	**5,124**	4,144
Current — overseas	**6,517**	1,367
Deferred tax	**88,880**	46,968
	100,521	52,479
Prior period's overprovision — Hong Kong	**(55)**	(559)
Tax charge for the period	**100,466**	51,920

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$882,771,000 (six months ended 31 January 2007: HK$600,103,000) and the weighted average number of 14,162,042,320 (six months ended 31 January 2007: 13,246,259,711) ordinary shares in issue during the period.

The calculation of diluted earnings per share amount for the current period is based on the adjusted profit attributable to ordinary equity holders of the Company for the period of HK$882,627,000 (six months ended 31 January 2007: HK$594,436,000) and the weighted average number of 14,162,042,320 (six months ended 31 January 2007: 13,246,259,711) ordinary shares in issue during the period.

The calculation of adjusted profit attributable to ordinary equity holders of the Company is based on the profit attributable to ordinary equity holders of the Company for the period of HK$882,771,000 (six months ended 31 January 2007: HK$600,103,000) less the dilution in the results of an associate, eSun Holdings Limited ("eSun"), attributable to the Group of HK$144,000 (six months ended 31 January 2007: HK$5,667,000) arising from the deemed exercise of certain eSun's share options with dilutive effect being outstanding during the period.

All the outstanding share options of the Company have an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the current period.

9. INTERESTS IN ASSOCIATES

Included in the Group's interests in associates as at 31 January 2008 is the Group's share of net assets of eSun and its subsidiaries (the "eSun Group") of approximately HK$1,612,145,000 (31 July 2007: HK$1,541,681,000).

During the current period, share options granted under a share option scheme of eSun were exercised to subscribe for 5,588,886 ordinary shares of HK$0.50 each of eSun at a subscription price of HK$4.00 per share and accordingly the Group's interests in eSun was diluted from 34.75% to 34.52%.

A cross holding position has been existing between eSun and the Company. As at 31 January 2008, the Group's interest in eSun was 34.52% (31 July 2007: 34.75%) and the eSun Group held in aggregate 36.72% (31 July 2007: 36.72%) in the issued share capital of the Company.

10. PLEDGED BANK BALANCES AND TIME DEPOSITS

As at 31 January 2008, the non-current bank balances and time deposits of the Group of HK$94,909,000 (31 July 2007: HK$95,138,000) were pledged to banks to secure a loan facility granted to the Group.

11. DEBTORS AND DEPOSITS/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

(a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sale proceeds receivables from the sale of properties are settled in accordance with the terms of the respective contracts. 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. Hotel and restaurant charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

An aged analysis of the trade debtors of the Group as at 31 January 2008 and 31 July 2007 are as follows:

	31 January 2008	31 July 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade debtors:		
Less than 30 days	**21,403**	22,318
31 – 60 days	**3,029**	2,176
61 – 90 days	**738**	841
Over 90 days	**4,448**	4,644
	29,618	29,979
Other debtors and deposits	**140,792**	131,233
	170,410	161,212
Portion classified as non-current:		
Deposit paid for acquisition of properties under development	**—**	(30,300)
Deposit paid for purchase of a further interest in a subsidiary from a minority shareholder	**—**	(6,200)
	—	(36,500)
Current portion	**170,410**	124,712

(b) An aged analysis of the trade creditors of the Group as at 31 January 2008 and 31 July 2007 are as follows:

	31 January 2008	31 July 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade creditors:		
Less than 30 days	**8,971**	14,385
31 – 60 days	**914**	3,106
61 – 90 days	**—**	346
Over 90 days	**232**	510
	10,117	18,347
Other creditors, deposits received and accruals	**188,846**	137,987
	198,963	156,334

12. SHARE CAPITAL

	31 January 2008		31 July 2007	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Authorised:				
Ordinary shares of HK$0.01 each	**16,000,000**	**160,000**	16,000,000	160,000
Preference shares of HK$1.00 each	**1,200,000**	**1,200,000**	1,200,000	1,200,000
		1,360,000		1,360,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**14,162,042**	**141,620**	14,162,042	141,620

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18 October 2006. The paid-up capital on each of its issued ordinary shares of HK$0.50 was cancelled to the extent of HK$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK$0.50 per share to HK$0.01 per share. A total credit of HK$6,245,561,000 was arisen as a result of the Capital Reduction. An amount of HK$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK$626,561,000 was credited to the share premium account of the Company.

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1 August 2005 in respect of the Company's:

(1) 50% investment in Fortune Sign Venture Inc., up to an aggregate amount of HK$1,556,000,000;

(2) 10% investment in Bayshore Development Group Limited ("Bayshore"), up to an aggregate amount of HK$2,923,000,000; and/or

(3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK$1,140,000,000.

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18 October 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

12. SHARE CAPITAL *(continued)*

The undertaking is subject to the following provisos:

(i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserves of the Company and the same shall become available for distribution;

(ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and

(iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

During the six months ended 31 January 2008, an amount of HK$26,889,000 (six months ended 31 January 2007: HK$25,320,000) which represents the reversal of provision for impairment of the Company's interests in Peakflow Profits Limited, a wholly owned subsidiary of the Company which holds a 10% equity interest in Bayshore, was transferred from accumulated losses to the special capital reserve of the Company.

13. CONTINGENT LIABILITIES

The Group had the following material contingent liabilities not provided for in the financial statements as at 31 January 2008 and 31 July 2007:

(a) In connection with the disposal (the "Transaction") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company Limited ("Taiwa Land"), an indirect 50% owned associate of the Group, the Company, and the other 50% beneficial shareholder of Taiwa Land (collectively the "Covenantors") entered into a tax deed (the "Tax Deed") with the purchaser of the Transaction, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries (collectively the "Properties Holding Companies") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events happened prior to the completion of the Transaction for a maximum amount of HK$30,000,000. As such, the maximum liability of the Company under the Tax Deed is HK$15,000,000. The Tax Deed is valid for a period of 7 years from the date of its execution.

(b) Pursuant to certain indemnity deeds dated 12 November 1997 entered into between the Company and Lai Fung Holdings Limited ("Lai Fung"), the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("LAT") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31 October 1997 (the "Property Interests"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited, independent chartered surveyors, as at 31 October 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deeds assume that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

13. CONTINGENT LIABILITIES *(continued)*

(b) *(continued)*

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the "Listing"); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997. Lai Fung had no LAT payable in respect of the Property Interests during the period. No income tax payable by Lai Fung was indemnifiable by the Company during the period.

14. COMMITMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group had the following commitment in respect of purchase of property, plant and equipment not provided for in the financial statements as at 31 January 2008 and 31 July 2007:

	31 January 2008 *HK$'000* (Unaudited)	31 July 2007 *HK$'000* (Audited)
Capital commitments — contracted, but not provided for	**982**	2,271

15. POST BALANCE SHEET EVENTS

The Group had the following significant post balance sheet events:

(a) Disposal of a 10% interest in Diamond String

On 30 January 2008, the Company and Surearn Profits Limited (the "Subsidiary"), a wholly-owned subsidiary of the Group, entered into an agreement (the "Agreement") with CCB International, pursuant to which the Subsidiary agreed to sell a 10% interest in Diamond String and the Company agreed to assign the related shareholder loan with interest accrued thereon owed by Diamond String to the Company to CCB International for a total consideration of approximately HK$417 million, subject to adjustment with reference to the net asset value of Diamond String as at 31 March 2008 when the completion accounts are drawn up.

The gain before expenses arising from the disposal of the Group's 10% interest in Diamond String to be recognised by the Group in its consolidated income statement is estimated at approximately HK$315 million (before taking into account the effect of cross-holding of shares between the Group and eSun and is subject to adjustment to consideration). After taking into account the cross-holding effect with eSun, the total estimated gain before expenses expected to accrue to the Group's consolidated income statement upon completion of the transaction is approximately HK$361 million (subject to adjustment to consideration). The actual financial impact to the Group arising from the disposal to be recorded in the Group's consolidated accounts will be recalculated based on the net asset value of Diamond String as at the date to which completion accounts are drawn up.

Upon completion of the transaction, Diamond String will cease to be a subsidiary of the Group. The completion of the transaction will therefore result in the deconsolidation of the assets and liabilities of Diamond String from the Group's consolidated accounts. The remaining 50% interest in Diamond String retained by the Group after the completion of the transaction will be equity accounted for as the Group's interest in an associate in the Group's consolidated accounts. Further details of the disposal transaction are set out in the Company's circular dated 22 February 2008.

15. POST BALANCE SHEET EVENTS *(continued)*

(a) Disposal of a 10% interest in Diamond String (continued)

The disposal constitutes a major and connected transaction for the Company and is subject to, inter alia, independent shareholders' approval requirements of the Company under the Listing Rules. A resolution for approving the disposal transaction was duly passed at an extraordinary general meeting of the Company held on 18 March 2008.

The transaction was completed on 31 March 2008. Upon completion of the transaction, the Group and CCB International each holds 50% interest in Diamond String.

(b) Undertaking to subscribe rights shares of eSun and acquisition of further interest in eSun

Pursuant to a joint announcement made by the Company and eSun on 7 March 2008, eSun announced that it proposed to raise approximately HK$1,034 million before expenses by way of a rights issue (the "Rights Issue") of not less than 413,577,388 rights shares and not more than 414,508,868 rights shares at the subscription price of HK$2.50 per rights share on the basis of one rights share for every two existing eSun shares. Pursuant to an irrevocable undertaking (the "Irrevocable Undertaking") entered into between the Company and eSun dated 5 March 2008, the Company has irrevocably undertaken to eSun that: (i) the eSun shares beneficially owned by the Group as at that date will remain so owned from that date up to the close of business on 25 April 2008, being record date of the Rights Issue; and (ii) it will, subject to fulfilment of certain conditions (including seeking the independent shareholders' approval of the Company), subscribe or procure subscription of its entitlement to 142,756,395 rights shares as would be provisionally allotted to it.

It is the Company's intention to increase in its shareholding in eSun by up to approximately 19.3 million shares of eSun (being the maximum amount which would not trigger an obligation by the Company to make a general offer for all the issued shares of eSun other than those already beneficially owned or agreed to be acquired by the Company and parties acting in concert with it under Rule 26 of the Takeover Code) through the purchase of cum-rights shares and/or ex-rights shares and/or nil-paid rights of eSun and/or application for excess application for non-subscribed rights shares or a combination of the abovementioned alternatives.

Since the aforesaid announcement of the proposed Rights Issue by eSun and up to the date of this interim report, the Group has acquired 7,030,000 cum rights eSun shares in the stock market for an aggregate consideration of approximately HK$26 million, which represents approximately 0.85% of the issued shares of eSun. The Group's interest in eSun was increased from 34.52% as at 31 January 2008 to 35.37% as at the date of this interim report accordingly.

The proposed subscription (including the subscription of the rights shares by the Group (i) on its pro rata entitlement to the rights shares pursuant to the Irrevocable Undertaking; and (ii) up to an additional 19,342,000 rights shares as may be allotted and issued to the Group pursuant to the Rights Issue by virtue of an excess application or otherwise) of the rights shares of eSun by the Group and the Irrevocable Undertaking constitute a discloseable and connected transaction for the Company and is subject to, inter alia, independent shareholders' approval requirements of the Company under the Listing Rules. An extraordinary general meeting of the Company is scheduled to be held on 16 April 2008 for approving the aforesaid transactions.

Further details of the aforesaid transactions are set out in the Company's circular dated 28 March 2008.

INTERIM ORDINARY DIVIDEND

The Directors do not recommend the payment of an interim ordinary dividend for the financial year ending 31 July 2008. No interim ordinary 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$506,562,000 (2007: HK$458,030,000), representing an increase of approximately 10.6% from the previous corresponding period. The increase was largely due to continued rental reversion from the Group's investment properties and increase in average daily room rate of the Group's hotel operations.

For the six months ended 31 January 2008, the Group recorded a gross profit of HK$316,014,000 (2007: HK$280,994,000) and a profit from operating activities of HK$1,028,838,000 (2007: HK$351,930,000), representing an increase of approximately 12.5% and 192.3% respectively from the previous corresponding period. Fair value gain on investment properties was HK$472,568,000 (2007: HK$227,403,000). During the period, the Group also booked a gain on disposal of its 16.57% interest in Diamond String Limited ("Diamond String"), which owns the property of The Ritz-Carlton Hong Kong. Share of profits from associates was HK$63,051,000 (2007: HK$402,398,000), representing a decrease of approximately 84.3% from the previous corresponding period. Such decrease was mainly due to the fact that the share of profits from associates recorded in the previous corresponding period included a non-recurrent gain on disposal of 40% interest in Macao Studio City project by the Group's associated company, eSun.

For the six months ended 31 January 2008, the Group achieved a consolidated profit attributable to equity holders of the Company of HK$882,771,000 (2007: HK$600,103,000), up by approximately 47.1% from the previous corresponding period.

Shareholders' equity as at 31 January 2008 amounted to HK$7,134,996,000, up from HK$6,219,982,000 as at 31 July 2007. Net asset value per share as at 31 January 2008 was HK$0.504, as compared to HK$0.439 as at 31 July 2007.

Business Review

Investment Properties

The Group wholly owns three investment properties for rental purposes, i.e. Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the six months ended 31 January 2008, aggregate gross rental income from investment properties contributed to the Group's turnover of approximately HK$162,800,000 (2007: HK$143,999,000), up approximately 13.1% from the previous corresponding period.

Development Properties

Wood Road Project, Wanchai

This joint residential development project is a 50:50 joint venture between the Group and a unit of AIG Global Real Estate Investment (Asia) LLC. The development has a planned total gross floor area of approximately 140,000 square feet and the total development cost is now estimated to be about HK$1,000,000,000.

Foundation work was started in November 2007 and is expected to be completed by September 2008. Construction will start thereafter and is scheduled for completion by 2011.

Tai Po Road Project

The Group owns 100% of this development project. The development has a planned total gross floor area of over 60,000 square feet mainly for residential use and the total development cost is now estimated to be about HK$450,000,000.

Foundation work is expected to be started in mid April 2008 and completed by September 2008. Construction will start thereafter and is scheduled for completion by 2010.

Hotel Operations

Occupancy and average daily room rate

For the six months ended 31 January 2008, hotel operations contributed to the Group's turnover of HK$330,884,000 (2007: HK$297,755,000), up approximately 11.1% from the previous corresponding period. During the period under review, the Group's hotel operations achieved the following average occupancy and average daily room rate compared to the previous corresponding period:

	For the six months ended 31 January			
	2008		2007	
	Average occupancy (%)	**Average daily room rate**	Average occupancy (%)	Average daily room rate
The Ritz-Carlton Hong Kong	**82**	**HK$2,855**	86	HK$2,768
Caravelle Hotel, Ho Chi Minh City, Vietnam	**67**	**US$198**	71	US$141

Redevelopment of The Ritz-Carlton Hong Kong site

In December 2007, the Group together with the other three remaining shareholders of 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 ("CCB"). Out of the aforesaid 40% interest, the Group 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.

Upon completion, the Group booked a gain on disposal of HK$404,409,000 (subject to adjustment). Immediately following this disposal, the Group 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.

According to the terms of the relevant sale and purchase agreement, the Group and the other three remaining shareholders were entitled to the profits of the operations of The Ritz-Carlton Hong Kong until 31 March 2008. The hotel operations of The Ritz-Carlton Hong Kong was terminated on 1 February 2008.

eSun

For the six months ended 31 January 2008, share of profits from eSun was approximately HK$68,185,000 (2007: share of profit of HK$380,392,000). The change in the share of results in eSun was largely due to the fact that the share of profits from eSun recorded in the previous corresponding period included a non-recurrent gain on disposal of 40% interest in Macao Studio City project.

Joint venture and partnership of Macao Studio City

During the period under review, eSun's jointly-controlled Macao Studio City JV ("Macao Studio City JV") further finalized component partnerships with world's renowned operators. Macao Studio City JV is owned as to effectively 40% by eSun, 40% by New Cotai, LLC (the US joint venture partner) and 20% by CapitaLand Group. Macao Studio City will be one of Asia's leading integrated leisure resorts combining theatre/concert venues, live entertainment facilities, Studio Retail™ (a destination retail complex), Las Vegas-style gaming facilities and world-class hotels.

For the retail component, Macao Studio City JV entered into agreements in January 2008 with a subsidiary of Taubman Centers, Inc. ("Taubman"), a global leader of the shopping center industry. Under these agreements, amongst other things, Taubman will take up a 25% equity participation in the retail shopping arcade in Phase I of the Macao Studio City ("Phase I Retail Component") and will be the manager of Phase I Retail Component.

For the hotel component, Phase I of the Macao Studio City will build a luxury Ritz-Carlton Hotel (256 rooms) and W Hotel (563 rooms), a first-class Marriot Hotel (965 rooms) and a new super-luxury boutique hotel under the brand "The Tang Hotel" (118 rooms). Four world-class hotel partners of Macao Studio City will add over 1,900 hotel rooms to the Cotai area.

Financing for the development of Macao Studio City

According to the latest development plan of Macao Studio City project, Phase I of the project will require a development cost of approximately US$1.7 billion (including, but not limited to, hard construction costs, fixtures and equipment, soft and consultancy costs, contingency, interest coverage and pre-opening expenses, but excluding land value).

As the sub-prime mortgage crisis in the US emerged in 2007, the widespread dispersion of credit risk caused financial institutions to reduce lending activity or to make loans at higher interest rates. The deteriorating global credit and bond markets negatively affected and delayed the anticipated debt fundraising exercise of Macao Studio City. As of the date of this report, Macao Studio City JV is still working with banks on the debt financing element of the project.

In view of the difficult credit market conditions, shareholders of Macao Studio City JV entered into a memorandum of understanding on 9 November 2007 that, amongst other things, called for the proposed injection of additional capital into the joint venture and the granting of other financial support by its shareholders. As envisaged by such memorandum of understanding, shareholders of Macao Studio City JV agreed to increase shareholders' contribution to Macao Studio City project, on a several basis, to US$500 million, subject to the approval of eSun shareholders and further negotiation of definitive documents to reflect and expand upon matters agreed in the memorandum of understanding. As at date of this report, the shareholders of Macao Studio City JV have already contributed capital of US$200 million.

Assuming the definitive documents are settled and entered into, and the relevant terms are approved by eSun shareholders, eSun's outstanding funding commitment to Macao Studio City JV will be US$120 million (equivalent to approximately HK$936 million), being 40% of the additional capital of US$300 million.

The current situation is that the parties have yet to finalise the long term definitive documentation envisaged under the memorandum of understanding. However, eSun remains committed to negotiating in good faith with a view to concluding the definitive documents. Given the delay in agreeing the definitive documentation, it is now permissible for any party to terminate the memorandum of understanding. As at the date of this report, no party has taken this step.

Until the definitive documents can be agreed, the obligation on eSun's subsidiary, East Asia Satellite Television (Holdings) Limited, to make the additional funding contributions of US$180 million (i.e. 60% of the US$300 million) to the Macao Studio City JV as envisaged by the memorandum of understanding has yet to become legally-binding. As such, the obligation on eSun to make its pro-rata contribution towards this US$180 million sum (i.e. US$120 million, being two-thirds thereof) has also yet to become legally-binding.

Although, the longer timeframe required to finalise the definitive documents may prolong the time needed to settle the overall funding plan for the Macao Studio City project, eSun remains firmly committed to the Macao Studio City project and is determined to proceed with its rights issue, as announced in March 2008. eSun has stated that the rights issue is not and has never been conditional upon finalising the definitive documents and, as previously announced, eSun wishes to have sufficient capital available for the Macao Studio City project, however the project evolves, and otherwise for its general working capital purposes.

The ground breaking ceremony of Macao Studio City project was held in January 2007. Foundation work for Phase I of the project has been completed. eSun anticipates construction work for Phase I would commence upon finalization of the loan financing element of the project.

Prospects

Property investment and development

The Group continues to improve its tenant mix in its investment properties so as to strengthen its rental income base. Other than its current development projects, the Group is also actively looking for new development projects in Hong Kong and overseas which offer good investment returns.

Redevelopment of The Ritz-Carlton Hong Kong site

On 31 March 2008, the Group completed a further sale of 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, the Group and CCB International own this redevelopment project on a 50:50 basis.

The buildable GFA for the redevelopment 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. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations. The Group is very excited to partner with CCB for the redevelopment of The Ritz-Carlton Hong Kong. The partnership with CCB marks a vital move for the future development of the Company.

Hotel management

Following the disposal of all hotel assets in Hong Kong, the Group will only hold hotel ownership stakes in Caravelle Hotel Vietnam. In future, the Group through its hotel management arm, Furama Hotels and Resorts International Limited ("FHRI"), will focus on managing hotel rooms and service apartments in the region, including Greater China and Vietnam. FHRI will utilize its renowned brand and services and will seek to sign new hotel management contracts in the region.

eSun and Macao Studio City

The joint venture shareholders and component partners provide the Macao Studio City project with world-class expertise in different areas and complement eSun's strong position in the media and entertainment sector.

As mentioned above, eSun has stated that it remains firmly committed to the Macao Studio City project and is determined to proceed with its fully-underwritten 1-for-2 rights issue to raise net proceeds of around HK$1 billion as announced in March 2008. The rights issue is conditional upon the shareholders of the Company passing a resolution to permit the Company to participate in the rights issue but, as stated by eSun, is not and has never been conditional upon finalizing the definitive documents. As previously announced, eSun wishes to have sufficient capital available for the Macao Studio City project, however the project evolves, and otherwise for its general working capital purposes. With the increase in shareholders' contribution, Macao Studio City JV will have a very substantial equity base comprising shareholders contribution and the land value. Even though the global credit market still remains unstable, Macao Studio City JV targets to complete the debt financing exercise within 2008 in order to finance the development of Phase I of the project.

Construction work for super-structure of Phase I of the project will commence once the debt financing exercise is finalized. Construction schedule and formal opening of Phase I will now depend on timing of the conclusion of the debt financing exercise. eSun however targets completion of Phase I in 2010, subject to financing.

Liquidity and Financial Resources

As at 31 January 2008, the Group had consolidated net assets of approximately HK$7,135 million (as at 31 July 2007: HK$6,220 million).

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations and loan facilities provided by banks.

As at 31 January 2008, the Group had outstanding borrowings of approximately HK$2,217 million representing secured bank borrowings (as at 31 July 2007: HK$2,345 million secured bank and other borrowings). The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 31%. The maturity profile of the bank borrowings of HK$2,217 million was spread over a period of less than 5 years with HK$389 million repayable within 1 year, HK$756 million repayable in the second year and HK$1,072 million repayable in the third to fifth years. As at 31 January 2008, all the Group's borrowings carried interest on a floating rate basis.

As at 31 January 2008, certain investment properties with carrying amounts of approximately HK$5,078 million, certain property, plant and equipment with carrying amounts of approximately HK$1,141 million, prepaid land lease payments of approximately HK$30 million, certain properties under development of approximately HK$323 million and certain bank balances and time deposits with banks of approximately HK$95 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares of an associate held by the Group were pledged to banks for loan facilities granted to an associate of the Group. Certain shares of an investee company of the Group were pledged to banks to secure a loan facility granted to this investee company. The secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars. All of the Group's borrowings are denominated in Hong Kong dollars or US dollars. Considering that the exchange rate between Hong Kong dollars and US dollars is pegged, the Group believes that the corresponding exposure to exchange rate risk is nominal.

Employees and Remuneration Policies

The Group employed a total of approximately 1,300 (as at 31 July 2007: 1,300) employees as at 31 January 2008. Total staff costs for the six months ended 31 January 2008 amounted to approximately HK$127 million. Pay rates 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 number of retirement benefit schemes 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 are set out in note 13 to the condensed consolidated interim financial statements.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 22 December 2006 and the Scheme became effective on 29 December 2006 (the "Commencement Date"). The purpose of the Scheme is to provide incentive or rewards to any eligible employee, any director of the Company or any of its subsidiaries, any agent or consultant of any member of the Group or any employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group 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. Unless otherwise altered or terminated, the Scheme shall be valid and effective for a period of 10 years commencing on the Commencement Date.

The following share options were outstanding under the Scheme as at 31 January 2008:

		No. of Options				
Name	**Date of Grant**	**As at 1 August 2007**	**Granted during the period**	**As at 1 January 2008**	**Option Period**	**Subscription Price per Share**
Director						
Lau Shu Yan, Julius	19/01/2007	15,000,000	—	15,000,000	19/01/2007—31/12/2010	HK$0.45
	19/01/2007	15,000,000	—	15,000,000	19/01/2007—31/12/2010	HK$0.55
	19/01/2007	15,000,000	—	15,000,000	19/01/2007—31/12/2010	HK$0.65
	19/01/2007	15,000,000	—	15,000,000	19/01/2007—31/12/2010	HK$0.75
		60,000,000	—	60,000,000		

During the period under review, no options were exercised, cancelled or lapsed in accordance with the terms of the Scheme. As at 31 January 2008, the total number of 60,000,000 share options outstanding under the Scheme represented approximately 0.42% of the Company's shares in issue at that date.

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 for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

	Long positions in the shares						
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 *(Note 1)*	Nil	Beneficial owner	1,592,968,777	11.25%
Lau Shu Yan, Julius	1,200,000	Nil	Nil	60,000,000 (under share option)	Beneficial owner	61,200,000	0.43
U Po Chu *(Note 2)*	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.004%

Notes:

(1) Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in the Company. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares in the Company by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.

(2) Madam U Po Chu is the widow of the late Mr. Lim Por Yen, whose estate includes an interest of 197,859,550 shares.

(2) Associated Corporation

eSun

	Long positions in the shares of eSun						
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	1,862,962	Nil	Nil	5,588,887 *(Note)*	Beneficial owner	7,451,849	0.90%
Cheung Wing Sum, Ambrose	1,862,962	Nil	Nil	5,588,887 *(Note)*	Beneficial owner	7,451,849	0.90%

Note: An employee share option scheme was adopted by eSun on 23 December 2005 and came into effect from 5 January 2006, and will remain in force for a period of 10 years. Options granted to the above Directors as at 31 January 2008 are set out below:

Name	Date of Grant	No. of Share Option	Option Period	Subscription Price per Share
Lam Kin Ngok, Peter	24/02/2006	1,862,962	01/01/2008 – 31/12/2008	HK$4.25
	24/02/2006	1,862,962	01/01/2009 – 31/12/2009	HK$4.50
	24/02/2006	1,862,963	01/01/2010 – 31/12/2010	HK$4.75
Cheung Wing Sum, Ambrose	24/02/2006	1,862,962	01/01/2008 – 31/12/2008	HK$4.25
	24/02/2006	1,862,962	01/01/2009 – 31/12/2009	HK$4.50
	24/02/2006	1,862,963	01/01/2010 – 31/12/2010	HK$4.75

Save as disclosed above, as at 31 January 2008, 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 associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 January 2008, the following persons, one of whom is a Director of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Nature	Number of Shares	Percentage
eSun	Owner of controlled corporation	Corporate	5,200,000,000	36.72%
LSG	Beneficial owner	Corporate	1,582,869,192	11.18% *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner	Personal & corporate	1,592,968,777	11.25% *(Note 1)*
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	5.52%
Xing Feng Investments Limited ("Xing Feng")	Owner of controlled corporation	Corporate	781,346,935	5.52% *(Note 2)*
Chen Din Hwa	Owner of controlled corporation	Corporate	1,047,079,435	7.39% *(Note 3)*
Chen Yang Foo Oi	Interest of spouse	Family	1,047,079,435	7.39% *(Note 4)*
IGM Financial Inc. ("IGM")	Owner of controlled corporation	Corporate	1,150,000,000	8.12%
Power Financial Corporation ("Power F")	Owner of controlled corporation	Corporate	1,150,000,000	8.12% *(Note 5)*
Power Corporation of Canada ("Power C")	Owner of controlled corporation	Corporate	1,150,000,000	8.12% *(Note 5)*
Gelco Enterprises Limited ("Gelco")	Owner of controlled corporation	Corporate	1,150,000,000	8.12% *(Note 5)*
Nordex Inc. ("Nordex")	Owner of controlled corporation	Corporate	1,150,000,000	8.12% *(Note 5)*
Paul G. Desmarais	Owner of controlled corporation	Corporate	1,150,000,000	8.12% *(Note 5)*
Peter Cundill & Associates (Bermuda) Limited	Investment Manager	Corporate	903,108,000	6.37%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(continued)*

Notes:

1. LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares, and Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% in the issued share capital of LSG.

2. Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interests therein.

3. Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer. In addition, Mr. Chen was taken to be interested in the 265,732,500 shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein.

4. Madam Chen Yang Foo Oi was deemed to be interested in 1,047,079,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.

5. Power F was deemed to be interested in 1,150,000,000 shares by virtue of its corporate interest in IGM.

   Power C was deemed to be interested in 1,150,000,000 shares by virtue of its corporate interest in Power F.

   Gelco was deemed to be interested in 1,150,000,000 shares by virtue of its corporate interest in Power C.

   Nordex was deemed to be interested in 1,150,000,000 shares due to its corporate interest in Gelco.

   Mr. Paul G. Desmarais was taken to be interested in 1,150,000,000 shares by virtue of his corporate interest in Nordex.

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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by this Interim Report save for the following deviations from code provisions A.4.1, and E.1.2:

Code Provision A.4.1

The non-executive Directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

Code Provision E.1.2

Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the Annual General Meeting of the Company held on 21 December 2007.

CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by Directors (the "Code") on terms no less exacting than the standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Code during the six months ended 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 Sir David Tang, KBE, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 11 April 2008