



LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED

(Stock code: 191)

Interim Report 2009-2010

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Shiu Kai Wah

Lam Kin Hong, Matthew

Tam Kin Man, Kraven

Lam Hau Yin, Lester

(also alternate director to Madam U Po Chu)

Leung Churk Yin, Jeanny

U Po Chu

Chiu Wai

Wan Yee Hwa, Edward*

Leung Shu Yin, William*

Chow Bing Chiu*

* *Independent non-executive director*

COMPANY SECRETARY

Yeung Kam Hoi

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Stock code on Hong Kong Stock Exchange: 191

RESULTS

The Board of Directors of Lai Sun Garment (International) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 January 2010 as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2010

	Notes	Six months ended 31 January	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
TURNOVER	3	10,008	7,442
Cost of sales		(4,455)	(857)
Gross profit		5,553	6,585
Other revenue and gain	4	4,291	4,432
Administrative expenses		(11,094)	(12,172)
Other operating expenses		—	(201)
Fair value gain/(loss) on investment properties		245,590	(12,402)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	244,340	(13,758)
Finance costs	6	(7,041)	(5,932)
Share of profits and losses of associates		183,208	25,778
PROFIT BEFORE TAX		420,507	6,088
Tax	7	(40,522)	1,739
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		379,985	7,827
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		HK 23.49 cents	HK 0.48 cents
Diluted		N/A	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2010

	Six months ended 31 January	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	379,985	7,827
<hr/>		
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale equity investments	(17,412)	15,829
Share of exchange fluctuation reserve of an associate	14,411	(18,637)
Share of asset revaluation reserve of an associate	—	(13,036)
Share of hedging reserve of an associate	—	(2,321)
<hr/>		
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD	(3,001)	(18,165)
<hr/>		
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	376,984	(10,338)
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Condensed Consolidated Statement of Financial Position

As at 31 January 2010

	Notes	31 January 2010 (Unaudited) HK\$'000	31 July 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		517	667
Investment properties		969,100	194,800
Properties under development		—	454,061
Interests in associates		3,335,959	3,147,767
Available-for-sale equity investments		193,110	210,522
Total non-current assets		4,498,686	4,007,817
CURRENT ASSETS			
Promissory note receivable		167,000	167,000
Debtors, deposits paid and other receivables	10	6,837	5,154
Tax recoverable		687	—
Cash and cash equivalents		119,264	75,657
Total current assets		293,788	247,811
CURRENT LIABILITIES			
Creditors, deposits received and accruals	11	97,629	47,824
Tax payable		—	204
Interest-bearing bank borrowings	12	313,000	247,000
Total current liabilities		410,629	295,028
NET CURRENT LIABILITIES		(116,841)	(47,217)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,381,845	3,960,600
NON-CURRENT LIABILITIES			
Interest-bearing other borrowing		(31,745)	(31,745)
Note payable		(195,000)	(195,000)
Accrued interest payable		(72,566)	(66,851)
Deferred tax liabilities		(71,679)	(31,157)
Total non-current liabilities		(370,990)	(324,753)
		4,010,855	3,635,847
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		74,619	74,619
Share option reserve		962	1,438
Hedging reserve		—	—
Investment revaluation reserve		(7,914)	9,498
Capital reserve		146,670	148,694
Exchange fluctuation reserve		494,044	479,633
Retained earnings		1,377,460	996,951
		4,010,855	3,635,847

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2010

	Attributable to ordinary equity holders of the Company									
	Issued capital	Share premium account	Asset revaluation reserve	Share option reserve	Hedging reserve	Investment revaluation reserve	Capital reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 31 July 2008 and 1 August 2008 (Audited)	16,174	1,908,840	83,478	1,440	2,321	(33,240)	148,694	500,284	827,951	3,455,942
Total comprehensive income/ (expenses) for the period	—	—	(13,036)	—	(2,321)	15,829	—	(18,637)	7,827	(10,338)
Share of reserve movements of an associate	—	—	—	(31)	—	—	—	—	393	362
At 31 January 2009 (Unaudited)	16,174	1,908,840	70,442	1,409	—	(17,411)	148,694	481,647	836,171	3,445,966

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2010

	Six months ended	
	31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	12,290	(6,423)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(32,782)	(49,190)
NET CASH INFLOW FROM FINANCING ACTIVITIES	64,099	60,248
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,607	4,635
Cash and cash equivalents at beginning of period	75,657	22,665
CASH AND CASH EQUIVALENTS AT END OF PERIOD	119,264	27,300
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,264	9,300
Non-pledged time deposits with original maturity of less than three months when acquired	103,000	18,000
	119,264	27,300

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 2010 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 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 2009, except for the application of 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 effective in the current period.

2.1 Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs, applicable to the Group, for the first time for the current period's unaudited condensed consolidated interim financial statements:

Improvements to HKFRSs

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate

The adoption of the above new and revised HKFRSs has had no material impact on the reported results or financial position of the Group, except for HKAS 1 (Revised) "Presentation of Financial Statements" and HKFRS 8 "Operating Segments" as described below, which has resulted in changes in presentation and disclosure on the financial statements.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements. The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity (i.e. comprehensive income). All non-owner changes in equity are required to be presented in (i) a single statement of comprehensive income or (ii) two statements (a separate income statement displaying items of income and expenses recognised as profit or loss and a second statement beginning with net profit or loss as shown in the income statement and displaying components of other comprehensive income). The Group has elected to present two statements. Comparative amounts have been restated to conform to the new presentation.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Impact of new and revised HKFRSs (Continued)

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 “Segment Reporting”, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The adoption of this standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain changes in the presentation and disclosure of interim financial statements, including change in basis of measurement of segment profit or loss and new disclosure of total assets by reportable segment.

2.2 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 2009¹

HKAS 24 (Revised)

HKFRS 9

Related Party Disclosures²

Financial Instruments³

¹ Amendments that are effective for annual periods beginning on or after 1 January 2010

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs 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.

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3. SEGMENT INFORMATION

The following tables present revenue and profit/(loss) for the Group’s reportable segments:

	Property development Six months ended 31 January		Property investment Six months ended 31 January		Consolidated Six months ended 31 January	
	2010 (Unaudited) HK\$’000	2009 (Unaudited) HK\$’000	2010 (Unaudited) HK\$’000	2009 (Unaudited) HK\$’000	2010 (Unaudited) HK\$’000	2009 (Unaudited) HK\$’000
	Segment revenue:					
Sales to external customers	—	—	10,008	7,442	10,008	7,442
Segment results	—	(52)	5,553	6,384	5,553	6,332
Interest income and unallocated other revenue and gain					4,291	4,432
Fair value gain/(loss) on investment properties	—	—	245,590	(12,402)	245,590	(12,402)
Unallocated expenses					(11,094)	(12,120)
Profit/(loss) from operating activities					244,340	(13,758)
Finance costs					(7,041)	(5,932)
Share of profits and losses of associates					183,208	25,778
Profit before tax					420,507	6,088
Tax					(40,522)	1,739
Profit for the period					379,985	7,827

Notes to Condensed Consolidated Interim Financial Statements (Continued)

3. SEGMENT INFORMATION (Continued)

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

	Property development		Property investment		Consolidated	
	31 January 2010 (Unaudited) HK\$'000	31 July 2009 (Audited) HK\$'000	31 January 2010 (Unaudited) HK\$'000	31 July 2009 (Audited) HK\$'000	31 January 2010 (Unaudited) HK\$'000	31 July 2009 (Audited) HK\$'000
Segment assets	—	454,324	970,204	195,067	970,204	649,391
Interests in associates					3,335,959	3,147,767
Unallocated assets					486,311	458,470
Total assets					4,792,474	4,255,628

4. OTHER REVENUE AND GAIN

	Six months ended 31 January	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest income from bank deposits	4	35
Other interest income	4,287	4,397
	4,291	4,432

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5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Depreciation	263	517
Provision for doubtful debts *	—	201

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

6. FINANCE COSTS

	Six months ended	
	31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interests on:		
Bank loans wholly repayable within five years	1,442	1,414
Other borrowings and note payable wholly repayable within five years	5,715	5,858
	<hr/>	<hr/>
Total interest expenses	7,157	7,272
	<hr/>	<hr/>
Bank financing charges	481	391
	<hr/>	<hr/>
	7,638	7,663
	<hr/>	<hr/>
Less: Amount capitalised in properties under development	(597)	(1,731)
	<hr/>	<hr/>
	7,041	5,932
	<hr/> <hr/>	<hr/> <hr/>

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended	
	31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	—	307
Deferred tax	40,522	(2,046)
	<hr/>	<hr/>
Tax charge/(credit) for the period	40,522	(1,739)
	<hr/> <hr/>	<hr/> <hr/>

8. 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\$379,985,000 (Six months ended 31 January 2009: HK\$7,827,000) and the weighted average number of 1,617,423,423 (Six months ended 31 January 2009: 1,617,423,423) ordinary shares in issue during the period.

The diluted earnings per share amounts for the six months ended 31 January 2010 and 2009 have not been disclosed as no diluting events existed during both periods.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

9. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	Six months ended 31 January	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Rental expense and building management fee paid and payable to a related company	(i)	283	294
Interest expense on note payable to and other borrowing granted by a former director of the Company, the late Mr. Lim Por Yen	(ii)	5,715	5,858
Interest income received and receivable from an associate of the Group, Lai Fung Holdings Limited ("Lai Fung")	(iii)	4,209	4,315
Consideration paid and payable to Crocodile Garments Limited ("CGL") for pledging a property as security for the construction finance	(iv)	1,420	4,260

Notes:

- (i) Rental expense and building management fee were paid to the related company, of which certain directors are also directors of the Company, based on terms stated in the respective lease agreements.
- (ii) Interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the 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, an associate of the Group.
- (iv) In consideration of CGL pledging the Property (as defined in Note 12) 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. Mr. Lam Kin Ming, a director of the Company, has an interest of approximately 51.66% in CGL within the meaning of the Securities and Futures Ordinance.

(b) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employee benefits	3,283	3,225
Post-employment benefits	12	12
	3,295	3,237

Notes to Condensed Consolidated Interim Financial Statements (Continued)

10. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

The Group's major businesses are property development and property investment. The major income generated during the period is rental income. Rent and related charges derived from 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 2010 (Unaudited) HK\$'000	31 July 2009 (Audited) HK\$'000
Debtors:		
Less than 90 days past due	159	237
91 to 180 days past due	—	27
181 to 365 days past due	—	3
	159	267
Deposits paid and other receivables	6,678	4,887
	6,837	5,154

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11. 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 2010 (Unaudited) HK\$'000	31 July 2009 (Audited) HK\$'000
Creditors less than 90 days past due	36,514	18,457
Deposits received and accruals	61,115	29,367
	97,629	47,824

12. INTEREST-BEARING BANK BORROWINGS

	31 January 2010 (Unaudited) HK\$'000	31 July 2009 (Audited) HK\$'000
Bank loans, secured	313,000	247,000

Notes to Condensed Consolidated Interim Financial Statements (Continued)

12. INTEREST-BEARING BANK BORROWINGS (Continued)

Included in secured bank loans is a bank loan of HK\$298,000,000 (31 July 2009: HK\$232,000,000) borrowed under an agreement for a HK\$361 million term loan facility (the "Loan Facility") which was entered into by a wholly-owned subsidiary of Crocodile Garments Limited (the "CGL Subsidiary") with a bank in Hong Kong on 8 February 2007. The Loan Facility is for financing in full the estimated construction costs of a property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the "Property") and is secured by, inter alia, a building mortgage on the Property. Pursuant to an undertaking entered into between Unipress Investment Limited ("Unipress"), a wholly-owned subsidiary of the Company, and the bank on 8 February 2007 (the "Undertaking"), Unipress undertook to pay to the bank as the principal obligor each amount due and payable under the Loan Facility. In addition, the Company entered into a guarantee with the bank on 8 February 2007 pursuant to which the Company guaranteed to the bank the due and prompt payment by CGL Subsidiary and Unipress of the amounts payable by CGL Subsidiary and Unipress under the Loan Facility. The bank loan bears interest at prevailing market rate and the entire interest in Unipress is pledged to the bank as security.

Pursuant to the terms of the Loan Facility, the outstanding loan principal under the Loan Facility was repayable in full in December 2009. The Group received and accepted the offer term sheet from the same bank to refinance the Loan Facility by a new property term loan facility ("New Term Loan Facility"). In December 2009, the bank agreed to extend the repayment date of the Loan Facility to March 2010 in order to allow sufficient time for finalisation of the relevant loan facility documents of the New Term Loan Facility. In March 2010, the documentation of the New Term Loan Facility was concluded and the Loan Facility was refinanced by the New Term Loan Facility.

13. CONTINGENT LIABILITIES

During the year ended 31 July 2006, the Company disposed of its entire interests in Assetop Asia Limited ("Assetop"), then a 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.

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14. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 January 2010 (Unaudited) HK\$'000	31 July 2009 (Audited) HK\$'000
Capital commitments in respect of development costs attributable to properties under development:		
Contracted, but not provided for	—	45,024
Authorised, but not contracted for	—	31,697
	—	76,721

INTERIM DIVIDEND

As at 31 January 2010, the Company did not have any reserves available for distribution in accordance with the provisions of Section 79B of the Companies Ordinance. The Directors do not recommend the payment of an interim dividend for the financial year ending 31 July 2010. No interim dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 31 January 2010, the Group recorded a turnover of HK\$10,008,000 (2009: HK\$7,442,000) and a gross profit of HK\$5,553,000 (2009: HK\$6,585,000), representing an increase of approximately 34.5% and a decrease of approximately 15.7% respectively from the previous corresponding period. The decrease in gross profit was mainly due to higher agency commission expenses paid in securing new tenants for the newly opened Crocodile Center retail portion. The Group derived its turnover and gross profit mainly from rental and related income from industrial properties held for investment and the newly opened Crocodile Center retail portion.

During the period, the Group booked a fair value gain on investment properties of HK\$245,590,000 (2009: a loss of HK\$12,402,000). The substantial increase in fair value gain on investment properties was due to the completion of the Group's Crocodile Center retail portion. Mainly as a result of the substantial increase in fair value of investment properties, the Group recorded a profit from operating activities of HK\$244,340,000 for the six months ended 31 January 2010 as compared to the loss from operating activities of HK\$13,758,000 for the previous corresponding period.

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Share of profits from associates was HK\$183,208,000 (2009: HK\$25,778,000), up by 610.7% from the previous corresponding period. The change in share of profits from associates was mainly due to the substantial increase in share of profits from Lai Fung Holdings Limited ("Lai Fung") and a reversal of provision for impairment in value of properties under development held by Lai Fung made in the Group's condensed consolidated income statement at the Group level.

For the six months ended 31 January 2010, the Group recorded a consolidated profit attributable to equity holders of HK\$379,985,000 (2009: HK\$7,827,000), representing an increase of approximately 4,754.8% from the previous corresponding period. Shareholders' equity as at 31 January 2010 amounted to HK\$4,010,855,000, up by 10.3% from HK\$3,635,847,000 as at 31 July 2009. Net asset value per share as at 31 January 2010 was HK\$2.48, as compared to HK\$2.25 as at 31 July 2009.

Business Review

Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon

This joint office and commercial development project with Crocodile Garments Limited was completed in September 2009. Following the completion, the Group has retained the retail portion of this development with a gross floor area of approximately 100,000 square feet. Since completion, the Group has leased most of the retail portion to mainly restaurant operators. Most tenants opened for business by the end of 2009. As of 31 January 2010, the retail portion was 88% leased.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

Lai Fung

As at 31 January 2010, the Group held an effective 40.58% interest in Lai Fung. Lai Fung is principally engaged in property development and investment in the Mainland of China (“China”). Lai Fung currently has property projects in Shanghai, Guangzhou and Zhongshan.

For the six months ended 31 January 2010, Lai Fung recorded a turnover of HK\$877,341,000 (2009: HK\$148,092,000) and a gross profit of HK\$639,112,000 (2009: HK\$109,488,000), representing an increase of approximately 492.4% and 483.7% respectively from the previous corresponding period.

Out of its total turnover, gross rental income decreased by 34.8% from HK\$120,147,000 to HK\$78,291,000, which was mainly due to closure and renovation of shopping arcades and serviced apartments portions of Shanghai Hong Kong Plaza. Owing to further contribution from the sales of residential units of Shanghai Regents Park Phase II during the six months ended 31 January 2010, its turnover from sale of properties increased substantially from HK\$27,945,000 to HK\$799,050,000. Lai Fung’s gross profit margin remained stable at 72.8%, compared to 73.9% in the previous corresponding period.

During the period, Lai Fung recorded a profit from operating activities of HK\$815,233,000 (2009: HK\$203,389,000) and profit attributable to its equity holders of HK\$356,678,000 (2009: HK\$140,716,000), representing an increase of approximately 300.8% and 153.5% respectively from the previous corresponding period.

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Lai Sun Development Company Limited (“LSD”)

As at 31 January 2010, the Group held an effective 11.18% interest in LSD. LSD is principally engaged in property development and investment in Hong Kong, as well as hotel and restaurant operations in the region.

For the six months ended 31 January 2010, LSD recorded a turnover of HK\$341,933,000 (2009: HK\$326,726,000) and a gross profit of HK\$230,628,000 (2009: HK\$231,263,000), representing an increase of approximately 4.7% and a slight decrease of approximately 0.3% respectively from the previous corresponding period.

During the period, LSD booked a fair value gain on investment properties of HK\$782,772,000 (2009: a loss of HK\$356,448,000) as a result of the improving macroeconomic conditions from the global financial turmoil since the fourth quarter of 2008. During this year, LSD recorded an additional provision for tax indemnity of approximately HK\$34,352,000 (2009: a reversal of provision of HK\$72,668,000). Mainly as a result of the above exceptional items, LSD recorded a profit from operating activities of HK\$824,652,000 during the six months ended 31 January 2010, versus a loss from operating activities of HK\$216,592,000 in the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

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

LSD currently holds a 36.08% interest in eSun Holdings Limited ("eSun"), which in turn holds a 36.72% interest in LSD. LSD also holds a 50% interest in Diamond String Limited, which is the joint venture company between LSD and a wholly-owned subsidiary of China Construction Bank Corporation for the purpose of the redevelopment project at 3 Connaught Road Central, Hong Kong.

During the period, LSD's share of profits from associates was HK\$671,533,000, compared to share of losses from associates of HK\$95,624,000 in the previous corresponding period. Substantially, most of LSD's share of profits from associates recognised during the period was due to LSD's share of the fair value gain of an investment property under development, which is the 3 Connaught Road Central office redevelopment project.

For the six months ended 31 January 2010, LSD recorded a consolidated net profit attributable to its equity holders of HK\$1,308,667,000, compared to a consolidated net loss of HK\$328,235,000 from the previous corresponding period.

Prospects

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Going into 2010, Hong Kong's economy and property market continue to benefit from the global low interest rate environment and China's continued effort to stimulate its domestic economy. Strong liquidity and low interest environment have fostered favourable operating conditions for most business sectors in Hong Kong and China. There are now varying views in the market on potential effects when China and other central banks around the world retract those previously imposed stimulus and credit easing policies. Under these macroeconomic circumstances, the Group and its associate companies will manage their operations on a prudent basis, and will strive to position their businesses for future growth.

Crocodile Center

Up to the latest practicable date of this Interim Report, the Group has leased out 90% of the gross floor area of the retail portion of this property. The tenants signed under the leases are mainly renowned restaurants as well as food and beverage outlets. This property will contribute to the rental income of the Group in this financial year.

Lai Fung

Since early 2009, the abundance of liquidity with a low bank lending rate, plus the relaxation of control measures, encouraged the resurfacing of housing demand in China. Starting from the second quarter of 2009, there has been a broad-based significant surge in property transaction volume and selling prices across China.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects (Continued)

Lai Fung (Continued)

However, certain risks within today's China's property market should not be neglected. Government policy is still a key to market development. Due to the faster-than-expected surges in property prices in certain cities, especially the first-tier cities in China, it would not be surprising to see further implementation of government policies on curbing market irregularities and misbehavior as well as suppressing speculative demand in housing. These government measures, if they turn out to be drastic, could cause short term fluctuation in the property market in China.

In the medium and long term, ongoing urbanisation and demand for living improvement will foster healthy growth of the real estate market in China. Overall, Lai Fung is still cautiously optimistic about the China property market and believes that Lai Fung is well positioned for growth in the coming years. Lai Fung's net gearing level was low by industry standard. In addition, Lai Fung will keep its construction schedules of existing development projects to fuel growth in turnover and profits for future financial years. Furthermore, Lai Fung will continue to grow its recurrent income base through upgrade of existing rental properties and addition of new venues through completion of commercial property portions of the new development projects.

With the macroeconomic condition as mentioned above, Lai Fung will monitor the market closely and expand its landbank at appropriate time should there be a correction in land prices.

LSD

Rentals for office and commercial properties in prime locations in Hong Kong have shown signs of stabilisation since the middle of 2009. In the coming year, LSD will target to maintain high occupancy rates and rental cashflows from its investment properties.

Since the middle of 2009, bullish sentiment in Hong Kong's residential property market continued with surges in transaction prices and volume. Recent primary sales launch of new residential projects in Hong Kong signaled strong demand for residential properties. The Hong Kong property market should continue to benefit from low interest rate, strong affordability and tight supply in the pipeline. LSD currently holds a number of residential projects under development in Hong Kong. To capture the strong sentiment in the Hong Kong residential property market, LSD will start the active marketing and sale/pre-sale of residential units at Emerald 28 on Tai Po Road, Kowloon and Oakhill on Wood Road, Wanchai, Hong Kong in the second and third quarters of 2010.

Liquidity and Financial Resources

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

As at 31 January 2010, total borrowings, comprising secured bank loans of HK\$313 million, a note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen, amounted to a total of HK\$540 million. As at the same date, consolidated net assets of the Group amounted to HK\$4,011 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 13%. All of the Group's borrowings were maintained as floating rate debts.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources (Continued)

The note payable of HK\$195 million and the loan of HK\$32 million payable to the late Mr. Lim Por Yen have maturity dates on 30 April 2006 and 30 November 2005, respectively. The Group has received confirmation from the executor of the estate of the late Mr. Lim Por Yen that such note and loan payables are not repayable within one year from the end of the reporting period.

The secured bank loans of HK\$313 million are repayable within one year. Included in the secured bank loans is an amount of HK\$298 million drawn under a construction loan facility which was refinanced as mentioned below.

As at 31 January 2010, certain investment properties with carrying value of approximately HK\$964 million and share in a subsidiary were pledged to banks to secure banking facilities granted to the Group.

As at 31 January 2010, the Group had cash and bank balances amounting to approximately HK\$119 million and unutilised banking facility of HK\$108 million (including HK\$63 million unutilised construction loan facility for financing the construction costs of a property redevelopment project), which was considered adequate to cover the working capital requirement of the Group. The abovementioned construction loan facility was refinanced by a new property term loan facility granted by the same bank in March 2010.

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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 2010. 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, mandatory provident fund scheme for all eligible employees, a 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 and rewards to eligible participants for their contribution or would-be contribution to the Group, to enable the Group to recruit and retain high-calibre employees and to attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors (including executive and non-executive directors), employees of the

SHARE OPTION SCHEME (Continued)

Group, agents or consultants of the Group, and employees of the shareholder of any member of the Group or holders of securities issued by any member of the Group. The Share Option Scheme was adopted on 22 December 2006 and became effective on 29 December 2006 and, unless otherwise terminated or amended, will remain in force for a period of 10 years from the latter date.

During the period from the date of adoption of the Share Option Scheme on 22 December 2006 to 31 January 2010, no share options had been granted under the Share Option Scheme.

DIRECTORS' INTERESTS

As at 31 January 2010, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

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Long positions in the shares of the Company

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

Note:

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

DIRECTORS' INTERESTS (Continued)

(2) Associated Corporation

Lai Fung Holdings Limited ("Lai Fung")

Long positions in the shares of Lai Fung

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note 1)	Nil	Owner of controlled corporation	3,265,688,037	40.58%
Tam Kin Man, Kraven	Nil	Nil	Nil	10,000,000 (Note 2)	Beneficial owner	10,000,000	0.12%

Notes:

- (1) The Company and its wholly-owned subsidiary beneficially owned 3,265,688,037 shares in Lai Fung. Mr. Lam Kin Ngok, Peter was deemed to be interested in 3,265,688,037 shares in Lai Fung by virtue of his approximate 37.69% interest in the issued share capital of the Company.
- (2) A share option scheme was adopted by Lai Fung on 21 August 2003 and will remain in force for 10 years from its effective date. During the period under review, 10,000,000 share options granted to the following Director lapsed under the share option scheme of Lai Fung. Details of the share options outstanding as at 31 January 2010 are set out below:

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

Save as disclosed above, as at 31 January 2010, none of the directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation, which were required to be notified to the Company and the Stock Exchange or were required to be entered in the Register as aforesaid.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 January 2010, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Percentage
Lam Kin Ngok, Peter	Beneficial owner	Personal and corporate	609,636,069 (Note 1)	37.69%
U Po Chu	Beneficial owner	Personal and corporate	489,119,375 (Note 1)	30.24%
Wisdoman Limited	Beneficial owner	Corporate	484,991,750 (Note 1)	29.99%
Yu Cheuk Yi	Beneficial owner	Personal	148,272,000 (Note 2)	9.17%
Yu Siu Yuk	Beneficial owner	Personal	148,272,000 (Note 2)	9.17%

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Notes:

- (1) Both Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares in the Company owned by Wisdoman Limited by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited.
- (2) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 148,272,000 shares which were held jointly by them.

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 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2010, 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the Interim Report save for deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive directors of the Company was appointed for a specific term. However, all directors of the Company are subject to the retirement provisions in the Articles of Association of the Company which provide that the directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring director shall be eligible for re-election.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Securities Code on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2010.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31 January 2010 has been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely Messrs. Wan Yee Hwa, Edward, Leung Shu Yin, William and Chow Bing Chiu.

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By Order of the Board

Lam Kin Ming

Chairman

Hong Kong, 16 April 2010