



# CROCODILE GARMENTS

(Incorporated in Hong Kong with limited liability)



CROCODILE GARMENTS LIMITED

Interim Report 2000-2001

## **PLACE OF INCORPORATION**

Hong Kong

## **BOARD OF DIRECTORS**

Lim Por Yen	(Chairman)
Lam Kin Ming	(Deputy Chairman)
Lam Kin Ngok, Peter	
Lam Kin Ko, Stewart	
Lam Kin Hong, Matthew	
U Po Chu	
Shiu Kai Wah	
Chiu Wai	
Wan Yee Hwa, Edward*	
Lai Ching Chung, Alfred*	

\* *Independent Non-executive Directors*

## **COMPANY SECRETARY**

Yeung Kam Hoi

## **RESULTS**

The Board of Directors of Crocodile Garments Limited (the "Company") is pleased to announce that the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2001 together with the comparative figures are as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 31st January,	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Turnover	(2)	358,455	389,721
Cost of sales		(180,808)	(210,761)
Gross profit		177,647	178,960
Other revenue		25,614	14,143
Selling and distribution costs		(149,418)	(171,215)
Administrative expenses		(30,504)	(23,181)
Other operating expenses		(9,071)	(9,603)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES			
Finance costs	(3)	14,268	(10,896)
PROFIT/(LOSS) BEFORE TAX		11,510	(13,462)
Tax	(4)	(817)	(348)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS			
		10,693	(13,810)
EARNINGS/(LOSS) PER SHARE — BASIC			
	(5)	1.73 cents	(2.24 cents)

Other than the net profit/(loss) attributable to shareholders, the Group did not have recognised gains or losses. Accordingly, no condensed consolidated statement of recognised gains or losses is presented.

## CONDENSED CONSOLIDATED BALANCE SHEET

		At 31st January, 2001	At 31st July, 2000
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		334,133	341,989
Investment properties		67,000	67,000
Rental and utility deposits		15,610	20,019
		<u>416,743</u>	<u>429,008</u>
<b>CURRENT ASSETS</b>			
Stocks	(6)	130,128	111,153
Debtors, deposits and prepayments	(7)	87,333	62,286
Cash and bank balances		42,165	45,395
		<u>259,626</u>	<u>218,834</u>
<b>CURRENT LIABILITIES</b>			
Bank loans, secured and overdrafts		34,128	34,382
Trust receipt loans		33,724	28,507
Creditors and accruals	(8)	125,842	113,461
Current portion of finance lease payables		150	141
Amount due to the ultimate holding company		20,370	19,212
Amount due to related companies		3,681	1,640
Tax payable		7,785	7,858
		<u>225,680</u>	<u>205,201</u>
<b>NET CURRENT ASSETS</b>		<u>33,946</u>	<u>13,633</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>450,689</u>	<u>442,641</u>
<b>LONG TERM LIABILITIES</b>			
Long term bank loans, secured		(5,032)	(7,599)
Long term portion of finance lease payables		(13)	(91)
		<u>(5,045)</u>	<u>(7,690)</u>
		<u>445,644</u>	<u>434,951</u>
<b>CAPITAL AND RESERVES</b>			
Issued share capital	(9)	154,282	154,282
Reserves	(10)	484,266	484,266
Accumulated losses		(192,904)	(203,597)
		<u>445,644</u>	<u>434,951</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months  
ended 31st January,  
2001

(Unaudited)

HK\$'000

NET CASH INFLOW FROM OPERATING ACTIVITIES	2,208
Returns on investments and servicing of finance	(5,517)
Tax paid	(890)
Investing activities	(2,630)
Net cash outflow before financing activities	(6,829)
Financing activities	(2,403)
DECREASE IN CASH AND CASH EQUIVALENTS	(9,232)
Cash and cash equivalents at beginning of Period	36,582
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,350

### ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	42,165
Bank overdrafts	(1,513)
Trust receipts loans maturing within three months from date of advance	(13,302)
	27,350

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Principal accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited, except that the comparative amounts for the condensed consolidated cash flow statement has not been prepared as the Company has taken advantage of the transitional provisions set out in the Listing Rules of The Stock Exchange of Hong Kong.

The accounting policies and methods of computation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st July, 2000. Due to the adoption of Statements of Standard Accounting Practice No. 1 "Presentation of Financial Statements" and No. 2 "Net Profit or Loss for the Period, Fundamental Errors and Change in Accounting Policies" during the current period, the presentation of the condensed consolidated profit and loss account, condensed consolidated balance sheet and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

## 2. Segmental information

An analysis of the Group's turnover and contribution to profit/(loss) before tax by activity and geographical location of operations is as follows:

	Turnover		Contribution to profit/ (loss) before tax	
	For the six months ended 31st January,		For the six months ended 31st January,	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By activity:</b>				
Continuing operations				
Manufacture and sale of garments	351,714	382,278	12,955	(26,309)
Property rental	3,891	3,900	516	460
Forfeiture of deposits received in respect of a property sale transaction	—	—	—	12,004
Others	—	—	173	115
	<u>355,605</u>	<u>386,178</u>	<u>13,644</u>	<u>(13,730)</u>
Discontinued operation				
Operation of a restaurant	2,850	3,543	(2,134)	268
	<u>358,455</u>	<u>389,721</u>	<u>11,510</u>	<u>(13,462)</u>
<b>By geographical location of operations:</b>				
Continuing operations				
The People's Republic of China				
Hong Kong	201,134	250,365	4,390	(17,812)
Elsewhere	143,200	112,600	10,253	7,180
The United States of America				
	7,965	15,768	(878)	(2,238)
The United Kingdom				
	83	805	(9)	(114)
Others	3,223	6,640	(112)	(746)
	<u>355,605</u>	<u>386,178</u>	<u>13,644</u>	<u>(13,730)</u>
Discontinued operation				
The People's Republic of China				
Hong Kong	2,850	3,543	(2,134)	268
	<u>358,455</u>	<u>389,721</u>	<u>11,510</u>	<u>(13,462)</u>

### 3. Profit/(loss) from operating activities

Profit/(loss) from operating activities is arrived at after charging/(crediting):

	For the six months ended 31st January,	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	179,176	209,120
Interest on borrowings	2,758	2,566
Depreciation:		
Owned fixed assets	8,275	10,408
Leased fixed assets	40	40
Provision written back following the sale of slow moving stock items	(5,633)	(10,960)
Forfeited contributions from terminated retirement scheme	(18,163)	—
Forfeiture of deposits received in respect of a property sale transaction	—	(12,004)

### 4. Tax

	For the six months ended 31st January,	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current year provision:		
Hong Kong	—	—
Outside Hong Kong	817	348
Tax charge for the period	817	348

No Hong Kong profit tax has been provided as the Group had no assessable profit arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

### 5. Earnings/(loss) per share

Earnings/(loss) per share is calculated based on the net profit attributable to shareholders of HK\$10,693,000 (2000: loss attributable to shareholders of HK\$13,810,000) and the 617,127,130 (2000: 617,127,130) shares of the Company in issue throughout the period.

Diluted earnings/(loss) per share for the six months ended 31st January, 2001 and 2000 has not been calculated because no diluting events existed during these periods.

6. **Stocks**

	<b>At 31st January, 2001</b>	<b>At 31st July, 2000</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	13,675	16,083
Work in progress	554	2,595
Finished goods	115,491	92,475
Goods in transit	408	—
	<u>130,128</u>	<u>111,153</u>

The carrying amounts of the Group's inventories included in the above that are carried at net realisable value were HK\$26,315,000 (2000: HK\$34,828,000).

7. **Debtors, deposits and prepayments**

The Group maintains a defined credit policy on its trade debtors. The ageing analysis of trade debtors as at 31st January, 2001 was as follows:

	<b>At 31st January, 2001</b>	<b>At 31st July, 2000</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK'000</i>	<i>HK'000</i>
Current to 90 days	34,559	26,363
91 days to 180 days	737	2,080
181 days to 365 days	1,917	755
Over 365 days	71	1,175
	<u>37,284</u>	<u>30,373</u>

The above analysis ages trade debtors, stated net of provision for doubtful debts, based on the due dates after revenue is recognised from the trade transactions.

8. **Creditors and accruals**

The ageing analysis of trade creditors as at 31st January, 2001 was as follows:

	<b>At 31st January, 2001</b>	<b>At 31st July, 2000</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK'000</i>	<i>HK'000</i>
Current to 90 days	54,781	53,437
91 days to 180 days	6,866	1,090
181 days to 365 days	108	2,304
Over 365 days	2,024	1,528
	<u>63,779</u>	<u>58,359</u>

The above analysis ages trade creditors based on the due dates after receipt of the goods and services purchased.



9. **Share capital**

	At 31st January, 2001 <i>(Unaudited)</i> HK\$'000	At 31st July, 2000 <i>(Audited)</i> HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.25 each	200,000	200,000
Issued and fully paid:		
617,127,130 ordinary shares of HK\$0.25 each	154,282	154,282

10. **Reserves**

	Share premium account HK'000	Capital reserve HK'000	Fixed asset revaluation reserve HK'000	Total HK'000
At 31st July, 2000 and 31st January, 2001	164,921	350	318,995	484,266

11. **Related party transactions**

The Group had the following transactions with related parties during the period.

		For the six months ended 31st January,	
		2001 <i>(Unaudited)</i> HK'000	2000 <i>(Unaudited)</i> HK'000
Sales of garment products to the ultimate holding company	(i)	—	2,743
Purchases of garment products from the ultimate holding company	(i)	2,739	2,237
Rental expenses paid and payable to related companies	(ii)	5,038	6,556
Rental expenses paid and payable to a company in which a former director of the Company and his associate are major shareholders	(ii)	—	1,680
Interest paid and payable to the ultimate holding company	(iii)	601	84

Notes:

- (i) Sales to and purchases from the ultimate holding company were made on prices and terms similar to those granted to major customers and granted by major suppliers of the Group.

#### **11. Related party transactions (Continued)**

- (ii) Rental expenses are charged by related companies pursuant to respective lease agreements.
  
- (iii) Including in the interest expenses paid and payable to the ultimate holding company, HK\$500,000 was charged on a loan advance amounting to HK\$16,400,000 which bore interest at Hong Kong dollar three months' deposit rate plus 1% per annum. The remaining interest expense of HK\$101,000 was charged on the Group's banking facilities obtained and guaranteed by the ultimate holding company, which bore interest at 1% per annum on the banking facilities amounting HK\$20,000,000.

Pursuant to an agreement dated 31st March, 2000, the Company's ultimate holding company advanced a loan of HK\$16,400,000 to the Company. This loan is unsecured, interest-bearing at Hong Kong dollar three months' deposit rate plus 1% per annum, and is repayable in six months from the date of grant, subject to further renewal by both parties. Pursuant to a supplemental agreement dated 1st October, 2000, the repayment of the loan was extended for another six months to 31st March, 2001. Such loan was then fully repaid to the ultimate holding company. Also, during the period ended 31st January, 2001, the Group obtained a banking facility of HK\$20,000,000 from a bank which was secured by the guarantee granted by the Company's ultimate holding company.

The Company's Directors considered that the above transactions have been conducted in the ordinary and usual course of the Group's business.

### **INTERIM DIVIDEND**

The Board has resolved not to pay any interim dividend for the six months ended 31st January, 2001 (2000: Nil).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Overall Business Review**

The Group reported a turnover of HK\$358 million for the half year ended 31st January, 2001, which represented a mild decline of 8% compared with the previous corresponding period. Despite the decline in turnover, gross profit margin had been improved from 45.9% in the previous period to 49.6% and as a result, total gross profit was maintained at about the same level as last year. In addition, total net expenses had been significantly reduced by around HK\$26 million, contributing to a turnaround in operating results of the Group and a net profit attributable to shareholders of HK\$10.69 million.

#### **Retail Operation in Hong Kong**

The local retail market remained sluggish during the period under review. Since the last financial year, the Group had been actively closing down loss-incurring retail shops and re-establishing new shops in areas with high pedestrian traffic. The number of retail shops for the "Crocodile" brand products had been pruned from

over 40 to around 30 at present. Whilst turnover dropped due to the reduction in number of retail shops, a small profit had been attained for the Division following a series of reforms implemented by the Group.

### **Operations in the Mainland of China**

The Group continued to expand the franchise network aggressively, and had sought to induce potential clients with substantial resources to commit for franchises covering whole provinces in the Mainland. The objective is to motivate the enterprising spirit of the franchisees in order to achieve the Group's target of rapid expansion of the sales network. Satisfactory progress has been made to date, with the number of sales outlets increased to over 400.

To reinforce and uphold the image of all retail outlets, a special corporate image team was set up by the Group during the period. The team comprises staff with over 10 years' relevant experience, and has been assigned the specific task of enhancing the identity and image of retail shops of franchisees. This programme has been well-received by the franchisees, and the objective has been successfully accomplished.

The above changes in the operations of the Group had contributed to the steady growth in sales turnover. During the period under review, a significant increase in turnover had been recorded, and a growth of 27% compared with last year was reported.

### **Imported Labels Business**

A profit for the fall/winter season products of the French "LACOSTE" brand imported by the Group had been reported. As the spring/summer products of this brand is traditionally a popular line, it is anticipated that products for the next season will contribute to the profitability of the Group.

### **Prospects**

The Hong Kong retail operation of the Group had been streamlined to adapt to the slow retail market conditions following the financial turbulence in recent years. Plans are on hand to further improve the Group's Hong Kong retail operation by continuing to close down shops which are loss-incurring and with expiring leases, and reallocating resources to shops in busy locations. For the Mainland operation, the Group will reinforce its menswear line for which there is a stable market, and at the same time will also promote the "Croco Ladies" line. Additional designers will be deployed to design ladies' fashion for this market, in order to capture the attention of potential customers. Management control of the Mainland operation will be strengthened, and plans to increase the number of operations office to ten are being pursued.

### **Contingent Liabilities**

The Company is involved in legal disputes with a supplier, who alleges that the Company has infringed its trademark in the People's Republic of China ("PRC") and is seeking orders from the courts in Hong Kong to prohibit the Company from registering certain trademarks in the PRC, and orders from the courts in the PRC for a compensation of RMB3,500,000.

The High Court and the Court of Appeal ruled in favour of the supplier and the Company is considering to appeal against the judgements to the Court of Final Appeal. The courts in the PRC have not delivered their judgement as at the date of this report. In the opinion of the Directors, having taken legal advice, the claim for compensation against the Company is unlikely to be successful and, therefore, no provision has been made in these financial statements.

### **Liquidity and Financial Resources**

As at 31st January, 2001, total bank borrowings of the Group amounted to HK\$72,884,000. The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio on 31st January, 2001 was only 16%, when expressed as a percentage of total bank borrowings to total net assets. The cash and bank balances of the Group as at 31st January, 2001 were HK\$42,165,000.

As at 31st January, 2001, the Group had pledged investment properties with carrying values of HK\$67,000,000 and certain land and buildings with net book values of HK\$297,108,000 to its bankers to secure banking facilities granted to the Group.

Out of the total bank borrowings of HK\$72,884,000 as at 31st January, 2001, HK\$10,046,000 was a secured term loan repayable by instalments, HK\$27,600,000 represented secured short term bank loans and HK\$33,724,000 was trust receipt loans. HK\$5,014,000 out of the secured term loan is repayable within one year and the balance will be repayable in the second year. The other bank borrowings are repayable on demand.

The Group's bank borrowings are made mainly in Hong Kong dollars or United States dollars. Exchange risk is minimal because the exchange rate between the two currencies is pegged. Interest on the bank borrowings is charged at floating rates.

The Group's cash and bank balances are mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The sales receipts in Renminbi are sufficient to cover the Group's Renminbi payments for the business operations and further expansion in the PRC. Surplus funds are placed as short term deposits with maturities matching the requirements of the Group's daily operations as well as its expansion plans in the Mainland.

Most of the Group's sales and purchases are made in Hong Kong dollars, Renminbi, United States dollars and French francs. Foreign purchases in French francs are mostly hedged with forward contracts to minimise exchange risk and therefore are subject only to negligible exchange risk.

### Employees and Remuneration Policy

The total number of employees of the Group, including part time sales staff, was approximately 1,420 as at 31st January, 2001. Remuneration packages are normally reviewed annually with adjustments compatible to those in the market. In addition to salary payments, other staff benefits include subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies. Double pay is normally made each year around Chinese New Year. Total staff costs including retirement scheme (terminated on 1st December, 2000) contributions and provident fund (commenced on 1st December, 2000) contributions for the Period was approximately HK\$45 million.

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st January, 2001, the interests of the Directors or the chief executive of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

#### (1) The Company

	Number of Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	338,982,809	Nil	338,982,809

*(Note)*

*Note:* Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 338,982,809 shares in the Company. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 34.3% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate 42% of the issued share capital of LSG.

## (2) Associated Corporations:

### (a) *Lai Sun Garment (International) Limited ("LSG")*

	Number of LSG Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	484,991,750	4,451,790	Nil	Nil	489,443,540
Lam Kin Ngok, Peter	110,794,951	Nil	Nil	Nil	110,794,951
U Po Chu	3,669,000	Nil	Nil	Nil	3,669,000
Chiu Wai	199,600	Nil	Nil	Nil	199,600

### (b) *Lai Sun Development Company Limited ("LSD")*

	Number of LSD Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	197,859,550	Nil	1,582,869,192 <i>(Note)</i>	Nil	1,780,728,742
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
U Po Chu	633,400	Nil	Nil	Nil	633,400
Chiu Wai	195,500	Nil	Nil	Nil	195,500

*Note:* LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 LSD Shares. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 34.3% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate 42% of the issued share capital of LSG.

### (c) *eSun Holdings Limited ("eSun")*

	Number of eSun Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	1,656,867	Nil	285,512,791 <i>(Note 1)</i>	Nil	287,169,658
Lam Kin Ngok, Peter	3,426,567	Nil	Nil	10,500,000 <i>(Note 2)</i>	3,426,567
U Po Chu	112,500	Nil	Nil	Nil	112,500

*Note 1:* LSD and its wholly-owned subsidiaries beneficially owned 285,512,791 eSun Shares. LSG together with its wholly-owned subsidiary held an interest of approximately 42.25% in the issued share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 34.3% in the issued capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate 42% of the issued share capital of LSG.

Note 2: An employee share option scheme (the "Scheme") was adopted by eSun in November 1996. An option was granted by eSun under the Scheme to Mr. Lam Kin Ngok, Peter on 12th February, 2000 to subscribe for 20,000,000 shares in eSun at HK\$0.61 per share exercisable during the period from 13th August, 2000 to 12th August, 2002. Another option was granted by eSun to Mr. Lam under the Scheme on 4th March, 2000 to subscribe for 15,000,000 shares in eSun at HK\$1.40 per share exercisable during the period from 5th September, 2000 to 4th September, 2002. Both options are exercisable in four 6-month tranches.

On the consolidation of every five issued and unissued shares into one ordinary share of HK\$0.50 each in eSun with effect from 29th December, 2000, the respective number of Mr. Lam's options for each of the two periods was adjusted to 4,000,000 shares and 3,000,000 shares and the exercise price per option for the two periods was adjusted to HK\$3.05 and HK\$7.00 respectively.

Pursuant to the rights issue of eSun on the basis of one rights share for every two existing consolidated ordinary shares held, the respective number of Mr. Lam's options for each of the two periods was further adjusted to 6,000,000 shares and 4,500,000 shares respectively, and the exercise price per option for the two periods was further adjusted to HK\$2.655 and HK\$6.094 respectively.

During the six months ended 31st January, 2001, Mr. Lam had not exercised any share options.

(d) *Lai Fung Holdings Limited ("LFH")*

	Number of LFH Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	1,413,700,289	Nil	1,413,700,289

*(Note)*

Note: Mr. Lim Por Yen was deemed to be interested in 1,413,700,289 ordinary shares in Lai Fung by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of Lai Sun Garment (International) Limited ("LSG") which, together with its wholly-owned subsidiary, held 633,741,377 shares in Lai Fung. Further, LSG and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of the Lai Sun Development Company Limited which held 779,958,912 shares in Lai Fung. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.

In addition to the above, certain Directors held non-beneficial interests in the share capital of some of the subsidiaries of the Company and of its associated corporations as nominee shareholders, mainly for the purpose of complying with the statutory requirements for a minimum number of shareholders for those subsidiaries.

Save as disclosed above, as at 31st January, 2001, none of the Directors or chief executives of the Company or their respective associates had any interest in the equity or debt securities of the Company or of any of its associated corporations which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance or the Model Code (including interests which they were deemed or taken to have under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which was required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st January, 2001, the persons listed below were interested in 10% or more of the total issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance:

	<b>Number of Shares Held</b>
Joy Mind Limited	336,316,809 <i>(Note 1)</i>
Lai Sun Garment (International) Limited ("LSG")	338,982,809 <i>(Note 2)</i>
Lim Por Yen	338,982,809 <i>(Note 3)</i>

*Note 1:* Joy Mind Limited beneficially owned 336,316,809 shares in the Company.

*Note 2:* Joy Mind Limited was a wholly-owned subsidiary of LSG. Its interest in the Company constituted part of the interest held by LSG in the Company.

*Note 3:* Lim Por Yen was deemed to be interested in the shares in the Company since he (together with his spouses) held an interest of approximately 34.3% in the issued share capital of LSG.

Save for the interests disclosed above, the Directors are not aware of any other person being interested in 10% or more of the issued share capital of the Company as at 31st January, 2001.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 31st January, 2001, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.



## **CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31st January, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The non-executive Directors of the Company 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. This interim report has been reviewed by the Audit Committee of the Company.

By Order of the Board

**Lim Por Yen**

*Chairman*

Hong Kong, 20th April, 2001