LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED

Interim Report 2001-2002

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Lim Por Yen	(Honorary Chairman)
Lam Kin Ngok, Peter	(Chairman and President)
Lau Shu Yan, Julius	
Wu Shiu Kee, Keith	
Lam Kin Ming	
Tong Yuk Lun, Paul	
U Po Chu	
Chiu Wai	
Shiu Kai Wah	
David Tang*	
Law Man Fai*	

* *Independent Non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

RESULTS

The Board of Directors of Lai Sun Development Company Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2002 were as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January, 2002

		Six months ended	
		31/1/2002	31/1/2001
		(Unaudited)	*(Unaudited)*
	Notes	***HK$'000***	*HK$'000*
TURNOVER	3	**546,515**	801,244
Cost of sales		**(220,525)**	(331,946)
Gross profit		**325,990**	469,298
Other revenue		**61,850**	110,072
Administrative expenses		**(223,524)**	(353,303)
Other operating expenses, net		**(8,622)**	32,516
Loss on deemed disposal of interest in a listed subsidiary	4	**—**	(1,006,211)
Write back of impairment of associates holding properties under development		**—**	21,817
Gain on disposal of long term listed investments		**—**	7,061
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	**155,694**	(718,750)
Finance costs	6	**(306,232)**	(305,604)
Share of losses less profits of associates		**(116,452)**	(84,697)
LOSS BEFORE TAX		**(266,990)**	(1,109,051)
Tax	7	**(10,552)**	(18,834)
LOSS BEFORE MINORITY INTERESTS		**(277,542)**	(1,127,885)
Minority interests		**(12,015)**	2,002
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(289,557)**	(1,125,883)
LOSS PER SHARE	8		
Basic		**HK$0.08**	HK$0.30
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 31st January, 2002

	Notes	Six months ended 31/1/2002 (Unaudited) HK$'000	31/1/2001 (Unaudited) HK$'000
Deficit on revaluation of investment properties	12	**(180,539)**	(188)
Exchange differences on translation of the financial statements of foreign entities, net	12	**1,083**	4,006
Release of investment property revaluation reserve upon transfer of investment properties to completed properties for sale		**—**	(300,402)
Net loss not recognised in the profit and loss account		**(179,456)**	(296,584)
Net loss from ordinary activities attributable to shareholders		**(289,557)**	(1,125,883)
Total recognised gains and losses		**(469,013)**	(1,422,467)
Adjustment for negative goodwill credited to capital reserve arising on acquisition of additional interests in subsidiaries in prior year		**—**	53,663
		(469,013)	(1,368,804)

In addition to the gains and losses detailed above, certain gains and losses arose since 31st July, 2001 as a result of prior year adjustments arising from the changes in accounting policies summarised in note 2 to the condensed consolidated financial statements, as follows:		
For the six months ended 31st January, 2002, as reported above		**(469,013)**
Recognised losses arising from prior year adjustments, relating to period prior to 1st August, 2000	2	**(62,619)**
Total recognised gains and losses arising since the last annual report		**(531,632)**

CONDENSED CONSOLIDATED BALANCE SHEET

31st January, 2002

	Notes	**31/1/2002** **(Unaudited)** **HK$'000**	31/7/2001 (Audited) (As restated) HK$'000
NON-CURRENT ASSETS			
Fixed assets		**1,306,355**	1,312,728
Investment properties		**6,044,870**	6,224,870
Properties under development		**144,131**	160,754
Interests in associates		**3,517,908**	2,128,954
Long term investments		**520,503**	539,307
Long term prepayment		**—**	194,000
Pledged cash and bank balances	11	**65,938**	—
		11,599,705	10,560,613
CURRENT ASSETS			
Short term prepayment		**194,000**	—
Short term investments		**9,258**	9,349
Completed properties for sale		**4,237**	16,484
Inventories		**19,631**	11,998
Debtors and deposits	10	**174,421**	213,823
Pledged cash and bank balances	11	**—**	75,670
Cash and cash equivalents		**246,381**	477,805
		647,928	805,129
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	**305,745**	455,126
Tax payable		**79,735**	98,835
Interest-bearing bank and other borrowings		**2,303,518**	1,225,815
Short term bonds payable		**739,958**	—
Short term convertible bonds payable		**965,163**	—
Provision for premium on bonds redemption		**534,793**	—
Due to an associate		**1,500,040**	—
		6,428,952	1,779,776
NET CURRENT LIABILITIES		**(5,781,024)**	(974,647)
TOTAL ASSETS LESS CURRENT LIABILITIES — page 5		**5,818,681**	9,585,966

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

31st January, 2002

	Notes	**31/1/2002**	31/7/2001
		(Unaudited)	*(Audited)*
			(As restated)
		HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES — page 4		**5,818,681**	9,585,966
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**(380)**	(380)
Long term rental deposits received		**(63,028)**	(50,707)
Provision for premium on bonds redemption		**—**	(473,145)
Interest-bearing bank and other borrowings		**(1,971,182)**	(3,128,335)
Provision for loan repayment premium		**(35,000)**	—
Long term bonds payable		**—**	(740,053)
		(2,069,590)	(4,392,620)
		3,749,091	5,193,346
CAPITAL AND RESERVES			
Share capital		**1,873,001**	1,873,001
Reserves	12	**1,524,301**	1,993,314
		3,397,302	3,866,315
MINORITY INTERESTS		**351,789**	361,744
CONVERTIBLE BONDS		**—**	965,287
		3,749,091	5,193,346

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2002

	Six months ended	
	31/1/2002	31/1/2001
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**105,208**	417,632
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**(242,106)**	(294,219)
TAX PAID	**(30,013)**	(36,344)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**69,144**	(146,423)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	**(97,767)**	(59,354)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(134,031)**	(335,778)
DECREASE IN CASH AND CASH EQUIVALENTS	**(231,798)**	(395,132)
Cash and cash equivalents at beginning of period	**477,805**	703,573
Exchange realignments	**374**	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**246,381**	308,441

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

(a) The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

(b) The Group sustained a net loss from ordinary activities attributable to shareholders of HK$290 million for the six-month period ended 31st January, 2002.

As reported in the Group's last annual report, the Group successfully obtained agreements from the holders of the exchangeable bonds and convertible bonds and its principal lending banks in the prior years to reschedule the principal repayments to 31st December, 2002. As the bulk of the indebtedness is falling due on 31st December, 2002 and the amount due to eSun Holdings Limited of HK$1,500 million is also due for repayment on the same day, the consolidated net current liabilities of the Group as at 31st January, 2002 increased significantly to HK$5,781 million. The consolidated net assets of the Group as at 31st January, 2002 was HK$3,397 million.

The Group will continue to execute an asset disposal programme with a view to generating working capital to finance its operations in the foreseeable future and to further reduce the level of indebtedness. The Group is also working closely with its legal and financial advisors in formulating a plan for repayment and/or refinancing of the outstanding indebtedness. On the basis that the asset disposal programme continues to be successful and with a view that a feasible plan for repayment and/or refinancing of the outstanding indebtedness can be put into effect, the directors of the Company consider that it is appropriate to prepare the financial statements on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. ACCOUNTING POLICIES (Continued)

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st July, 2001, except that the following new or revised SSAPs and related Interpretation effective for accounting periods commenced on or after 1st January, 2001 are adopted for the first time in the preparation of the current period's unaudited condensed consolidated interim financial statements:

- SSAP 26 : "Segment reporting"
- SSAP 28 : "Provisions, contingent liabilities and contingent assets"
- SSAP 30 : "Business combinations"
- SSAP 31 : "Impairment of assets"
- SSAP 32 : "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 13 : "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies of adopting these SSAPs and Interpretation, are summarised as follows:

SSAP 26 prescribes the principles to be applied for financial information by segment. In Note 3 to these unaudited condensed consolidated financial statements, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Comparative information has been given.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of the SSAP 28 has had no significant impact on the preparation of these interim financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against reserves. The transitional provisions set out in paragraph 88 of SSAP 30 have been adopted by the Group for goodwill/negative goodwill arose from acquisitions prior to 1st August, 2001, the date when the SSAP was first adopted by the Group, which had been previously eliminated against/taken to reserves and had not been retrospectively restated under the SSAP. On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised or negative goodwill which has not been recognised in the profit and loss account and any relevant reserves as appropriate.

2. ACCOUNTING POLICIES (Continued)

In accordance with paragraph 88 of SSAP 30 and Interpretation 13, the Group is required to estimate any impairment loss that arose on goodwill, which was previously eliminated against reserves, in accordance with the requirements of SSAP 31 since the date of acquisition of the subsidiaries and associates. Implementation of this policy is treated as a change in accounting policies in accordance with SSAP 2.

The Group has performed an assessment of the fair values of its goodwill eliminated against reserves prior to 1st August, 2001. As a result, the Group has recognised an impairment of goodwill, previously eliminated against reserves, of HK$62,619,000 which has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. The prior year adjustment has resulted in an increase of HK$62,619,000 in both accumulated losses and capital reserve as at 31st July, 2001 (note 11). This prior year adjustment has had no effect on the current period.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. Except for the remeasurement of goodwill as stated above, the SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

3. SEGMENTAL INFORMATION

An analysis of Group's turnover, revenue and contribution/(absorption) to profit/(loss) from operating activities by principal activities and geographical areas for the six months ended 31st January, 2002 is as follows:

	Six months ended 31/1/2002 (Unaudited)						Six months ended 31/1/2001 (Unaudited)					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Total sales	**Turnover Inter-segment sales**	**External sales**	**Other revenue**	**Segment revenue**	**Segment results**	**Total sales**	**Turnover Inter-segment sales**	**External sales**	**Other revenue**	**Segment revenue**	**Segment results**
By activities												
Property sales	5,661	—	5,661	1,124	6,785	(1,461)	68,796	—	68,796	38	68,834	5,065
Property investment	209,046	(4,391)	204,655	1,358	206,013	157,845	279,963	(5,174)	274,789	1,893	276,682	210,671
Hotel and restaurants	296,129	—	296,129	2,206	298,335	18,813	398,043	—	398,043	3,271	401,314	35,375
Other operations	40,070	—	40,070	1,507	41,577	(22,006)	59,616	—	59,616	560	60,176	(41,722)
	550,906	(4,391)	546,515	6,195	552,710	153,191	806,418	(5,174)	801,244	5,762	807,006	209,389
Interest income						55,655						104,310
Write back of contingent loss in respect of a guarantee given to a bank						39,071						39,071
Unallocated corporate expenses						(65,223)						(94,187)
Impairment of long term unlisted investment						(27,000)						—
Loss on deemed disposal of interest in a listed subsidiary						—						(1,006,211)
Write back of impairment of associates holding properties under development						—						21,817
Gain on disposal of long term listed investments						—						7,061
Profit/(loss) from operating activities						155,694						(718,750)
By geographical areas												
Hong Kong	446,163	—	446,163	5,547	451,710	139,077	621,376	—	621,376	5,109	626,485	190,452
Other parts of People's Republic of China ("PRC")	33,285	—	33,285	4	33,289	(3,698)	119,103	—	119,103	415	119,518	25,615
Vietnam	67,067	—	67,067	644	67,711	17,812	55,957	—	55,957	238	56,195	9,397
Other geographical areas	—	—	—	—	—	—	4,808	—	4,808	—	4,808	(16,075)
	546,515	—	546,515	6,195	552,710	153,191	801,244	—	801,244	5,762	807,006	209,389
Interest income						55,655						104,310
Write back of contingent loss in respect of a guarantee given to a bank						39,071						39,071
Unallocated corporate expenses						(65,223)						(94,187)
Impairment of a long term unlisted investment						(27,000)						—
Loss on deemed disposal of interest in a listed subsidiary						—						(1,006,211)
Write back of impairment of associates holding properties under development						—						21,817
Gain on disposal of long term listed investments						—						7,061
Profit/(loss) from operating activities						155,694						(718,750)

4. LOSS ON DEEMED DISPOSAL OF INTEREST IN A LISTED SUBSIDIARY

On 28th November, 2000, Lai Fung Overseas Finance Limited ("LFO"), a wholly-owned subsidiary of Lai Fung Holdings Limited ("Lai Fung"), then a listed subsidiary of the Company, elected to mandatorily convert all the outstanding Lai Fung convertible bonds (the "Lai Fung Convertible Bonds") of US$120,385,000 into ordinary shares of Lai Fung of HK$0.10 each (the "Lai Fung Shares") at a conversion price of HK$0.464 per share. On 10th January, 2001, a total of 2,023,713,337 new Lai Fung Shares were allotted and issued pursuant to the mandatory conversion. As a result of the allotment and issue of such new Lai Fung Shares to the bondholders, the Company's equity interest in Lai Fung fell, by way of dilution, from 74.49% of the issued share capital of Lai Fung before the mandatory conversion to approximately 25.40% of the issued share capital of Lai Fung as enlarged by the issue of the new Lai Fung Shares.

As a result of the mandatory conversion, Lai Fung ceased to be a subsidiary of the Company, and its results ceased to be consolidated in the group's financial statements of the Company immediately following the respective allotment and issue of the new shares of Lai Fung. A loss on deemed disposal of interest in Lai Fung of approximately HK$1,006,211,000 was charged to the profit and loss account for the six months ended 31st January, 2001. In addition, a sum of approximately HK$1,201,812,000 was released from various reserves upon the deemed disposal of interest in Lai Fung.

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

This is arrived at after charging:

	Six months ended	
	31/1/2002	31/1/2001
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Depreciation	**14,238**	20,832
Amortisation of goodwill on acquisition of an associate	**—**	578
Loss on disposal of fixed assets	**4**	1,754
Loss on disposal of subsidiaries	**2,346**	245
Loss on disposal of associates	**—**	295
Loss on disposal of interest in an associate	**—**	1,335

and after crediting:

Write back of contingent loss in respect of a guarantee given to a bank	**(39,071)**	(39,071)

6. FINANCE COSTS

	Six months ended 31/1/2002	31/1/2001
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**136,585**	198,758
Interest on amount due to an associate	**37,809**	—
Interest on bonds payable	**18,811**	20,479
Interest on convertible bonds and convertible note	**19,204**	58,480
	212,409	277,717
Less: Interest capitalised in properties under development	**(17,732)**	(47,299)
Interest capitalised in associates engaged in property development	**—**	(3,001)
	194,677	227,417
Provision for premium on bonds redemption	**61,648**	58,746
Provision for loan repayment premium	**17,500**	—
Provision for premium on note redemption	**—**	10,000
Bank charges and refinancing charges	**32,407**	9,441
	306,232	305,604

7. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) 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 31/1/2002	31/1/2001
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Provision for tax for the period:		
Hong Kong	**10,371**	17,670
Outside Hong Kong	**—**	626
Deferred	**—**	20
	10,371	18,316
Associates:		
Hong Kong	**461**	518
Outside Hong Kong	**(280)**	—
	181	518
Tax charge for the period	**10,552**	18,834

8. LOSS PER SHARE

The calculations of basic loss per share are based on:

	Six months ended	
	31/1/2002	31/1/2001
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Loss used in basic loss per share calculation	**289,557**	1,125,883

	'000	*'000*
Weighted average number of ordinary share in issue during the period used in basic loss per share calculation	**3,746,002**	3,746,002

The diluted loss per share for the current and prior periods has not been presented because any potential ordinary shares of the Group outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

9. RELATED PARTY TRANSACTIONS

Save as disclosed in note 15, the Group had the following material transactions with related parties during the period.

		Six months ended	
		31/1/2002	31/1/2001
		(Unaudited)	*(Unaudited)*
		HK$'000	*HK$'000*
Interest income received from associates	(i)	**44,644**	64,292
Interest expenses paid to an associate	(ii)	**37,809**	—
Rental income received from a related company	(iii)	**4,920**	5,038
Rental expenses paid to an associate	(iv)	**48,633**	72,500

(i) Interest income received from associates arose from advances thereto. Interest was charged at the prevailing market rates.

(ii) Interest was charged at 5% per annum pursuant to a debt deed.

(iii) Rental income was received from a subsidiary of the Company's controlling shareholder, and was based on terms stated in the lease agreements.

(iv) The rental expenses were paid to an associate of the Group and were based on terms stated in the lease agreement.

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

(a) The Group maintains various credit policies for different business operations in accordance with the business practice and market conditions in which the respective subsidiary companies operate. Sale proceed receivables from sale of properties are settled in accordance with the terms of respective contracts. Rent and related charges in respect of leasing of properties are payable by tenants in advance. Hotel and restaurant charges are mainly settled on cash basis and certain corporate clients maintain credit accounts with the respective subsidiary companies, settlement of which are in accordance with the respective agreements. Details of the debtors and deposits of the Group as at 31st January, 2002 and 31st July, 2001 are as follows:

	31/1/2002	31/7/2001
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
Trade debtors:		
Less than 30 days	**35,173**	35,040
31 – 60 days	**6,218**	6,934
61 – 90 days	**1,149**	798
Over 90 days	**4,982**	4,650
	47,522	47,422
Other debtors and deposits	**126,899**	166,401
	174,421	213,823

(b) Details of the creditors, deposits received and accruals of the Group as at 31st January, 2002 and 31st July, 2001 are as follows:

	31/1/2002	31/7/2001
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
Trade creditors:		
Less than 30 days	**18,832**	23,131
31 – 60 days	**1,544**	10,305
61 – 90 days	**7,152**	5,488
Over 90 days	**3,276**	2,490
	30,804	41,414
Other creditors, deposits received and accruals	**274,941**	413,712
	305,745	455,126

11. PLEDGED CASH AND BANK BALANCES

As at 31st January, 2002, approximately HK$65,938,000 (as at 31st July, 2001: approximately HK$75,670,000) of the cash and bank balances of the Group were pledged to banks to secure loan facilities granted to the Group.

12. RESERVES

	Share premium account HK$'000	Investment property revaluation reserve HK$'000	Revaluation reserve for properties under development held for investment potential HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31st July, 2001 and 1st August, 2001, as previously reported (Audited)	5,858,164	2,618,836	387,749	1,200,000	12,801	63,776	(8,148,012)	1,993,314
Prior year adjustment: SSAP 30 — impairment of goodwill recognised to profit and loss account	—	—	—	—	62,619	—	(62,619)	—
At 31st July, 2001 and 1st August, 2001, as restated (Unaudited)	5,858,164	2,618,836	387,749	1,200,000	75,420	63,776	(8,210,631)	1,993,314
Deficit on revaluation of investment properties	—	(180,539)	—	—	—	—	—	(180,539)
Exchange realignments:								
Subsidiaries	—	—	—	—	—	123	—	123
Associates	—	—	—	—	—	960	—	960
Loss for the period	—	—	—	—	—	—	(289,557)	(289,557)
At 31st January, 2002 (Unaudited)	5,858,164	2,438,297	387,749	1,200,000	75,420	64,859	(8,500,188)	1,524,301

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

(a) As at the balance sheet date, the Group had the following commitments not provided for in the financial statements:

	31/1/2002 (Unaudited) HK$'000	31/7/2001 (Audited) HK$'000
Commitments for property development expenditure		
Authorised but not contracted for	**16,396**	24,224

13. **COMMITMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT (Continued)**

(b) As detailed in notes 20 and 35(e) to the audited consolidated financial statements of the Company for the financial year ended 31st July, 2001, upon the completion of the sale and purchase agreement in respect of the sale by Furama Hotel Enterprises Limited ("Furama") of Fortune Sign Venture Inc. ("Fortune Sign") (the "Completion"), Furama entered into an option deed with the purchasers ("Majestic Purchasers") pursuant to which Furama granted a share put option and a loan put option (together the "Put Options") to the Majestic Purchasers to require Furama to acquire the entire issued share capital of Fortune Sign and the related shareholder's loan owing from Fortune Sign, respectively, at a total consideration of approximately HK$1,936 million. The major assets held by Fortune Sign are two properties, namely the Majestic Hotel and the Majestic Centre. The Put Options are each for a term of approximately 3 years commencing from the date of the Completion and expiring on 28th February, 2001 (the "Option Period"). On 27th February, 2001, a supplemental deed was entered into among the Company, Furama and the Majestic Purchasers whereby, inter alia, the Option Period was extended to 30th December, 2002 from 28th February, 2001 and the total consideration under the Put Options was adjusted to HK$1,656 million from the original amount of approximately HK$1,936 million in consideration of a payment of the sum of HK$280 million by Furama to the Majestic Purchasers on 28th February, 2001.

14. **CONTINGENT LIABILITIES**

(a) Contingent liabilities of the Group not provided for in the financial statements at the balance sheet date were as follows:

	31/1/2002	31/7/2001
	(Unaudited)	*(Audited)*
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to:		
Associates	**284,974**	274,799
Investee companies	**4,301**	4,301
	289,275	279,100

14. CONTINGENT LIABILITIES (Continued)

(b) In connection with listing of Lai Fung on The Stock Exchange of Hong Kong Limited (the "Listing"), tax indemnity deeds were entered into between the Company and Lai Fung on 12th November, 1997. Pursuant to the tax indemnity deeds, the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income taxes and land appreciation tax 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 31st 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 as at 31st October, 1997 (the "Valuation"), and (ii) the aggregate costs of such Property Interests incurred up to 31st 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.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to 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 18th November, 1997.

Lai Fung had no LAT payable during the period. No income tax payable by Lai Fung during the period was covered by the indemnities given by the Company.

15. POST BALANCE SHEET EVENT

On 7th December, 2001, the Company, Lai Sun Garment (International) Limited ("LSG"), a substantial shareholder that holds 42.25 per cent. of the Company and Mr. Lim Por Yen ("Mr. Lim"), an executive director and a substantial shareholder of the Company and an associate (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") of LSG, entered into an agreement (the "Agreement") pursuant to which:

- The Company agreed to sell to LSG 779,958,912 shares in the capital of Lai Fung Holdings Limited ("Lai Fung"), representing approximately 25.40 per cent. of the existing issued share capital of Lai Fung (the "Lai Fung Transaction"), for a consideration of HK$225,200,000. The consideration of which shall be satisfied by the execution by LSG and delivery to the Company, on completion of the Agreement (the "Completion"), of a loan note (the "LSG Loan Note") to be issued on Completion by LSG in favour of the Company as consideration for the Lai Fung Transaction in an aggregate principal amount of HK$225,200,000;

15. **POST BALANCE SHEET EVENT (Continued)**

- Mr. Lim agreed to sell to the Company 125,450,000 shares in the capital of Asia Television Limited ("ATV"), representing approximately 16.08 per cent. of the existing issued share capital of ATV for a consideration of HK$225,200,000 (the "ATV Transaction"); and

- The Company agreed to assign to Mr. Lim (or his nominee) its rights and benefits in respect of the LSG Loan Note in consideration of which the liability of the Company to Mr. Lim in respect of the consideration for the ATV Transaction, in the amount of HK$225,200,000, would be satisfied and discharged.

- The Completion is conditional upon, among other things, (a) each of LSG and the Company having convened an extraordinary general meeting at which resolutions shall have been duly passed by the independent shareholders of LSG and the Company, respectively, to approve, among other things, the transactions in so far as they are applicable to LSG and LSD respectively; and (b) the obtaining of relevant consent from the Hong Kong Broadcasting Authority.

On 7th February, 2002, each of LSG and the Company convened an extraordinary general meeting at which resolutions for approving such transactions were duly passed by the independent shareholders of LSG and the Company, respectively. As of the date of this report, the consent from the Hong Kong Broadcasting Authority and certain other condition are still outstanding.

Upon completion of the above transactions, goodwill of approximately HK$228 million will arise in the consolidated balance sheet of the Company under the equity method of accounting in respect of the 16.08 per cent. of ATV to be acquired. Goodwill of a further amount of approximately HK$308 million will also arise from the adopting of the equity method of accounting in respect of the Group's existing stake of approximately 16.67 per cent. in ATV. The Group will also incur a loss of approximately HK$594 million on disposal of its entire interest in Lai Fung. In addition, a sum of approximately HK$632 million will be realised from the various reserves upon the disposal of the Group's entire interest in Lai Fung.

16. **COMPARATIVE AMOUNTS**

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been reclassified to conform with the current period's presentation.

INTERIM ORDINARY DIVIDEND

The Directors do not recommend the payment of an interim ordinary dividend for the financial year ending 31st July, 2002. No interim ordinary dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a net attributable loss of HK$289.6 million for the six months ended 31st January, 2002 (2001: HK$1,125.9 million). From an operational perspective, the Group suffered from a decline in rental income while overall interest expenses remained burdensome. Meanwhile, the Group also shared a HK$61.6 million loss incurred by its 49.9%-owned associate eSun Holdings Limited ("eSun").

The global economy, poised for a gradual slowdown in consequence to the asset deflationary cycle initiated by the telecom-media-technology ("TMT") sector, was further exacerbated by the traumatic 911 event. Hong Kong is no exception — economic activities came to a virtual standstill in the final quarter of last year while the rate of unemployment surged to over 6.5%, the highest ever. The combination of weakening economic confidence and dwindling income, both on the corporate and personal fronts, have naturally put downward pressure on real estate prices and thus rentals. Anecdotal evidences show that prime Grade A office rentals, notably in Central, have declined by over 20% during the past six months. Buoyed by a low interest rate environment, however, performance of the residential sector has been relatively resilient, with capital values falling by around 10% on the same basis of comparison. Indeed, lower interest rates have positively supported the Group whose interest expenses dropped a further 15% from the previous corresponding period.

In sympathy with this gloomy economic portrayal, the Group recorded a 15% decline in net rental income during the period under review; stripping out the disposals of Star House and the Garment Centre, however, the decrease would have been a more gentle 7%. Gratifyingly, overall occupancy remained comfortably above 90%. On the property development front, demolition work on the Furama Hotel in which the Group has a 30% interest, commenced in December 2001, while foundation work for the Furama Court, the 50-50 joint venture commercial/service apartment development with the Guoco group, is also nearing completion; the project is targeted for pre-sale in early 2003.

As the volume of both business and leisure travels shrank considerably in the aftermath of the 911 event, the Group's hotel operations also suffered from a significant drop in turnover and thus earnings. On an average room rate of HK$1,657, the average occupancy level for The Ritz-Carlton Hong Kong fell to 66.3% during the period under review. It is, however, encouraging to witness steadily improving performance of the Group's hotel interests in Vietnam - both the Caravelle Hotel (26%-owned) and The Furama Resort Danang (63%-owned) have firmly established as one of the top business hotels and hotel resorts in Asia respectively and the Board envisages a trend of growing contribution going forward.

The Board would also like to highlight an event of significance subsequent to the period-end. On 7th February, 2002, independent shareholders of both Lai Sun Garment (International) Limited ("LSG") and the Group have approved a reorganisation which involves the disposal of the Group's entire interest (25.4%) in Lai Fung Holdings Limited ("Lai Fung") to LSG for HK$225.2 million, in return for a 16.08% interest in ATV previously held by Mr. Lim Por Yen for the same consideration. Subject to approval by the Broadcasting Authority, the asset swap exercise would result in the Company increasing its shareholding level in ATV to 32.75%. However, the disposal would realise a loss of approximately HK$594 million for the Group which will be reflected in the final results.

As for the performance of various associates of the Group, eSun announced a net loss of HK$181.7 million for the year ended 31st December, 2001 (2000 (as restated): loss of HK$1,128.7 million). The restatement of the loss for last year was mainly due to a prior year adjustment for impairment losses of goodwill arising on acquisition of subsidiaries and associates upon adoption of new statements of standard accounting practice issued by the Hong Kong Society of Accountants. On the operational level, the period under review saw eSun devote more resources in developing a strong multimedia production base at the expense of its internet operations whose cashflow generation ability remained uninspiring. This transition, which unavoidably brought along certain write-offs and start-up costs, explains the loss during the period.

For the six months ended 31st January, 2002, Lai Fung achieved a reduction in net loss attributable to shareholders to HK$10.4 million (2001: HK$39.2 million). Riding on the back of a 4% increase in turnover to HK$77.8 million, Lai Fung had been benefited from the continued buoyancy of the PRC real estate market, as illustrated by improvement in the occupancy of the offices and service apartments of Hong Kong Plaza, Shanghai. At the same time, the bottomline was also cushioned by a 26% reduction in finance costs to HK$32.2 million (2001: HK$44.7 million) following the successful completion of the group's refinancing exercise in 2001.

Prospects

While "the worst is over" viewpoint seems to be the dominant perspective particularly in light of the encouraging US economic indicators lately, the pace of global economic recovery is a mystery. For Hong Kong the sentiment would remain cautious as the competitive disadvantage attributable to our strong currency vis-à-vis the rest of Asia would result in further deflationary adjustment, be it consumer prices or labour costs. The corollary of this is that a high real interest rate environment would remain a sustaining element painfully affecting various facets of the domestic economy.

Given this economic scenario, real estate prices could hardly make any major headway going forward. From a sectoral standpoint, the residential sector should continue to be the promising feature in an otherwise lethargic environment, while office rentals would remain under pressure, although the pace and extent of downward adjustment are expected to be more subdued. The Group's investment property portfolio, given its defensive quality and superior location, should be able to withstand the turbulence relatively unscathed. Such rental quality indeed contributed to the Group's success in fully refinancing the syndication loan for the Cheung Sha Wan Plaza in January 2002.

Through Furama Hotels and Resorts International ("FHRI"), the Group procures an experienced hotel management team and more effort would be placed in exploring hotel management contracts in Asia with a particular emphasis on Hong Kong and Mainland China. Apart from managing the Majestic Hotel, FHRI has recently secured the management of the Royal Windsor Hotel in Tsimshatsui, and the Board envisages that there would be more opportunities to come as the sector is set for an expansion phase, in harmony with the Government's priority of promoting the tourism industry.

The real estate markets in major cities in Mainland China have experienced a reasonable recovery over the past six months as both residential and commercial rentals have exhibited a steady uptrend. Rental contributions from both Hong Kong Plaza in Shanghai and Tianhe Entertainment Plaza in Guangzhou in which Lai Fung has a 25% interest, have shown continuous improvement. In response to the market demand, the Hong Kong Plaza is currently undergoing a space relocation and renovation program which would result in the provision of an additional 80 rooms for rental by mid-2002. With an improved local market knowledge, detailed designs of the New Trend Plaza and Phase III of Eastern Place in Guangzhou are being reviewed to enhance the cost-benefit structure. It is expected that this fine-tuning and realignment exercise will be completed shortly and the pre-sale of these projects scheduled to take place next year would bring in decent increase in turnover and reasonable return for Lai Fung.

While the TMT climate remains unfavourable, it is evident that eSun has successfully transformed itself into a multimedia production powerhouse, having established significant presence in the movie, TV and other forms of entertainment productions through its investments in Media Asia Holdings and East Asia Satellite Television, to name a few. In tandem with the WTO entry, China's media and advertising market are destined to show quantum leap in the years ahead. This in turn should present excellent opportunities for the well equipped eSun to fully capitalise on this evolving trend and generate meaningful contributions in the foreseeable future.

Liquidity and Financial Resources

As at 31st January, 2002, consolidated bank and other borrowings, inclusive of the amount due to eSun of HK$1,500 million, and bond payables of the Group amounted to HK$7,480 million. Consolidated net assets of the Group as at the same date was HK$3,397 million. The resultant debt to equity ratio was 2.20.

As reported in last year's annual report, in the meetings of the exchangeable bondholders and convertible bondholders held on 4th August, 2000, the respective bondholders resolved to approve a debt restructuring proposal put forward by the Group for a deferral of the repayment date to 31st December, 2002, subject to certain conditions specified in the proposal. A 15% and a 2.5% principal repayments were made by the Group on 31st August, 2000 and 31st January, 2001, respectively. Repayment of the outstanding principals of the bonds had been rescheduled to 31st December, 2002 in accordance with the terms and conditions of the proposal approved by the bondholders.

The Group's principal lending banks had also agreed in prior year to reschedule the principal repayments to 31st December, 2002 under their respective bilateral facilities. As at 31st January, 2002, total bank and other borrowings of the Group amounted to HK$4,275 million, representing a 2% fall from the balance as at 31st July, 2001. The maturity profile of the bank and other borrowings was spread over a period of 4 years with HK$2,304 million repayable or renewable within one year, HK$510 million repayable or renewable between 1 to 2 years and HK$1,461 million repayable or renewable between 2 to 4 years.

As the bulk of the indebtedness is falling due on 31st December, 2002 and the amount due to eSun of HK$1,500 million is also due for repayment on the same day, the consolidated net current liabilities of the Group as at 31st January, 2002 increased significantly to HK$5,781 million. The Group will continue to execute an asset disposal programme with a view to generating working capital to finance its operations in the foreseeable future and to further reduce the level of indebtedness. The Group is also working closely with its legal and financial advisors in formulating a plan for repayment and/or refinancing of the outstanding indebtedness.

As at 31st January, 2002, certain investment properties with carrying value of approximately HK$6,036 million, certain properties under development with carrying value of approximately HK$93 million and certain fixed assets with carrying value of approximately HK$944 million were pledged to banks to secure banking facilities granted to the Group. In addition, the entire beneficial holding by the Group of 285,512,791 ordinary shares of eSun and 779,958,912 shares of Lai Fung and certain shares in other subsidiaries, associates and investee companies held by the Group were pledged to banks to secure banking facilities granted to the Group. In addition, pursuant to the terms and conditions of the restructuring of the bonds, the exchangeable bondholders will share on a pari passu and pro rata basis, with the convertible bondholders the security charge over 130 million shares of ATV beneficially owned by the Company (subject to the exchangeable bondholders' existing exchangeable rights) and a second charge over 285,512,791 shares of eSun beneficially owned by the Company. The exchangeable bondholders will also share on a pari passu and pro rata basis with the convertible bondholders and eSun the security of a limited recourse second charge over 6,500 shares of Diamond String Limited (which owns The Ritz-Carlton Hong Kong) beneficially owned by the Company.

The Group's principal sources of funding comprise mainly internal funds generated from its business operations such as property rental income, proceeds from the sale of investment and development properties and revenue from hotel and restaurant operations, etc. The Group will continue to implement its asset disposal programme for providing necessary working capital and further reducing the level of indebtedness.

The Group continued to adopt a prudent approach in the management of foreign exchange and interest rate exposures. The revenue of the Group was mainly in Hong Kong dollars. The Directors believed that the peg against US dollar would be maintained in the foreseeable future. The majority of the Group's borrowings were denominated either in Hong Kong dollars or US dollars thereby reducing exposure to undesirable exchange rate fluctuations. However, the exposure to US dollar liabilities would be closely monitored and hedging instruments might be employed from time to time in order to optimise the exchange risk profile of the Group. On the interest rate front, while all of the bond debts were fixed rate debts, the majority of the bank borrowings were maintained as floating rate debts. As a result, a balanced portfolio of fixed and floating rate debts was maintained to hedge against interest rate volatilities.

Employees and Remuneration Policies

The Group employed a total of approximately 1,700 (as at 31st July, 2001: 2,200) employees as at 31st January, 2002. The significant drop in head count is mainly due to the cessation of operation of Furama Hotel Hong Kong for its redevelopment during the period. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a number of mandatory provident fund schemes for all the eligible employees, free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes.

Contingent Liabilities

Details of contingent liabilities are set out in note 14 to the financial statements.

PRACTICE NOTE 19 TO THE LISTING RULES

Financial assistance and guarantees provided to affiliated companies (including associates and jointly controlled entities)

As at 31st January, 2002, the Group advanced to Bayshore Development Group Limited ("Bayshore"), a 30%-owned associate of the Group, a shareholder's loan of approximately HK$900,000,000 and accrued interest on the advance of approximately HK$115,064,000. These amounts in aggregate, amounted to approximately 29.9% of the Group's net asset value as at 31st January, 2002. In compliance with Practice Note 19 to the Listing Rules, the following information is disclosed as follows:

The principal activity of Bayshore is property development and the shareholders of Bayshore advance loans to Bayshore to finance its operation on a pro rata basis. The shareholder's loan is unsecured, interest-bearing at prevailing market rates and have no fixed terms of repayment.

As at 31st January, 2002, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies amounting to, in aggregate, approximately 78.1% of the Group's net asset value. In compliance with Practice Note 19 to the Listing Rules, the proforma combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	HK$'000
Fixed assets	470,616
Investment properties	2,954,000
Properties under development	7,291,371
Interest in associates	1,048,911
Long term investments	9,682
Amount due from a shareholder	1,500,040
Interests in jointly controlled entities	50,169
Net current liabilities	(533,300)
Total assets less current liabilities	12,791,489
Long term borrowings	(1,071,944)
Long term rental deposits received	(9,740)
Deferred income	(81,645)
Amounts due to shareholders	(5,540,713)
	6,087,447
Capital and reserve	
Share capital	695,910
Share premium account	6,117,464
Contributed surplus	881,284
Investment property revaluation reserve	438,120
Revaluation reserve for properties under development held for investment potential	1,534,865
Capital reserve	181,288
Exchange fluctuation reserve	116,857
Accumulated losses	(3,996,868)
	5,968,920
Minority interests	118,527
	6,087,447

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st January, 2002, the interests of the Directors and 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 Code for Securities Transactions by Directors adopted by the Company (the "Code") were as follows:

(1) The Company

	Number of Ordinary Shares Held				
	Personal Interests	**Family Interests**	**Corporate Interests**	**Other Interests**	**Total**
Lim Por Yen	197,859,550	Nil	1,582,869,192 *(Note)*	Nil	1,780,728,742
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
Lau Shu Yan, Julius	1,200,000	Nil	Nil	Nil	1,200,000
Wu Shiu Kee, Keith	200,000	Nil	Nil	Nil	200,000
Tong Yuk Lun, Paul	135,000	Nil	Nil	Nil	135,000
U Po Chu	633,400	Nil	Nil	Nil	633,400
Chiu Wai	195,500	Nil	Nil	Nil	195,500

Note: Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in the Company. Mr. Lim Por Yen was deemed to be interested in such shares in the Company by virtue of his interest (and those of his associates) of approximately 34.3% in the issued share capital of LSG. 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.

(2) Associated Corporations

(a) *eSun Holdings Limited ("eSun")*

	Number of eSun Ordinary Shares Held				
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
Lim Por Yen	1,656,867	Nil	285,512,791 *(Note 1)*	Nil	287,169,658
Lam Kin Ngok, Peter	3,426,567	Nil	Nil	10,500,000 (under share options) *(Note 2)*	3,426,567
Wu Shiu Kee, Keith	40,000	Nil	Nil	Nil	40,000
U Po Chu	112,500	Nil	Nil	Nil	112,500

Notes:

1. The Company and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of the Company. Mr. Lim Por Yen was deemed to be interested in such shares in eSun by virtue of his interest (and those of his associates) of approximately 34.3% in the issued share capital of LSG. 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.

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. A second option was granted by eSun under the Scheme to Mr. Lam 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.

   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 numbers of shares for subscription under Mr. Lam's first and second options were adjusted to 4,000,000 shares and 3,000,000 shares, and the exercise prices per share were 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 numbers of shares for subscription under Mr. Lam's first and second options were further adjusted to 6,000,000 shares and 4,500,000 shares, and the exercise prices per share were further adjusted to HK$2.655 and HK$6.094 respectively.

During the six months ended 31st January, 2002, Mr. Lam had not exercised any share options.

(b) *Lai Fung Holdings Limited ("Lai Fung")*

	Number of Lai Fung Ordinary Shares Held				
	Personal Interests	**Family Interests**	**Corporate Interests**	**Other Interests**	**Total**
Lim Por Yen	Nil	Nil	1,413,700,289 *(Note)*	Nil	1,413,700,289
Lau Shu Yan, Julius	1,000,000	Nil	Nil	Nil	1,000,000

Note: Mr. Lim Por Yen was deemed to be interested in 1,413,700,289 shares in Lai Fung by virtue of his interest (and those of his associates) of approximately 34.3% in the issued share capital of Lai Sun Garment (International) Limited ("LSG") which, together with its wholly-owned subsidiary, beneficially owned 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 Company which beneficially owned 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, a Director of the Company held a non-beneficial interest in the share capital of a subsidiary of the Company's associated corporation as nominee shareholder, for the purpose of complying with the statutory requirement for a minimum number of shareholders for such subsidiary.

Save as disclosed above, as at 31st January, 2002, none of the Directors or chief executive of the Company or their respective associates had any interests in the equity or debt securities of the Company or any of its associated corporations which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance (including interests which they were deemed or taken to have under Section 31 or Part 1 of the Schedule to that Ordinance) or the Code or which were required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.

SUBSTANTIAL SHAREHOLDERS

As at 31st January, 2002, the following parties were interested in 10% or more of the total issued ordinary share capital of the Company as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance:

	Number of Ordinary Shares Held
Lai Sun Garment (International) Limited ("LSG")	1,582,869,192
Mr. Lim Por Yen	1,781,362,142 *(Note 1)*
Nice Cheer Investment Limited ("Nice Cheer")	781,346,935
Xing Feng Investments Limited ("Xing Feng")	781,346,935 *(Note 2)*
Mr. Chen Din Hwa	781,346,935 *(Notes 2 & 3)*

Notes:

1. Mr. Lim Por Yen was deemed to be interested in 1,582,869,192 ordinary shares in the Company by virtue of his interest (and those of his associates) of approximately 34.3% in the issued share capital of LSG.

2. Xing Feng was taken to be interested in 781,346,935 ordinary shares in the Company 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 ordinary shares in the Company by virtue of his corporate interests in Nice Cheer.

Save for the interests disclosed above, the Directors are not aware of any other person being interested in 10% or more of the issued ordinary share capital of the Company as at 31st January, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2002, 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 period covered by the Interim Report of the Company for the six months ended 31st January, 2002, 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. The Interim Report has been reviewed by the Audit Committee of the Company.

By Order of the Board
Lam Kin Ngok, Peter
Chairman and President

Hong Kong, 19th April, 2002