



CROCODILE GARMENTS



CROCODILE GARMENTS LIMITED

Interim Report 2002-2003

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 *

Yeung Sui Sang *

* *Independent Non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

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Stock code on Hong Kong Stock Exchange: 122

RESULTS

The Board of Directors of Crocodile Garments Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2003 together with the comparative figures are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January, 2003

		Six months ended	
		31/1/2003	31/1/2002
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	(3)	280,925	300,774
Cost of sales		(136,435)	(140,021)
Gross profit		144,490	160,753
Other revenue and gains	(4)	3,938	2,583
Selling and distribution costs		(101,448)	(116,632)
Administrative expenses		(30,255)	(33,904)
Loss on disposal of fixed assets		(889)	—
Other operating expenses, net		(892)	(731)
PROFIT FROM OPERATING ACTIVITIES	(5)	14,944	12,069
Finance costs		(623)	(1,017)
PROFIT BEFORE TAX		14,321	11,052
Tax	(6)	—	(1,585)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		14,321	9,467
EARNINGS PER SHARE — BASIC	(7)	HK cents 2.32	HK cents 1.53

CONDENSED CONSOLIDATED BALANCE SHEET

31st January, 2003

		31/1/2003	31/7/2002
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets		29,404	30,889
Investment properties		205,000	205,000
Rental and utility deposits		7,979	9,255
		242,383	245,144
CURRENT ASSETS			
Inventories	<i>(8)</i>	174,338	138,564
Debtors, deposits and prepayments	<i>(9)</i>	33,275	41,546
Cash and bank balances		71,661	81,711
		279,274	261,821
CURRENT LIABILITIES			
Bank loans and overdrafts		27,202	29,458
Trust receipt loans		22,424	17,787
Creditors and accruals	<i>(10)</i>	132,535	133,406
Amount due to the ultimate holding company		21	118
Amount due to a related company		206	1,248
Tax payable		11,200	11,200
		193,588	193,217
NET CURRENT ASSETS		85,686	68,604
TOTAL ASSETS LESS			
CURRENT LIABILITIES		328,069	313,748
CAPITAL AND RESERVES			
Share capital	<i>(11)</i>	154,282	154,282
Reserves		336,826	336,826
Accumulated losses		(163,039)	(177,360)
		328,069	313,748

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31st January, 2003*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Fixed assets revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31st July, 2002 (Audited)	154,282	164,921	350	171,555	(177,360)	313,748
Net profit attributable to shareholders	—	—	—	—	14,321	14,321
As at 31st January, 2003 (Unaudited)	154,282	164,921	350	171,555	(163,039)	328,069
Net gains and losses not recognised in the income statement during the period	—	—	—	—	—	—
As at 31st July, 2001 (Audited)	154,282	164,921	350	277,079	(197,720)	398,912
Net profit attributable to shareholders	—	—	—	—	9,467	9,467
As at 31st January, 2002 (Unaudited)	154,282	164,921	350	277,079	(188,253)	408,379
Net gains and losses not recognised in the income statement during the period	—	—	—	—	—	—

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2003

	Six months ended	
	31/1/2003	31/1/2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(7,902)	(18,490)
Net cash used in investing activities	(2,489)	(2,171)
Net cash used in financing activities	(2,288)	(2,683)
Net decrease in cash and cash equivalents	(12,679)	(23,344)
Cash and cash equivalents at beginning of period	68,610	51,261
CASH AND CASH EQUIVALENTS AT END OF PERIOD	55,931	27,917
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	71,661	43,978
Bank overdrafts	(2,952)	(2,937)
Trust receipts loans maturing within three months from date of advance	(12,778)	(13,124)
	55,931	27,917

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and 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”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and certain land and buildings.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st July, 2002, except that the following new or revised SSAPs are effective for the first time for the current period’s financial statements:

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 34 : “Employee benefits”

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a condensed consolidated statement of changes in equity is now presented in place of the condensed consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the condensed consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at weighted average exchange rates for the period, whereas previously they were translated at the exchange rates ruling at the balance sheet date.

Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under cash flows from returns on investments and servicing of finance, are classified as operating activities, unless they can be separately identified with investing or financing activities. The comparative figures have been reclassified to conform with the current period’s presentation.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the garment and related accessories segment engages in the manufacture and sale of garments and related accessories;

3. SEGMENT INFORMATION (continued)

- (b) the property investment segment invests in land and buildings for its rental income potential;
- (c) the corporate and other segment comprises the Group's corporate income and expense items and other segment income and segment expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business Segments

For the six months ended 31st January, 2003

	Garment and related accessories (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Corporate and other (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:					
Sales to external customers	275,173	5,752	—	—	280,925
Intersegment sales	—	2,066	—	(2,066)	—
Other revenue	3,560	104	—	—	3,664
Total	278,733	7,922	—	(2,066)	284,589
Segment results	11,863	2,820	(13)	—	14,670
Interest income					274
Profit from operating activities					14,944

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For the six months ended 31st January, 2002

	Garment and related accessories (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Corporate and other (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:					
Sales to external customers	295,997	4,777	—	—	300,774
Intersegment sales	—	2,066	—	(2,066)	—
Other revenue	2,272	—	—	—	2,272
Total	298,269	6,843	—	(2,066)	303,046
Segment results	9,101	4,544	(1,887)	—	11,758
Interest income					311
Profit from operating activities					12,069

3. SEGMENT INFORMATION (continued)

Geographical Segments

For the six months ended 31st January, 2003

	Hong Kong (Unaudited) HK\$'000	Elsewhere in PRC (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	158,755	122,170	280,925
Other revenue	557	3,107	3,664
Total	159,312	125,277	284,589
Segment results	9,775	4,895	14,670
Interest income			274
Profit from operating activities			14,944

For the six months ended 31st January, 2002

	Hong Kong (Unaudited) HK\$'000	Elsewhere in PRC (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:			
Sales to external customers	144,614	156,160	300,774
Other revenue	236	2,036	2,272
Total	144,850	158,196	303,046
Segment results	(11,821)	23,579	11,758
Interest income			311
Profit from operating activities			12,069

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4. OTHER REVENUE AND GAINS

	Six months ended	
	31/1/2003 (Unaudited) HK\$'000	31/1/2002 (Unaudited) HK\$'000
Other revenue		
Royalty income	2,361	1,524
Sale of miscellaneous materials	269	455
Sale of export quota	260	173
Interest income	274	311
License fee income	72	—
Others	680	120
	3,916	2,583
Gains		
Exchange gains, net	22	—
Other revenue and gains	3,938	2,583

5. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging:

	Six months ended	
	31/1/2003 (Unaudited) HK\$'000	31/1/2002 (Unaudited) HK\$'000
Depreciation of owned fixed assets	3,359	8,765
Depreciation of fixed assets held under finance leases	—	46
Loss on disposal of fixed assets	889	—

6. TAX

	Six months ended	
	31/1/2003 (Unaudited) HK\$'000	31/1/2002 (Unaudited) HK\$'000
Current period provision		
Hong Kong	—	—
Outside Hong Kong	—	1,585
Tax charge for the period	—	1,585

No Hong Kong profits 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.

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7. EARNINGS PER SHARE

Earnings per share is calculated based on the net profit attributable to shareholders of HK\$14,321,000 (2002:HK\$9,467,000) and the weighted average of 617,127,130 (2002: 617,127,130) shares of the Company in issue throughout the period.

Diluted earnings per share for the six months ended 31st January, 2003 and 2002 have not been calculated because no diluting events existed during these periods.

8. INVENTORIES

	31/1/2003 (Unaudited) HK\$'000	31/7/2002 (Audited) HK\$'000
Raw materials	9,887	7,398
Work in progress	688	563
Finished goods	162,821	130,603
Goods in transit	942	—
	174,338	138,564

The carrying amounts of the Group's inventories included in the above that are carried at net realisable value were HK\$53,250,000 (2002: HK\$30,626,000).

9. DEBTORS, DEPOSITS AND PREPAYMENTS

Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

The analysis below ages trade receivables, net of provisions, based on the overdue date, which is when the goods are delivered and services are rendered.

	31/1/2003 (Unaudited) HK\$'000	31/7/2002 (Audited) HK\$'000
Current to 90 days	7,365	26,062
91 days to 180 days	4,974	184
181 days to 365 days	270	754
Over 365 days	—	53
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Trade debtors	12,609	27,053
Deposits and prepayments	20,666	14,493
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	33,275	41,546
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10. CREDITORS AND ACCRUALS

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The analysis below ages trade creditors based on the date of receipt of the goods and services purchased.

	31/1/2003 (Unaudited) HK\$'000	31/7/2002 (Audited) HK\$'000
Current to 90 days	66,658	62,012
91 days to 180 days	6,847	4,470
181 days to 365 days	530	1,027
Over 365 days	4,141	4,566
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Trade creditors	78,176	72,075
Accruals	54,359	61,331
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	132,535	133,406
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11. SHARE CAPITAL

	31/1/2003 (Unaudited) HK\$'000	31/7/2002 (Audited) HK\$'000
<i>Authorised:</i>		
800,000,000 ordinary shares of HK\$0.25 each	200,000	200,000
<i>Issued and fully paid:</i>		
617,127,130 ordinary shares of HK\$0.25 each	154,282	154,282

12. RELATED PARTY TRANSACTIONS

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

		Six months ended	
		31/1/2003 (Unaudited) HK\$'000	31/1/2002 (Unaudited) HK\$'000
Rental expenses paid and payable to related companies	<i>(i)</i>	3,815	4,920
Interest paid and payable to the ultimate holding company	<i>(ii)</i>	—	101

- (i) Rental expenses are charged by related companies pursuant to respective lease agreements.
- (ii) The 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.

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

13. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

- (a) Capital commitments in respect of capital expenditure not provided for in the financial statements were as follows:

	31/1/2003 (Unaudited) HK\$'000	31/7/2002 (Audited) HK\$'000
Authorised and contracted for	141	—

There were no capital commitments authorised, but not contracted for, as at 31st January, 2003 (2002:Nil).

13. COMMITMENTS (continued)

- (b) Aggregate future minimum lease payments commitments for non-cancellable operating leases in respect of land and buildings payable in the following periods are as follows:

	31/1/2003 (Unaudited) HK\$'000	31/7/2002 (Audited) HK\$'000
Within one year	53,514	62,943
In the second to fifth years, inclusive	46,942	42,753
After five years	—	28
	100,456	105,724

14. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had minimum lease receipts under non-cancellable operating leases which fall due as follows:

	31/1/2003 (Unaudited) HK\$'000	31/7/2002 (Audited) HK\$'000
Within one year	10,448	9,175
In the second to fifth years, inclusive	12,546	9,977
	22,994	19,152

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Operating lease receipts represent rentals receivable by the Group for certain of its investment properties.

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended 31st January, 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Operating Results

The Group recorded a turnover of HK\$280,925,000 for the six months ended 31st January, 2003, which was 6.6% lower than the figure for the same period in the year before. Gross profit margin declined to 51.4% this year from the 53.4% reported for the previous corresponding period. Net profit attributable to shareholders increased by 51.3% on the figure for last year to HK\$14,321,000, mainly due to the success of the Group in reducing selling and distribution costs and administrative expenses.

Operation in Hong Kong

The benefits deriving from the policy implemented persistently by the Group of closing down retail shops in Hong Kong and rationalising the organisational structure of the retail operation had become evident during the period under review. The operating loss of HK\$14,478,000 reported by the retail operation in the previous year had been substantially improved to a profit of HK\$6,968,000 for this period. As at 31st January, 2003, the total number of Crocodile retail shops of the Group had been reduced to 19 from the figure of 26 as at 31st July, 2002. The number of shops for Lacoste products has been maintained at 7.

Since the previous financial year, properties of the Group which were self-occupied were let. The profit derived from investment properties amounted to HK\$2,820,000 for the half-year under review. This was lower than the figure for the same period in the year before but is nonetheless an useful source of income for the Group.

Due to the turnaround achieved by the retail operation in Hong Kong, the overall results for the Hong Kong operation for the period had been encouraging, recording a profit of HK\$9,775,000 compared to the loss of HK\$11,821,000 for the previous corresponding period.

Operation in the Mainland of China (the “Mainland”)

Following the rapid growth recorded for the past few years, the number of retail outlets established by the exclusive provincial franchisees had begun to stabilise. Demand for new merchandise to stock new retail outlets had therefore slowed. In addition, competition intensified due to an increase in brands in the Mainland. These factors contributed to a decline in sales and profit when compared to the same period in the previous year. Despite the fall in wholesale turnover of the Group, the exclusive provincial franchisees were able to maintain good results at their retail outlets, and continue to rank among the leading retail operators at major shopping centres.

The ladies line “Crocoladies” was successfully launched by the Group during the half-year under review. With the steady increase in the number of sales outlets, this line had begun to make contribution to the revenue of the Group. A franchisee with substantial resources had been selected to develop the market for the Group’s casual wear line “CrocoSport”. Preparations have now been finalised and this line will be launched in selected shops at the end of this month.

During the period, the Group continued to conduct regular inspections of design and decor of all retail outlets for the Group’s products and to intensify staff training with the aim of maintaining a standardised image of the “Crocodile” brand.

Prospects

The economy in Hong Kong has been in the doldrums for some time and consumer spending remained depressed. The recent outbreak of atypical pneumonia in Hong Kong has further aggravated the local economic situation. The Group had anticipated that results for the full financial year should show improvement on those recorded for the previous year. It will not be possible now, however, to project with reasonable accuracy the potential economic loss as a consequence of the unfavourable impact of the atypical pneumonia outbreak. Under this uncertain economic environment, the Group is actively planning to rationalise the deployment of human resources, to further increase the proportion of sales in the Mainland, to tighten cost control and to redeploy supporting staff to the Mainland on a more extensive scale, so as to minimise the adverse effects of the aforesaid outbreak on the Group.

Contingent Liabilities

There is no material change in contingent liabilities since the last annual report date.

Liquidity and Financial Resources

As at 31st January, 2003, total bank borrowings of the Group amounted to HK\$49,626,000. The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio on 31st January, 2003 was only 15%, expressed as a percentage of total bank borrowings to total net assets. Out of the total bank borrowings of HK\$49,626,000, HK\$24,250,000 represented secured short-term bank loans, HK\$22,424,000 was trust receipt loans and the other bank borrowings are repayable on demand. Interest on bank borrowings is charged at floating rates.

The cash and bank balances of the Group as at 31st January, 2003 were HK\$71,661,000 and were mainly denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 31st January, 2003, the Group pledged investment properties with carrying values of HK\$205,000,000 and certain land and buildings with net book values of HK\$6,286,000 to its bankers to secure banking facilities granted to the Group.

Sales are mainly conducted in Hong Kong dollars and Renminbi. The sales receipts in Renminbi are sufficient to cover the Group's Renminbi payments for the business operations and further expansion in the Mainland. 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.

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Most of the Group's purchases are made in Hong Kong dollars, Renminbi, United States dollars and Euro. Exchange risk between Hong Kong dollars and United States dollars is minimal because the exchange rate between the two currencies is pegged. Foreign purchases in Euro 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 1,130 as at 31st January, 2003. Remuneration of the employees is largely based on industry practice and the performance of individual employee. In addition to salary and bonus 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. Total staff costs including retirement scheme contributions for the six months ended 31st January, 2003 was approximately HK\$40 million.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st January, 2003, 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 Code for Securities Transactions by Directors adopted by the Company (the "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 34.01% 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	361,432	Nil	Nil	485,353,182
Lam Kin Ming	4,090,358	Nil	Nil	Nil	4,090,358
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

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(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	Nil	1,780,728,742

(Note)

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 34.01% 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) *Lai Fung Holdings Limited ("LFH")*

	Number of LFH Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	1,767,125,360 <i>(Note)</i>	Nil	1,767,125,360

Note: LSG and its wholly-owned subsidiary held 1,767,125,360 shares in LFH. Mr. Lim Por Yen was deemed to be interested in the 1,767,125,360 ordinary shares in LFH by virtue of his interest (including that of his spouses) of approximately 34.01% 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 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, 2003, 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 Code for securities transaction by Directors adopted by the Company (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.

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SUBSTANTIAL SHAREHOLDERS

As at 31st January 2003, 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:

	Number of Shares Held
Joy Mind Limited	336,316,809
Lai Sun Garment (International) Limited ("LSG")	338,982,809
Lim Por Yen	338,982,809

Note: 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.

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 34.01% 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, 2003.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31st January, 2003, 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, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. 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

Lim Por Yen

Chairman

Hong Kong, 17th April, 2003

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