



L A I S U N G A R M E N T

LAI SUN GARMENT (INTERNATIONAL) LIMITED

Interim Report 2004-2005

## PLACE OF INCORPORATION

Hong Kong

## BOARD OF DIRECTORS

Lam Kin Ming (*Deputy Chairman*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Shiu Kai Wah

Lee Po On

Lam Kin Hong, Matthew

U Po Chu

Chiu Wai

Lai Yuen Fong

Lam Wai Kei, Vicky<sup>#</sup>

Wan Yee Hwa, Edward<sup>\*</sup>

Leung Shu Yin, William<sup>\*</sup>

Chow Bing Chiu<sup>\*</sup>

Lim Por Yen (*Chairman and Managing Director*) (passed away on 18th February, 2005)

<sup>#</sup> *Alternate Director to Madam Lai Yuen Fong*

<sup>\*</sup> *Independent Non-executive Directors*

## COMPANY SECRETARY

Yeung Kam Hoi

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*Stock code on Hong Kong Stock Exchange: 191*

## RESULTS

The Board of Directors of Lai Sun Garment (International) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2005 as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31st January, 2005

		Six months ended	
		31/1/2005	31/1/2004
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	2	286,357	533,662
Cost of sales		(135,946)	(366,052)
Gross profit		150,411	167,610
Other revenue and gains		20,783	17,291
Selling and distribution costs		(79,050)	(82,677)
Administrative expenses		(54,982)	(52,893)
Other operating expenses, net		(9,323)	(10,466)
PROFIT FROM OPERATING ACTIVITIES	3	27,839	38,865
Finance costs	4	(6,901)	(6,385)
Share of profits and losses of associates		37,353	105,461
Negative goodwill recognised as income		13,657	9,576
Gain/(loss) on deemed disposal of interest in an associate	5	2,421,449	(5,614)
PROFIT BEFORE TAX		2,493,397	141,903
Tax	6	(14,480)	(16,213)
PROFIT BEFORE MINORITY INTERESTS		2,478,917	125,690
Minority interests		(8,172)	(4,916)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		2,470,745	120,774
EARNINGS PER SHARE	7		
Basic		HK\$1.7185	HK\$0.0840
Diluted		N/A	HK\$0.0839

## CONDENSED CONSOLIDATED BALANCE SHEET

31st January, 2005

	Notes	31/1/2005 (Unaudited) HK\$'000	31/7/2004 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		27,161	21,241
Investment properties		265,680	265,680
Properties under development		178,481	178,150
Goodwill		62,917	71,907
Interests in associates		1,636,829	1,593,166
Long term investment	9	411,271	—
Deferred tax assets		8,926	13,398
		<b>2,591,265</b>	<b>2,143,542</b>
<b>CURRENT ASSETS</b>			
Short term investments		27,202	24,250
Inventories	10	86,790	74,986
Deposits and other receivables		31,881	23,166
Trade receivables	11	100,639	95,498
Cash and cash equivalents		213,168	182,539
		<b>459,680</b>	<b>400,439</b>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		83,368	116,519
Trade and bills payables	12	145,257	125,517
Tax payable		24,556	40,974
Interest-bearing bank and other borrowings		109,482	73,113
		<b>362,663</b>	<b>356,123</b>
<b>NET CURRENT ASSETS</b>		<b>97,017</b>	<b>44,316</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,688,282</b>	<b>2,187,858</b>
<b>NON-CURRENT LIABILITIES</b>			
Note payable	13	195,000	195,000
Interest-bearing bank and other borrowings		70,000	38,800
		<b>265,000</b>	<b>233,800</b>
<b>MINORITY INTERESTS</b>		<b>152,492</b>	<b>144,320</b>
		<b>2,270,790</b>	<b>1,809,738</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital		718,855	718,855
Reserves		1,551,935	1,090,883
		<b>2,270,790</b>	<b>1,809,738</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2005

	Issued capital HK\$'000	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st July, 2004 and 1st August, 2004 (Audited)	718,855	1,119,738*	65,340*	4,311,182*	57*	28,214*	(4,433,648)*	1,809,738
Released upon deemed disposal of interest in an associate	—	—	—	(1,993,385)	(57)	(16,736)	—	(2,010,178)
Transfer upon deemed disposal of interest in an associate	—	—	—	(358,301)	—	—	358,301	—
Exchange realignments:								
Subsidiaries	—	—	—	—	—	(45)	—	(45)
Associates	—	—	—	—	—	530	—	530
Net profit for the period	—	—	—	—	—	—	2,470,745	2,470,745
At 31st January, 2005 (Unaudited)	718,855	1,119,738*	65,340*	1,959,496*	—*	11,963*	(1,604,602)*	2,270,790

\* These reserve accounts comprise the consolidated reserves of HK\$1,551,935,000 (as at 31st July, 2004: HK\$1,090,883,000) in the condensed consolidated balance sheet.

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	Issued capital HK\$'000	Share premium account HK\$'000	Fixed asset revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31st July, 2003 and 1st August, 2003 (Audited)	718,855	1,119,738	67,326	—	4,335,194	57	28,652	(4,559,509)	1,710,313
Released upon disposal of investment properties	—	—	—	(735)	—	—	—	—	(735)
Deficit charged to profit and loss account on revaluation of investment properties	—	—	—	735	—	—	—	—	735
Released upon deemed disposal of interest in an associate	—	—	—	—	(19,612)	—	(4)	—	(19,616)
Released upon deregistration of a subsidiary	—	—	—	—	(4,400)	—	—	—	(4,400)
Exchange realignments:									
Subsidiaries	—	—	—	—	—	—	(470)	—	(470)
Associates	—	—	—	—	—	—	475	—	475
Net profit for the period	—	—	—	—	—	—	—	120,774	120,774
At 31st January, 2004 (Unaudited)	718,855	1,119,738	67,326	—	4,311,182	57	28,653	(4,438,735)	1,807,076

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2005

	Six months ended	
	31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(20,726)	21,183
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(9,358)	(3)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	60,018	(15,384)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>29,934</b>	<b>5,796</b>
Cash and cash equivalents at beginning of period	180,307	97,245
Effect of foreign exchange rate changes, net	45	252
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>210,286</b>	<b>103,293</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	213,168	104,515
Bank overdrafts	(2,882)	(1,222)
	<b>210,286</b>	<b>103,293</b>

## CONDENSED BALANCE SHEET OF THE COMPANY

31st January, 2005

	31/1/2005 (Unaudited)	31/7/2004 (Audited)
Note	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Fixed assets	5,103	5,373
Investment properties	74,980	74,980
Interests in subsidiaries	600,703	601,424
Interests in associates	361,348	406,297
Long term investment	372,528	—
	<b>1,414,662</b>	1,088,074
<b>CURRENT ASSETS</b>		
Short term investments	27,202	24,250
Deposits and other receivables	3,204	2,263
Trade receivables	93,773	84,933
Cash and cash equivalents	67,394	22,002
	<b>191,573</b>	133,448
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	14,673	24,012
Trade and bills payables	98,103	91,633
Tax payable	3,031	17,949
Interest-bearing bank and other borrowings	73,000	30,010
	<b>188,807</b>	163,604
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>2,766</b>	(30,156)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,417,428</b>	1,057,918
<b>NON-CURRENT LIABILITIES</b>		
Note payable	195,000	195,000
Interest-bearing bank and other borrowings	70,000	38,800
	<b>265,000</b>	233,800
	<b>1,152,428</b>	824,118
<b>CAPITAL AND RESERVES</b>		
Issued capital	718,855	718,855
Reserves	14 433,573	105,263
	<b>1,152,428</b>	824,118

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of presentation used in the preparation of these interim financial statements are consistent with those used in the audited financial statements of the Group for the year ended 31st July, 2004.

### 2. TURNOVER AND SEGMENTAL INFORMATION

#### (a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

	Six months ended 31/1/2005				Six months ended 31/1/2004			
	(Unaudited)				(Unaudited)			
	External sales	Other revenue	Segment revenue	Segment results	External sales	Other revenue	Segment revenue	Segment results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacture and sale of garments	263,373	16,198	279,571	15,089	518,008	5,357	523,365	24,074
Property investment	9,697	—	9,697	8,580	7,986	842	8,828	7,719
Other operations	13,287	—	13,287	2,550	7,668	—	7,668	(817)
	<b>286,357</b>	<b>16,198</b>	<b>302,555</b>	<b>26,219</b>	<b>533,662</b>	<b>6,199</b>	<b>539,861</b>	<b>30,976</b>
Interest income and unallocated other revenue and gains				4,585				11,092
Unallocated expenses				(2,965)				(3,203)
PROFIT FROM OPERATING ACTIVITIES				<b>27,839</b>				<b>38,865</b>

#### (b) Geographical segments

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

	Six months ended 31/1/2005			Six months ended 31/1/2004		
	(Unaudited)			(Unaudited)		
	External sales	Other revenue	Segment revenue	External sales	Other revenue	Segment revenue
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	121,590	730	122,320	138,995	1,233	140,228
Mainland China	108,254	15,468	123,722	116,503	4,966	121,469
United States of America	56,513	—	56,513	278,164	—	278,164
	<b>286,357</b>	<b>16,198</b>	<b>302,555</b>	<b>533,662</b>	<b>6,199</b>	<b>539,861</b>

### 3. PROFIT FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Six months ended	
	31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
Depreciation	4,099	3,156
Amortisation of goodwill on acquisition of subsidiaries	8,990	8,990
Unrealised gains on short term investments	(2,952)	(5,753)
Gain on disposal of fixed assets	(14)	—
Gain on disposal of investment properties	—	(735)
Deficit on revaluation of investment properties	—	735
Gain on deregistration of a subsidiary	—	(4,400)

### 4. FINANCE COSTS

The amount represented interest on bank loans, bank overdrafts and other borrowings and note payable which were wholly repayable within five years.

### 5. GAIN/(LOSS) ON DEEMED DISPOSAL OF INTEREST IN AN ASSOCIATE

On 7th December, 2004, Lai Sun Development Company Limited ("LSD"), a then associate of the Group, allotted and issued approximately 9,000 million new ordinary shares of LSD at a price of HK\$0.50 per share to the bondholders of LSD and eSun Holdings Limited as part of the settlement package for the settlement of indebtedness owed by LSD to its bondholders and eSun Holdings Limited. As a result, the Group's interest in LSD was diluted from approximately 42.25% to approximately 12.42% on the same date, which constituted a deemed disposal by the Group of its interest in LSD. The Group's share of LSD's unaudited consolidated net assets was increased by and to approximately HK\$411 million. After taking into account the various reserves released to the unaudited condensed consolidated profit and loss account of the Group of approximately HK\$2,010 million, the Group's gain on the deemed disposal of its equity interest in LSD amounted to approximately HK\$2,421 million. In addition, an amount of unaudited consolidated capital reserve of the Group of approximately HK\$358 million, which was previously transferred from the Group's consolidated retained earnings to its consolidated capital reserve upon the redemption by LSD of its preference shares in the prior years, was transferred back to the Group's unaudited consolidated retained earnings as at 31st January, 2005. As at 31st January, 2005, the remaining 12.42% equity interest in LSD held by the Group was treated as a long term investment in the Group's unaudited condensed consolidated financial statements for the six months ended 31st January, 2005.

The amount for the six months ended 31st January, 2004 represented the Group's loss on deemed disposal of its interest in Lai Fung Holdings Limited ("Lai Fung"), an associate of the Group, arising from the exercise of Lai Fung's share options during that period.

## 6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

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

	Six months ended	
	31/1/2005 (Unaudited) HK\$'000	31/1/2004 (Unaudited) HK\$'000
Group:		
Current tax — Hong Kong	2,000	4,900
Deferred tax	4,472	4,161
	<b>6,472</b>	9,061
Share of tax attributable to associates	<b>8,008</b>	7,152
Tax charge for the period	<b>14,480</b>	16,213

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$2,470,745,000 (2004: HK\$120,774,000) and the weighted average of 1,437,709,710 (2004: 1,437,709,710) ordinary shares in issue during the period.

The diluted earnings per share amount for the six months ended 31st January, 2005 has not been disclosed as no diluting event existed during the period.

For the six months ended 31st January, 2004, the calculation of diluted earnings per share was based on the adjusted net profit attributable to shareholders for the six months ended 31st January, 2004 of HK\$120,562,000 and the weighted average of 1,437,709,710 ordinary shares in issue during the six months ended 31st January, 2004.

The adjusted net profit attributable to shareholders for the six months ended 31st January, 2004 was calculated based on the net profit attributable to shareholders for the six months ended 31st January, 2004 of HK\$120,774,000 less the dilution in the results of Lai Fung attributable to the Group by HK\$212,000 arising from the deemed exercise of all Lai Fung's share options being outstanding during the six months ended 31st January, 2004.

## 8. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group had the following material transactions with related parties:

		Six months ended	
		31/1/2005	31/1/2004
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Interest expenses payable to a shareholder	(i)	5,938	5,293
Rental expenses payable to associates	(ii)	3,256	3,005

### Notes:

- (i) Interest expenses were charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the note payable and an amount due to Mr. Lim Por Yen (deceased).
- (ii) Rental expenses were payable to the associates pursuant to the respective lease agreements.
- (b) (i) During the period, Mr. Lam Kin Ngok, Peter, an executive director and a substantial shareholder of the Company, has granted a loan of HK\$70 million to the Company which was remained outstanding as at 31st January, 2005 and included in the Group's other borrowings. The loan is unsecured, bears interest at the best lending rate quoted by a designated bank in Hong Kong and is not repayable within one year.
- (ii) Mr. Lim Por Yen (deceased), a former executive director and substantial shareholder of the Company, granted a loan facility up to HK\$100 million to the Company. The facility is unsecured, bears interest at the best lending rate quoted by a designated bank in Hong Kong and will expire on 30th November, 2005. As at 31st January, 2005, the outstanding balance was HK\$33 million (As at 31st July, 2004: HK\$38.8 million) and was included in the Group's other borrowings.

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## 9. LONG TERM INVESTMENT

During the period, the Group's equity interest in LSD was reduced from 42.25% to 12.42%, details of which are set out in note 5 to the unaudited condensed consolidated financial statements. Accordingly, the Group's equity interest in LSD was reclassified from interest in an associate to long term investment.

## 10. INVENTORIES

	31/1/2005	31/7/2004
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Raw materials	8,734	10,225
Work in progress	286	511
Finished goods	77,770	64,250
	<b>86,790</b>	<b>74,986</b>

The carrying amount of the Group's inventories carried at net realisable value included in the above balance was HK\$19,750,000 (As at 31st July, 2004: HK\$27,467,000).

## 11. TRADE RECEIVABLES

The credit term extended by the Group to trade debtors is normally within 30 days to 180 days.

Crocodile Garments Limited ("CGL") and its subsidiaries (collectively the "CGL Group"), a listed subgroup of the Company, maintain their own sets of credit policies. Other than cash sales made by the CGL Group at their retail outlets, trading terms with wholesale customers are to a large extent on credit, except that advance payments are normally required from new customers. Invoices are normally payable within 30 days from the date of issuance. However, the payment terms are extended up to 90 days for certain well-established customers. Each customer has been assigned of a designated 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.

An aged analysis of trade receivables, based on invoice date, as at 31st January, 2005 is as follows:

	<b>31/1/2005</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31/7/2004 (Audited) HK\$'000
Current to 90 days	<b>30,250</b>	24,553
91 days to 180 days	<b>1,105</b>	11,738
181 days to 365 days	<b>14,398</b>	12,815
Over 365 days	<b>54,886</b>	46,392
	<b>100,639</b>	95,498

## 12. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at 31st January, 2005 is as follows:

	<b>31/1/2005</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31/7/2004 (Audited) HK\$'000
Current to 90 days	<b>54,135</b>	39,044
91 days to 180 days	<b>6,999</b>	18,369
181 days to 365 days	<b>20,507</b>	12,019
Over 365 days	<b>63,616</b>	56,085
	<b>145,257</b>	125,517

## 13. NOTE PAYABLE

The amount represented the outstanding balance of a note payable to Mr. Lim Por Yen (deceased) (the "Loan Note"). The Loan Note is unsecured, bears interest at prime rate and is repayable on 30th April, 2006.

## 14. RESERVES

Company

	Share premium account <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st July, 2004 and 1st August, 2004 (Audited)	1,119,738	65,035	15,197	(1,094,707)	105,263
Net profit for the period	—	—	—	328,310	328,310
At 31st January, 2005 (Unaudited)	1,119,738	65,035	15,197	(766,397)	433,573

## 15. POST BALANCE SHEET EVENT

On 25th January, 2005, the CGL Group accepted the tender by an independent third party to purchase certain investment properties of the CGL Group (the "Property") for a cash consideration of HK\$145 million. The transaction constitutes a major transaction (disposal) of the Company under the Rules Governing the Listing of Securities in Hong Kong. Taking into account the aggregate carrying value of the Property of HK\$66 million as included in the unaudited condensed consolidated balance sheet of the Group as at 31st January, 2005, the gain on disposal of the Property before expenses to accrue to the Group's consolidated accounts is estimated to be HK\$79 million. Taking into account the Group's 54.93% equity interest in CGL, the net gain on disposal of the Property before expenses, after the 45.07% minority interest, to accrue to the Group's consolidated accounts is estimated to be approximately HK\$43.4 million and the consolidated net assets of the Group will be increased by approximately HK\$43.4 million.

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The transaction was approved by shareholders of the Company at the general meetings held on 31st March, 2005. The completion of the transaction was scheduled to take place on 31st May, 2005.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the financial year ending 31st July, 2005. No interim dividend was declared in respect of the previous corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group reported an unaudited consolidated net profit attributable to shareholders of HK\$2,470.7 million for the half-year under review. This represents a further improvement on the net profit of HK\$120.8 million recorded for the previous corresponding period. Of the profit for the period under review, approximately HK\$2,421.4 million was derived from the gain on the deemed disposal of the Company's equity interest in Lai Sun Development Company Limited ("LSD") when it allotted and issued 9,000 million new ordinary shares to its bondholders and creditors, including eSun Holdings Limited, on completion of the settlement of its outstanding indebtedness on 7th December, 2004. The Company's interest in LSD was diluted to approximately 12.42% on allotment and issue of the aforesaid new ordinary shares of LSD, and such interest has since been treated as a long-term investment in the Company's consolidated financial statements. Positive contributions from operations had been reported by the garment operation of the Company, Crocodile Garments Limited and Lai Fung Holdings Limited.

Turnover of the Group, at HK\$286.36 million, was 48.3% lower than the previous corresponding period, due to a fall in turnover achieved by the garment operation of the Company and a 13.3% drop in turnover of the listed subsidiary, Crocodile Garments Limited.

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

LSD reported an unaudited consolidated net loss of HK\$1,256 million for the half-year, compared with the net loss of HK\$167.1 million for the previous corresponding period.

Despite a fall in turnover, LSD recorded a profit from operating activities of HK\$222.8 million, which was attributable mainly to contributions from reversal of impairment of long term investment in The Waterfront and hotel and restaurant operations. LSD's results for the half-year had been adversely affected as it incurred a loss of HK\$1,484 million arising from completion of the settlement of its indebtedness to bondholders and eSun Holdings Limited on 7th December, 2004. The LSD group, however, turned from a deficiency in net asset position to a net asset position, and from a net current liability position to a net current asset position at the end of the half-year under review.

Average occupancy rate of the investment property portfolio of LSD remained at 95% and rental income had been cushioned from the impact of disposal of a number of properties in the previous financial year by favourable rental reversions, with a fall of around 12% from the previous corresponding period recorded for this half-year. On the property development front, LSD managed to sell the entire residential portion of Kimberley 26 in Tsimshatsui, Kowloon and recognized a profit of approximately HK\$78 million. LSD's hotel operations also returned satisfactory results, in line with continued buoyancy in the local tourism industry.

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

Lai Fung, in which the Group holds a 45.13% interest, reported an unaudited consolidated net profit attributable to shareholders of HK\$50.19 million, compared with the net profit of HK\$50.07 million for the previous corresponding period. The bulk of the profit was derived from operating activities. Turnover increased by 74.4% to HK\$249.7 million, which was attributed to the pre-sale of Regents Park Phase I in Shanghai, and sales of Eastern Place Phase III in Guangzhou.

Encouraging results had been achieved at the pre-sale of Towers 1 to 5 and Tower 7 of Regents Park in Shanghai, with 679 units out of the total of 693 units sold as at 31st December, 2004. Good results had also been recorded at the pre-sale of Eastern Place in Guangzhou, with 412 units out of the total of 438 units in Towers 5 and 6 sold as at the end of January 2005.

Four floors of May Flower Plaza, a commercial property of Lai Fung in Guangzhou, were opened for business during the period under review.

#### *Crocodile Garments Limited ("CGL")*

CGL reported an unaudited consolidated net profit attributable to shareholders of HK\$18.13 million for the half-year, which was a 66.2% improvement on the results for the previous year. Turnover fell by 13.3% to HK\$212.66 million but gross profit margin improved from 47.6% to 51.4% during the period.

CGL has been pursuing the policy of licensing certain "Crocodile" brand products in the Mainland and significant increase in revenue from this category had been achieved. Selling and distribution expenses had been kept under control in tandem with the drop in turnover. Positive results had been recorded by CGL's operation in Hong Kong. However, its performance had been somewhat affected by the unusually warm weather in December 2004 and the incidence of the Chinese New Year which fell in February 2005 after the end of the half-year under review.

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Following a review of its franchisee outlets, CGL implemented plans to refurbish around 500 outlets with the new Crocodile brand, but close to 400 outlets considered not suitable had been closed. CGL's operation in the Mainland recorded a 13% drop in turnover as a result of such closures.

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

eSun, which now holds a 40.8% interest in LSD and in which LSD holds a 42.54% interest, reported an audited consolidated net profit attributable to shareholders of HK\$52.37 million for the year ended 31st December, 2004. This was a noticeable improvement on the results for the previous year and was attributed mainly to the recognition of a premium arising from the settlement of the HK\$1,500 million debt owed by LSD of HK\$95.99 million, and the share of profits and losses of two associates of eSun, namely LSD and Media Asia Entertainment Group Limited ("MAEG").

MAEG, which was listed on Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX-SESDAQ") in November 2004 and in which eSun holds a 37.33% interest, reported a net profit attributable to shareholders of HK\$40.02 million for the year ended 31st December, 2004. Despite a drop in total turnover by 21.1% for the year, MAEG's film production and distribution operation achieved an increase in revenue due to the release of eight new films.

## Prospects

The expiration of the quota system for exports of garment and textiles from Hong Kong on 1st January, 2005 is expected to have a significant impact on the operating strategy of the Company. Directors have been evaluating different development strategies, building on the existing fundamental strengths of the Company and with the benefit of the shareholders of the Company as a whole in mind.

The successful completion of the debt settlement plan of LSD in December 2004 has enabled it to re-establish a firm financial footing. There remains an obligation for LSD to repay HK\$266 million secured by the series A bonds issued by the LSD group before 31st December, 2005 through the disposal of LSD group's interests in two hotels in Vietnam and a residential property in Hong Kong. LSD has made a voluntary repayment equivalent to 10% of the total amount in early 2005, and is confident that the outstanding balance will be repaid on time.

LSD will remain prudent in formulating its property development strategy. Given the revival in global travel, it will continue to pursue hotel management opportunities in Hong Kong and the rest of Asia through Furama Hotel and Resorts International Limited, which has maintained a respectable track record in the management of three-to-four star hotels.

Lai Fung remains optimistic of the economic growth in the Yangtze and Pearl River deltas in the Mainland and will therefore maintain its focus on property investment and development projects in Shanghai and Guangzhou. Its investment property in Shanghai, Hong Kong Plaza, should continue to contribute steady rental income. Sale of residential property projects in Shanghai and Guangzhou, namely Phase II of Regents Park and Phase IV of Eastern Place, is expected to further improve turnover and profitability.

Lai Fung also anticipates the planned construction of the Hong Kong-Zhuhai-Macau bridge to substantially improve the overall economic development of the Pan-Pearl River delta region, in which the city of Zhongshan is located. This should benefit Lai Fung in view of its sizable landbank in the above city.

CGL believes that economic fundamentals in both Hong Kong and the Mainland will remain strong but appreciation in property value in Hong Kong has pushed up rental expenses, which could affect the profitability of its operations.

It remains bullish on the fashion retail market in the Mainland and plans to establish its first flagship store in Shanghai. However, counterfeit "Crocodile" products have emerged and more resources will be allocated to control this problem.

eSun announced at the end of 2004 its intention to actively explore the feasibility of participating in the residential and hotels property development market in Macau. Should eSun proceed with its plans, it is anticipated that the component and weighting of investments of the eSun group will undergo significant changes. MAEG intends to focus on high-budget productions featuring a combination of Hong Kong and Mainland talents. It has also expanded its business scope to include the provision of consultancy services for film exhibition and cinema operation in the Mainland.

## **Liquidity and Financial Resources**

As at 31st January, 2005, total bank and other borrowings (including the note payable of HK\$195 million and a loan of HK\$33 million payable to Mr. Lim Por Yen (deceased), bank borrowings of HK\$76 million, and a loan of HK\$70 million payable to Mr. Lam Kin Ngok, Peter) amounted to HK\$374 million. As at that date, unaudited consolidated net assets of the Group amounted to approximately HK\$2,271 million. The debt to equity ratio as expressed as a percentage of total bank and other borrowings to unaudited consolidated net assets of the Group as at that date was approximately 16.5%.

The note payable of HK\$195 million payable to Mr. Lim Por Yen (deceased) has a maturity date on 30th April, 2006 and the loan of HK\$70 million payable to Mr. Lam Kin Ngok, Peter is not repayable within one year from 31st January, 2005. The remaining bank and other borrowings of HK\$109 million were repayable or renewable within one year.

The Group's bank borrowings were mainly denominated in HK dollar thereby avoiding any unnecessary exchange risk exposure. The majority of the bank and other borrowings was maintained as floating rate debt. Attention will be paid to the interest rate movements. Hedging instruments will be employed when necessary to hedge against any unanticipated interest rate volatilities.

As at 31st January, 2005, certain investment properties with carrying values of approximately HK\$264 million were pledged to banks to secure banking facilities granted to the Group. In addition, 115,000,000 ordinary shares of Lai Fung and 96,000,000 ordinary shares of CGL held by the Group were pledged to a bank to secure banking facilities granted to the Group.

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Cash and cash equivalents and short-term listed investments held by the Group as at 31st January, 2005 amounted to HK\$213 million and HK\$27 million, respectively, which were considered adequate to cover the working capital requirement of the Group.

Most of the Group's sales and purchases were mainly conducted in US dollar, HK dollar, Renminbi and euro. Foreign purchases in euro were mostly covered with forward exchange contracts in order to minimise the exchange risk.

## **Employees and Remuneration Policies**

The Group employed a total of approximately 900 (31st July, 2004: 1,000) employees as at 31st January, 2005. 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**

As at 31st January, 2005, the Company and the Group did not have any material contingent liabilities. There is no material change in contingent liabilities since the last annual report date.

## DIRECTORS' INTERESTS

As at 31st January, 2005, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

### (1) The Company

Name of Director	Long positions in the shares					
	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lim Por Yen	Nil	488,660,750 (Note 1)	Nil	Beneficial owner	488,660,750	33.99%
Lam Kin Ngok, Peter	110,794,951	Nil	484,991,750 (Note 2)	Beneficial owner	595,786,701	41.44%
Lam Kin Ming	4,451,790	Nil	Nil	Beneficial owner	4,451,790	0.31%
U Po Chu	3,669,000	Nil	484,991,750 (Note 2)	Beneficial owner	488,660,750	33.99%
Chiu Wai	199,600	Nil	Nil	Beneficial owner	199,600	0.01%
Lai Yuen Fong	Nil	488,660,750 (Note 3)	Nil	Beneficial owner	488,660,750	33.99%

#### Notes:

1. Mr. Lim Por Yen passed away on 18th February, 2005. He was deemed to be interested in 488,660,750 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu.
2. Madam U Po Chu and Mr. Lam Kin Ngok, Peter were deemed to be interested in 484,991,750 shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in the Company. Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
3. Madam Lai Yuen Fong was deemed to be interested in 488,660,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

## (2) Associated Corporations

### (a) *Lai Fung Holdings Limited ("Lai Fung")*

#### Long positions in the shares of Lai Fung

Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lim Por Yen	115,156,000	2,650,688,037 (Note 1)	Nil	Beneficial owner	2,765,844,037	47.09%
U Po Chu	Nil	115,156,000 (Note 2)	2,650,688,037 (Note 3)	Beneficial owner	2,765,844,037	47.09%
Lam Kin Ngok, Peter	Nil	Nil	2,650,688,037 (Note 3)	Beneficial owner	2,650,688,037	45.13%
Lai Yuen Fong	Nil	2,765,844,037 (Note 4)	Nil	Beneficial owner	2,765,844,037	47.09%

#### Notes:

1. Mr. Lim Por Yen passed away on 18th February, 2005. He was deemed to be interested in 2,650,688,037 shares in Lai Fung by virtue of the interest in such shares of his spouse, Madam U Po Chu.
2. Madam U Po Chu was deemed to be interested in 115,156,000 shares in Lai Fung by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
3. The Company and its wholly-owned subsidiary beneficially owned 2,650,688,037 shares in Lai Fung. Madam U Po Chu and Mr. Lam Kin Ngok, Peter were deemed to be interested in 2,650,688,037 shares each in Lai Fung by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned approximately 33.73% of the issued share capital of the Company.
4. Madam Lai Yuen Fong was deemed to be interested in 2,765,844,037 shares in Lai Fung by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

### (b) *Crocodile Garments Limited ("CGL")*

#### Long positions in the shares of CGL

Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lim Por Yen	Nil	338,982,809 (Note 1)	Nil	Beneficial owner	338,982,809	54.93%
U Po Chu	Nil	Nil	338,982,809 (Note 2)	Beneficial owner	338,982,809	54.93%
Lam Kin Ngok, Peter	Nil	Nil	338,982,809 (Note 2)	Beneficial owner	338,982,809	54.93%
Lai Yuen Fong	Nil	338,982,809 (Note 3)	Nil	Beneficial owner	338,982,809	54.93%

*Notes:*

1. Mr. Lim Por Yen passed away on 18th February, 2005. He was deemed to be interested in 338,982,809 shares in CGL by virtue of the interest in such shares of his spouse, Madam U Po Chu.
2. The Company and its wholly-owned subsidiary beneficially owned 338,982,809 shares in CGL. Madam U Po Chu and Mr. Lam Kin Ngok, Peter were deemed to be interested in 338,982,809 shares each in CGL by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned approximately 33.73% of the issued share capital of the Company.
3. Madam Lai Yuen Fong was deemed to be interested in 338,982,809 shares in CGL by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Save as disclosed above, as at 31st January, 2005, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

#### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS**

As at 31st January, 2005, the following persons, some of whom are Directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Long positions in the shares			Percentage
	Capacity	Nature (Note 1)	Number of Shares	
Lim Por Yen	Beneficial owner	Family	488,660,750	33.99% (Note 2)
Lam Kin Ngok, Peter	Beneficial owner	Personal and corporate	595,786,701	41.44% (Note 3)
U Po Chu	Beneficial owner	Personal and corporate	488,660,750	33.99% (Note 3)
Lai Yuen Fong	Beneficial owner	Family	488,660,750	33.99% (Note 4)
Wisdoman Limited	Beneficial owner	Corporate	484,991,750	33.73%
Far East Consortium International Limited	Beneficial owner	Corporate	108,697,000	7.56% (Note 5)

*Notes:*

1. Personal, family and corporate denote personal interest, family interest and corporate interest respectively.
2. Mr. Lim Por Yen passed away on 18th February, 2005. He was deemed to be interested in 488,660,750 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu.
3. Madam U Po Chu and Mr. Lam Kin Ngok, Peter were deemed to be interested in 484,991,750 shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in the Company.

4. Madam Lai Yuen Fong was deemed to be interested in 488,660,750 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
5. Persons falling into the category of "Other Persons" in Practice Note 5 to the Rules Governing the Listing of Securities on the Stock Exchange.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest in the long or short positions in the shares and underlying shares of equity derivatives of the Company as at 31st January, 2005.

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

During the six months ended 31st January, 2005, 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, 2005, 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 ("Listing Rules") applicable during the period. 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.

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In accordance with the requirements of the Code of Best Practice, the Company established an audit committee in March 2000 which comprises the three independent non-executive Directors of the Company. The Interim Report has been reviewed by the audit committee of the Company.

#### **CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code for securities transactions by Directors (the "Code") on terms no less exacting than the standard set out in the Model Code in Appendix 10 of the Listing Rules during the period under review. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Code during the six months ended 31st January, 2005.

By Order of the Board  
**Lam Kin Ming**  
*Deputy Chairman*

Hong Kong, 15th April, 2005