LAI FUNG HOLDINGS

LAI FUNG HOLDINGS LIMITED

(Stock code: 1125)

Interim Report 2005-2006

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Lam Kin Ngok, Peter *(Chairman)*
Lam Kin Ming * *(Deputy Chairman)*
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*
Lam Hau Yin, Lester *(Chief Executive Officer)*
Ho Wing Tim º *(Deputy Chief Executive Officer)*
Lee Po On
U Po Chu
Lau Shu Yan, Julius
Tam Kin Man, Kraven
Lam Kin Ko, Stewart º
Wong Yee Sui, Andrew **
Lam Bing Kwan **
Wan Yee Hwa, Edward ** (appointed on 1st October, 2005)

** also alternate director to º*
*** independent non-executive directors*

Mui Ying Chun, Robert resigned as a director on 1st October, 2005

COMPANY SECRETARY

Yeung Kam Hoi

Lai Fung Holdings Limited
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Stock code on Hong Kong Stock Exchange: ***1125***

RESULTS

The Board of Directors of Lai Fung Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2006

	Notes	Six months ended 31/1/06 Unaudited ***HK$'000***	Six months ended 31/1/05 Unaudited *HK$'000* (Restated)
TURNOVER	*3*	**592,625**	249,702
Cost of sales		**(367,814)**	(124,367)
Gross profit		**224,811**	125,335
Other income and gain		**26,442**	28,144
Selling expenses		**(17,278)**	(8,607)
Administrative expenses		**(51,918)**	(43,345)
Other operating expenses, net		**(8,237)**	(15,252)
Revaluation surplus/(deficit) on investment properties		**17,463**	(243)
PROFIT FROM OPERATING ACTIVITIES		**191,283**	86,032
Finance costs	*4*	**(28,819)**	(16,987)
Share of profit/(loss) of an associate		**3,764**	(676)
Provision for amounts due from associates		**(1,052)**	(7,835)
PROFIT BEFORE TAX	*5*	**165,176**	60,534
Tax	*6*	**(88,762)**	(16,022)
PROFIT FOR THE PERIOD		**76,414**	44,512
ATTRIBUTABLE TO:			
Equity holders of the parent		**69,231**	42,901
Minority interests		**7,183**	1,611
		76,414	44,512
EARNINGS PER SHARE	*7*		
Basic		**1.18 cents**	0.73 cents
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January, 2006

	Notes	31/1/06 Unaudited HK$'000	31/7/05 Audited HK$'000
NON-CURRENT ASSETS			
Fixed assets:			
Property, plant and equipment		**673,859**	625,686
Prepaid land lease payments		**5,375**	5,431
Investment properties		**3,110,500**	3,081,300
Properties under development		**1,442,318**	1,349,596
Interests in associates		**664,506**	658,058
Total non-current assets		**5,896,558**	5,720,071
CURRENT ASSETS			
Properties under development		**139,702**	53,284
Completed properties for sale		**50,067**	8,683
Debtors, deposits and prepayments	*8*	**118,006**	120,397
Tax recoverable		**1,933**	9,140
Pledged time deposits and bank balances		**18,390**	15,241
Cash and cash equivalents		**229,882**	492,520
Total current assets		**557,980**	699,265
CURRENT LIABILITIES			
Creditors and accruals	*9*	**392,163**	255,715
Deposits received and deferred income		**39,679**	288,571
Rental deposits received		**11,237**	10,809
Interest-bearing bank loans, secured		**303,040**	218,527
Tax payable		**49,242**	12,331
Total current liabilities		**795,361**	785,953
NET CURRENT LIABILITIES		**(237,381)**	(86,688)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,659,177**	5,633,383
NON-CURRENT LIABILITIES			
Long term rental deposits received		**(25,064)**	(23,257)
Interest-bearing bank loans, secured		**(637,418)**	(732,538)
Other borrowings		**(44,942)**	(44,795)
Deferred tax liabilities		**(461,996)**	(431,030)
Total non-current liabilities		**(1,169,420)**	(1,231,620)
		4,489,757	4,401,763
EQUITY			
Equity attributable to equity holders of the parent:			
Issued capital		**587,296**	587,296
Share premium account		**3,224,676**	3,224,676
Exchange fluctuation reserve		**93,470**	82,618
Capital reserve		**(457)**	(457)
Retained earnings		**357,699**	288,468
		4,262,684	4,182,601
Minority interests		**227,073**	219,162
		4,489,757	4,401,763

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2006

		Attributable to equity holders of the parent								Minority interests	Total equity
	Note	Issued share capital *HK$'000*	Share premium account *HK$'000*	Exchange fluctuation reserve *HK$'000*	Investment properties revaluation reserve *HK$'000*	Revaluation reserve of properties under development held for investment potential *HK$'000*	Capital reserve *HK$'000*	Retained earnings/ (Accumulated losses) *HK$'000*	Total *HK$'000*	*HK$'000*	*HK$'000*
Total equity at 1st August, 2005 (audited)		587,296	3,224,676	82,618	—	—	(457)	288,468	4,182,601	219,162	4,401,763
CHANGES IN EQUITY FOR THE PERIOD:											
Exchange realignments:											
Subsidiaries		—	—	10,252	—	—	—	—	10,252	728	10,980
Associates		—	—	600	—	—	—	—	600	—	600
Profit for the period		—	—	—	—	—	—	69,231	69,231	7,183	76,414
Total recognised income and expenses for the period		—	—	10,852	—	—	—	69,231	80,083	7,911	87,994
Total equity at 31st January, 2006 (unaudited)		**587,296**	**3,224,676**	**93,470**	**—**	**—**	**(457)**	**357,699**	**4,262,684**	**227,073**	**4,489,757**
Total equity at 1st August, 2004											
As previously reported		587,296	3,224,676	16,538	100,593	1,332,490	58,063	(44,358)	5,275,298	215,708	5,491,006
Effect of adopting HKFRSs	*2 (a)*	—	—	—	(100,593)	(1,332,490)	(58,520)	86,629	(1,404,974)	(55,680)	(1,460,654)
As restated and audited		587,296	3,224,676	16,538	—	—	(457)	42,271	3,870,324	160,028	4,030,352
CHANGES IN EQUITY FOR THE PERIOD:											
Exchange realignments:											
Subsidiaries		—	—	702	—	—	—	—	702	(33)	669
Associates		—	—	277	—	—	—	—	277	—	277
Profit for the period (restated)		—	—	—	—	—	—	42,901	42,901	1,611	44,512
Total recognised income and expenses for the period		—	—	979	—	—	—	42,901	43,880	1,578	45,458
Repayment to minority interests		—	—	—	—	—	—	—	—	(16,109)	(16,109)
Total equity at 31st January, 2005 (restated and unaudited)		587,296	3,224,676	17,517	—	—	(457)	85,172	3,914,204	145,497	4,059,701

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2006

	Six months ended	
	31/1/06	31/1/05
	Unaudited	Unaudited
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**19,346**	379,947
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(235,380)**	(194,288)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(41,160)**	(66,446)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(257,194)**	119,213
Cash and cash equivalents at beginning of period	**492,520**	548,730
Net foreign exchange difference	**(5,444)**	1,435
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**229,882**	669,378
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**90,556**	598,707
Non-pledged time deposits with original maturity of less than three months when acquired	**139,326**	70,671
	229,882	669,378

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for the revaluation of investment properties, and have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

2. ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31st July, 2005.

As disclosed in the Company's audited consolidated financial statements for the year ended 31st July, 2005, the Group had resolved to early adopt all Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, in the financial year ended 31st July, 2005. The early adoption took place after the Group had prepared its unaudited condensed consolidated financial statements for the six months ended 31st January, 2005 and accordingly, the Group's results for the six months ended 31st January, 2005 were previously reported in accordance with Statements of Standard Accounting Practice ("SSAPs") issued by the HKICPA. In order to conform with the current period's presentation and comply with the new requirements of HKFRSs, certain comparative amounts have been restated and reclassified accordingly.

The HKFRSs which have impacts on the unaudited condensed consolidated financial statements for the six months ended 31st January, 2005 are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 24	Related Party Disclosures
HKAS 36	Impairment of Assets
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HKAS-Int-2l	Income Taxes — Recovery of Revalued Non-depreciable Assets

Summary details of the changes in accounting policies are set out in note 2 to the Company's audited consolidated financial statements for the year ended 31st July, 2005, and the major effects of the changes in accounting policies on the unaudited condensed consolidated financial statements for the six months ended 31st January, 2005 are summarised as follows:

(a) Effect of prior period adjustments on total equity as at 1st August, 2004

	Impact of new HKFRSs on the Company and its subsidiaries					Impact of new HKFRSs on interests in associates	Total
	HKAS 16	HKAS 17	HKAS 40	HKFRS 3 and HKAS 36	HKAS-Int-21		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(decrease) in investment properties revaluation reserve	(38,471)	—	(167,223)	—	105,101	—	(100,593)
Decrease in revaluation reserve of properties under development held for investment potential	(1,332,490)	—	—	—	—	—	(1,332,490)
Increase/(decrease) in capital reserve	(5,375)	—	—	(60,522)	7,377	—	(58,520)
Decrease/(increase) in accumulated losses	(148,754)	(1,028)	167,223	69,329	(18,947)	18,806	86,629
Increase/(decrease) in equity attributable to equity holders of the parent	(1,525,090)	(1,028)	—	8,807	93,531	18,806	(1,404,974)
Increase/(decrease) in minority interests	(60,385)	—	—	—	4,705	—	(55,680)
Increase/(decrease) in equity	(1,585,475)	(1,028)	—	8,807	98,236	18,806	(1,460,654)

(b) *Effect of prior period adjustments on income statement for the six months ended 31st January, 2005*

	Impact of new HKFRSs on the Company and its subsidiaries					Impact of new HKFRSs on share of loss of an associate/ provision for amounts due from associates	Total
	HKAS 1	HKAS 16	HKAS 17	HKAS 40	HKAS-Int-21		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in other income and gain	—	—	—	—	(135)	—	(135)
Increase in other operating expenses	—	(7,603)	(74)	—	—	—	(7,677)
Increase in revaluation deficit on investment properties	—	—	—	(243)	—	—	(243)
Decrease/(increase) in share of loss of an associate	(740)	—	—	—	—	64	(676)
Decrease/(increase) in provision for amounts due from associates	(514)	—	—	—	—	31	(483)
Decrease in tax	1,254	—	—	—	465	—	1,719
Increase/(decrease) in profit for the period	—	(7,603)	(74)	(243)	330	95	(7,495)
Increase/(decrease) in profit attributable to:							
Equity holders of the parent	—	(7,483)	(74)	(243)	413	95	(7,292)
Minority interests	—	(120)	—	—	(83)	—	(203)
	—	(7,603)	(74)	(243)	330	95	(7,495)
Increase/(decrease) in earnings per share:							
Basic (HK cents)	—	(0.13)	—	—	0.01	—	(0.12)
Diluted (HK cents)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

3. SEGMENT REVENUE AND RESULTS

Business segments

Group

	Property development		Property investment		Consolidated	
	Six months ended		Six months ended		Six months ended	
	31/1/06	31/1/05	**31/1/06**	31/1/05	**31/1/06**	31/1/05
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
Segment revenue:						
Sales to external customers	**497,656**	177,643	**—**	—	**497,656**	177,643
Rental income	**—**	—	**94,969**	72,059	**94,969**	72,059
Other revenue	**1,133**	30	**23,445**	15,938	**24,578**	15,968
Total	**498,789**	177,673	**118,414**	87,997	**617,203**	265,670
Segment results	**138,700**	54,550	**67,274**	39,446	**205,974**	93,996
Interest income and unallocated gains					**1,864**	12,176
Unallocated expenses					**(16,555)**	(20,140)
Profit from operating activities					**191,283**	86,032
Finance costs					**(28,819)**	(16,987)
Share of profit/(loss) of an associate	**—**	—	**3,764**	(676)	**3,764**	(676)
Provision for amounts due from associates	**—**	—	**(1,052)**	(7,835)	**(1,052)**	(7,835)
Profit before tax					**165,176**	60,534
Tax					**(88,762)**	(16,022)
Profit for the period					**76,414**	44,512
Attributable to:						
Equity holders of the parent					**69,231**	42,901
Minority interests					**7,183**	1,611
					76,414	44,512

No geographical analysis is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

4. FINANCE COSTS

Group

	Six months ended	
	31/1/06	31/1/05
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest expense on:		
Bank loans wholly repayable within five years	**28,370**	25,382
Other borrowings	**—**	8
Bank charges	**1,456**	1,827
	29,826	27,217
Less:		
Interest capitalised in properties under development	**(1,007)**	(10,230)
Total finance costs	**28,819**	16,987

5. PROFIT BEFORE TAX

	Six months ended	
	31/1/06	31/1/05
	Unaudited	Unaudited
	HK$'000	*HK$'000*
		(Restated)
The Group's profit before tax is arrived at after charging/(crediting):		
Cost of completed properties held for sale	**345,586**	27,519
Cost of pre-sale of properties under development	**—**	115,426
Depreciation #	**10,178**	9,346
Amortisation of prepaid land lease payments	**75**	74
Write-back of over-accrual for property development costs	**—**	(26,920)
Write-back of provision for a completed property held for sale	**(1,068)**	(3,145)

Depreciation charge of HK$7,289,000 (six months ended 31st January, 2005: HK$7,603,000 (restated)) for service apartments is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the period (six months ended 31st January, 2005: Nil). 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.

Group

	Six months ended	
	31/1/06	31/1/05
	Unaudited	Unaudited
	HK$'000	*HK$'000*
		(Restated)
Current tax for Mainland China income taxes —		
charge for the period	**58,369**	13,335
Deferred tax	**30,393**	2,687
Total tax charge for the period	**88,762**	16,022

Share of tax charge of associates with aggregate amount of HK$2,227,000 (six months ended 31st January, 2005: HK$1,159,000 (restated)) is included in "Share of profit/loss of an associate" and "Provision for amounts due from associates" on the face of the condensed consolidated income statement.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the parent of HK$69,231,000 (six months ended 31st January, 2005: HK$42,901,000 (restated)), and the weighted average number of 5,872,956,478 (six months ended 31st January, 2005: 5,872,956,478) ordinary shares in issue during the period.

The diluted earnings per share amounts for the six months ended 31st January, 2006 and 2005 have not been disclosed as there were no diluting events that occurred during both periods.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

The credit terms granted by the Group range from 30 to 180 days. An aged analysis of the Group's debtors, based on the invoice date, as at 31st January, 2006 is as follows:

	31/1/06	31/7/05
	Unaudited	Audited
	HK$'000	*HK$'000*
Trade debtors:		
Within one month	**41,319**	6,912
One to two months	**283**	1,584
Two to three months	**1,425**	2,646
Three to six months	**1,973**	4,921
Over six months	**12,294**	5,907
	57,294	21,970
Deposits and prepayments *	**60,712**	98,427
Total	**118,006**	120,397

* *Included in deposits and prepayments as at 31st January, 2006, is an amount of HK$46,000,000 (31st July, 2005: HK$46,000,000) paid to East Asia-Televisão por Satélite, Limitada ("EAST"), a wholly-owned subsidiary of eSun Holdings Limited ("eSun"), as earnest money paid for the participation rights in a proposed residential property development project of EAST in Macau. On 28th December, 2005, the Group and EAST entered into a second supplemental memorandum of cooperation ("MOU") to extend the time limit of obtaining the relevant approvals for the project from no later than 31st December, 2005 (as set out in the memorandum dated 15th November, 2004 and revised by the supplemental memorandum dated 29th June, 2005) to no later than 30th June, 2006. A termination agreement was executed on 31st March, 2006 to terminate the MOU. Further details of this deposit are set out in the Company's announcements dated 17th November, 2004, 30th May, 2005, 4th July, 2005, 29th December, 2005 and 31st March, 2006. The Company and eSun have certain common directors and the above transaction constitutes a related party disclosure of the Group.*

9. CREDITORS AND ACCRUALS

An aged analysis of the Group's creditors, based on the invoice date, as at 31st January, 2006 is as follows:

	31/1/06	31/7/05
	Unaudited	Audited
	HK$'000	*HK$'000*
Trade creditors:		
Within one month	**35,207**	338
One to three months	**628**	254
Over three months	**79,749**	34,482
	115,584	35,074
Accruals and other creditors	**276,579**	220,641
Total	**392,163**	255,715

10. RELATED PARTY TRANSACTIONS

		Six months ended	
		31/1/06	31/1/05
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Interest income from an associate	*(i)*	**—**	10,594
Rental expense paid to a director	*(ii)*	**(150)**	(450)
Advertising fees paid to related companies	*(iii)*	**(5,392)**	(6,940)
Legal fees paid to a law firm, of which a director of the Company is a partner	*(iv)*	**—**	(179)

Notes:

(i) The amount due is unsecured and has no fixed terms of repayment.

(ii) The rental charges were based on the terms stated in the lease agreement.

(iii) The related companies are subsidiaries of eSun of which certain directors of the Company are also directors and key management personnel of eSun.

The terms of the advertising fees were determined based on the contracts entered into between the Group and the related companies.

(iv) The legal fees were charged for legal services rendered to the Group by a law firm of which a director of the Company was a partner, based on mutual agreement.

11. CONTINGENT LIABILITIES

As at 31st January, 2006, the Group had contingent liabilities in the respect of the following:

(a) Under a mortgage loan facility provided by a bank to the end-buyers of the office and apartment units of Hong Kong Plaza, the Group agreed to guarantee up to 95% of the liabilities of a subsidiary for the due performance of its undertaking to buy back the relevant property in case of default by the borrowers. The Group's obligation have gradually relinquished along with the settlement of the mortgage loans granted by the bank to the end-buyers. It is not practical to determine the outstanding amount of the contingent liabilities of the Group at the balance sheet date.

(b) Under mortgage loan facilities provided by banks to the end-buyers of Eastern Place Phase I, Phase II and Phase III and Regents Park Phase I, the Group agreed to provide guarantees to certain banks to buy back the relevant property in case of default by the borrowers. The Group's obligation have gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. It is not practical to determine the outstanding amount of the contingent liabilities of the Group at the balance sheet date.

12. COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of the following:

	31/1/06	31/7/05
	Unaudited	Audited
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land lease payments, resettlement, compensation, other land costs and construction costs	**395,209**	620,345

13. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the following significant events occurred:

(1) On 21st November, 2005, Welitron Profits Limited ("Welitron"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement whereby Welitron conditionally agreed to dispose to Hua Xiong Holdings Pte. Ltd., a wholly-owned subsidiary of CapitaLand China Holdings Pte Ltd, of its 50% interest in Beautiwin Limited, a wholly-owned subsidiary, for an aggregate cash consideration of RMB102,757,000 (approximately HK$98,805,000). The gain on the disposal of the 50% interests in Beautiwin Limited is estimated to be approximately HK$17,086,000. Further details of such disposal are disclosed in the Company's circular issued on 9th January, 2006. The transaction was completed on 15th February, 2006.

(2) On 28th February, 2006, Goldthorpe Limited ("Goldthorpe"), a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with a wholly-owned subsidiary of Lai Sun Garment (International) Limited ("LSG") (a substantial shareholder of the Company as defined in the Listing Rules) whereby Goldthorpe conditionally agreed to purchase the entire issued share capital of and the shareholder's loan advanced to Assetop Asia Limited ("Assetop"), a subsidiary of LSG, at an aggregate consideration of HK$393,000,000 (the "Assetop Agreement"). The consideration is payable by HK$226,000,000 through the Company's allotment and issue of 565,000,000 new shares (the "Consideration Shares") to LSG, and HK$167,000,000 through the Company's issue of a promissory note to LSG. The principal asset of Assetop is 95% interest in a property under development located in Shanghai.

The completion of the transaction is subject to fulfillment of certain conditions which include, inter alia, the approvals of the LSG shareholders and the independent shareholders of the Company respectively at extraordinary general meetings of LSG and the Company to be convened; the executive director of Corporate Finance Division of the Securities and Futures Commission (the "SFC") granting the whitewash waiver; and the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting an approval for the listing of and permission to deal in all the Consideration Shares on the Stock Exchange. Further details of such acquisition are disclosed in the joint announcement of the Company and LSG dated 4th March, 2006.

(3) On 10th March, 2006, the Company and an indirect wholly-owned subsidiary of CapitaLand China Holdings Pte Ltd (the "Subscriber") entered into a conditional subscription agreement for the subscription of 1,610 million shares issued by the Company (the "Subscription Shares") at HK$0.40 per Subscription Share. The Subscription Shares represent approximately 20% of the existing issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Subscription Shares and accordingly, the Subscriber will become a substantial shareholder (as defined in the Listing Rules) of the Company upon completion of the subscription.

The completion of the transaction is subject to fulfillment of certain conditions which include, inter alia, the completion of the Assetop Agreement (mentioned in (2) above); the approval of the shareholders of the Company at extraordinary general meeting to be convened; and the Listing Committee of the Stock Exchange granting an approval for the listing of and permission to deal in all the Subscription Shares on the Stock Exchange. Further details of the subscription are disclosed in the Company's announcement dated 10th March, 2006.

(4) On 31st March, 2006, the Company and East Asia-Televisão por Satélite Limitada ("EAST"), a wholly-owned subsidiary of eSun Holdings Limited incorporated in Macau, executed a termination agreement (the "Termination Agreement") to terminate the memorandum of cooperation dated 15th November, 2004 (as revised by the supplemental memoranda respectively dated 29th June, 2005 and 28th December, 2005). Further details of the Termination Agreement are disclosed in note 8 to the condensed consolidated financial statements and in the Company's announcement dated 31st March, 2006.

14. COMPARATIVE AMOUNTS

As further explained in note 2, certain comparative amounts have been restated and reclassified to conform with the current period's presentation and to comply with the new requirements of HKFRSs.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The interim financial report was reviewed by the Company's audit committee and it was approved and authorised for issue by the board of directors on 7th April, 2006.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31st January, 2006 (six months ended 31st January, 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 31st January, 2006, the Group recorded a turnover of HK$592,625,000 (2005: HK$249,702,000) and a gross profit of HK$224,811,000 (2005: HK$125,335,000), representing an increase of approximately 137.3% and 79.4%, respectively from the previous corresponding period.

For the six months ended 31st January, 2006, the Group achieved a profit from operating activities of HK$191,283,000 (2005: HK$86,032,000 (restated)) and a consolidated profit attributable to equity holders of the parent of HK$69,231,000 (2005: HK$42,901,000 (restated)), representing an increase of approximately 122.3% and 61.4%, respectively from the previous corresponding period.

Basic earnings per share was HK$0.0118 for the six months ended 31st January, 2006 compared to HK$0.0073 (restated) for the previous corresponding period.

Shareholders' equity as at 31st January, 2006 amounted to HK$4,262,684,000, up from HK$4,182,601,000 as at 31st July, 2005. Net asset value per share as at 31st January, 2006 was HK$0.73, as compared to HK$0.71 as at 31st July, 2005.

Market Overview and Operating Environment

The Group is principally engaged in property development for sale and property investment for rental purposes in Mainland of China ("China"). The Group currently has property projects in Shanghai, Guangzhou and Zhongshan.

In 2005, China's economy continued its rapid growth and achieved a GDP growth of 9.9%, while per capita disposable income of urban residents in cities and towns recorded growth of 9.6%. In the economic forecast in the 11th Five-Year Plan (2006-2010) recently announced, the annual GDP growth of China is expected to grow at least 7.5% per year in the next 5 years. The resilient economic growth, stable increase in average income per capita and the expectation of Renminbi appreciation will support the growth of urban property market in China.

Since the mid-2005, the central and local governments of China strengthened control over the property sector. A series of austerity measures were implemented to tighten property financing, restrain speculation and impose stringent land management controls, including strict prohibition on speculation on idle land and on transfers of pre-sale units, as well as tightening of administration on tax collection.

In Shanghai, these control measures had most significant impact. Since mid-2005, the supply and demand of residential units as well as the residential property prices in Shanghai were effectively restrained. However, rental rates for commercial, office and service apartment properties in Shanghai remained strong due to increased commercial and consumer demand. In Guangzhou and other Pearl River Delta areas, property market sustained a stable performance and residential property prices increased steadily in 2005.

In the medium term, the Group believes that the government control measures are intended to curtail speculative activities, improving housing supply and promote a healthy and stable development of the property market in China, which will eventually benefit the Group.

Review of Major Property Projects

Shanghai

Hong Kong Plaza

Hong Kong Plaza is a twin-tower prime property located at Huaihaizhong Road, Shanghai with a gross floor area ("GFA") attributable to the Group of approximately 120,000 sq.m. comprising office, shopping arcades and service apartments. Rental income from Hong Kong Plaza during the six months ended 31st January, 2006 amounted to HK$75,263,000, up from HK$72,059,000 in the previous corresponding period.

Following the completion of renovation work of the service apartments at the lower floors last year, the Group continued the upgrade and renovation of the service apartments at the upper floors this year. In line with the positioning of Huaihaizhong Road as a prime and high-end shopping district in Shanghai Puxi area, the Group is now conducting feasibility studies to substantially upgrade and renovate the shopping spaces of the property in the next few years. The upgrade work is targeted to improve the rental yield of this property.

Regents Park

Regents Park is a major residential project located in the Zhongshan Park Commercial Area at the prestigious Changning District, Shanghai with a saleable GFA attributable to the Group of approximately 154,000 sq.m.

Phase I of the project comprising 7 residential towers with 1,010 saleable units (GFA attributable to the Group of approximately 92,000 sq.m.) was completed in December 2005. During the six months ended 31st January, 2006, sales revenue from Phase I amounted to HK$493,723,000. As at 31st January, 2006, the Group still had 86 unsold units in Phase I (GFA attributable to the Group of approximately 5,700 sq.m.). The Group intends to sell these units at an appropriate time.

Phase II of the project will comprise 6 residential towers with 466 units (GFA attributable to the Group of approximately 62,000 sq.m.). The Group will start construction of Phase II in the middle of 2006 and expect to complete construction in the second half of 2007.

Shanghai May Flower Plaza (Su Jia Xiang Project)

On 4th March, 2006, the Group announced the conditional acquisition of Assetop Asia Limited ("Assetop") from Lai Sun Garment (International) Limited, a substantial shareholder of the Company. The principal asset of Assetop is a 95% attributable interest in this property development project located at Su Jia Xiang, Zhabei District, Shanghai. The acquisition is subject to approval of independent shareholders and fulfillment of other conditions.

This proposed development will have a total GFA of approximately 133,000 sq.m., comprising residential and office apartments, commercial spaces, carparks and ancillary facilities. Subject to completion of the acquisition, the proposed development is scheduled to be completed in 2009.

Guangzhou

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated on Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian subway station in Guangzhou, interchange station of Guangzhou Subway Line No. 1 and 2. This 13-storey complex has a total GFA of approximately 49,000 sq.m. (GFA attributable to the Group of approximately 38,000 sq.m.) comprising retail spaces, cinemas and office units.

The property was opened in mid-2005 and is now 90% occupied by tenants that are well known corporations and/or consumer brands. Rental income from Guangzhou May Flower Plaza during the six months ended 31st January, 2006 amounted to HK$19,706,000.

Eastern Place

Eastern Place is a multi-phase residential project located at Dongfeng East Road, Yuexiu District, Guangzhou. Phases I to III, which comprise 6 residential towers (Towers 1 to 6) and the residents' clubhouse, had been completed.

Phase IV, which comprises 2 residential towers (Towers 7 and 8) with GFA of approximately 40,000 sq.m. is now under construction. The super-structure of Phase IV was completed in January 2006 and the development is expected to be completed by end of 2006. The pre-sale of Phase IV was launched in February 2006 and has received a good market response.

The Group has started the planning work of Phase V, which has an intended total GFA attributable to the Group of approximately 120,000 sq.m. According to the current development plan, Phase V is expected to be completed in between 2008 and 2010.

Jinshazhou Project

Jinshazhou project is a 50:50 joint venture with CapitaLand China Holdings Pte. Ltd. ("CapitaLand China"). This proposed development in Heng Sha, Baiyuan District, Guangzhou has a total GFA of approximately 360,000 sq.m. (GFA attributable to the Group of approximately 180,000 sq.m.), comprising low-rise residential units with ancillary facilities including carparks and shopping amenities.

The Group completed the joint venture arrangement for this project with CapitaLand China in February 2006. According to the current development schedule, the project will be completed in phases from 2008 to 2010.

Haizhu Plaza

Haizhu Plaza is located at Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The proposed development has a GFA attributable to the Group of approximately 100,000 sq.m. intended for high-end office/service apartments and a retail podium, carparks and ancillary facilities.

The project is still currently in the process of resettlement of original occupants which is expected to complete by the end of 2007. On this basis, the development is expected to commence thereafter and to complete in around 2009 and 2010.

Zhongshan

The Group wholly-owns a project located in the west district of Zhongshan with a site area of approximately 236,600 sq.m. The proposed development has a total GFA of approximately 350,000 sq.m., comprising mainly residential units with commercial spaces and ancillary facilities.

The project is currently in the planning stage. According to the current development schedule, the project is expected to be completed in phases from 2008 to 2010.

Corporate Development

On 10th March, 2006, it was announced that the Company and an indirect wholly-owned subsidiary of CapitaLand China (the "Subscriber") entered into a conditional subscription agreement pursuant to which the Subscriber will subscribe for 1,610 million new ordinary shares of the Company. Subject to shareholders' approval and fulfillment of other conditions of the subscription agreement, CapitaLand China will be a strategic shareholder of the Company holding 20% of the enlarged issued share capital of the Company. Upon completion, it is estimated that the net proceeds from the subscription by CapitaLand China will amount to approximately HK$642 million after expenses and will be used by the Group as general working capital.

CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("CapitaLand"), a company incorporated in Singapore and whose shares are listed on the Singapore Exchange Securities Trading Limited. The CapitaLand group's assets mainly comprise residential and commercial real properties in Singapore, Hong Kong and China.

The Group considers that the subscription agreement upon completion will enlarge the Company's equity capital base and the Group will benefit from CapitaLand's experience and inputs in relation to property development and investment in China.

Capital Structure, Liquidity and Debt Maturity Profile

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, bank borrowings on project basis and general bank loan facilities on secured basis.

As at 31st January, 2006, the Group had total borrowings in the amount of HK$985 million (2005: HK$996 million), representing a slight decrease of HK$11 million from that as at the preceding financial year-end. The consolidated net assets of the Group amounted to HK$4,263 million (2005: HK$4,183 million). The resultant debt to equity ratio was 0.23 (2005: 0.24).

Approximately 95% of the Group's borrowings were on a floating rate basis at the balance sheet date and the remaining 5% were interest-free. As at 31st January, 2006, approximately 35% of the Group's borrowings were denominated in Renminbi ("RMB"), 3% were denominated in Hong Kong dollars ("HKD") and 62% were denominated in United States dollars ("USD").

The Group's monetary assets, loans, and transactions are principally denominated in RMB, HKD and USD. Considering that the exchange rate between HKD and USD is pegged, and that there is insignificant fluctuation in the exchange rate between RMB and HKD, the Group believes its exposure to exchange rate risk is nominal. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations involving RMB and USD. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The maturity profile of the Group's bank borrowings as at 31st January, 2006 was spread over a period of five years, with approximately 32% repayable within one year, 66% repayable between two to five years and 2% repayable over 5 years. The term loans of the Group have amortisation throughout the tenure. The Group is constantly negotiating with the borrowers in rescheduling the amortisation where necessary. Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value amounting to approximately HK$3,097 million, service apartments with carrying value amounting to approximately HK$559 million, properties under development with carrying value amounting to approximately HK$536 million, fixed assets with carrying value amounting to approximately HK$46 million, completed properties for sale with carrying value amounting to approximately HK$44 million and bank balances amounting to approximately HK$5 million at the balance sheet date.

Taking into account cash held as at the balance sheet date, available banking facilities and the recurring cashflow from the Group's operating activities, the Group believes it has sufficient liquidity to finance its existing property developments and investment projects. The Group will consistently maintain a prudent financial policy. Subject to fulfillment of certain conditions, upon completion of the conditional subscription agreement with CapitaLand China, the Group will receive approximately HK$642 million after expenses.

Contingent Liabilities

According to a practice common among banks in China when providing mortgage financing to property buyers, the bank will require the property developer to provide a buy-back guarantee to secure the due performance of borrowers. The Group is currently providing a number of buy-back guarantees to banks that have granted mortgage loans to buyers of office space and residential units in Hong Kong Plaza, Phase I of Regents Park, and Phases I to III of Eastern Place. The Group's obligations have been gradually relinquished along with the settlement of the mortgage loans granted by the bank to the end-buyers. As China's property market is currently stable, the management does not expect such contingent liabilities to crystallise to a material extent in the near term.

Employees and Remuneration Policies

As the employer of approximately 550 staff, the Group recognises the importance of maintaining strong human resources in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels, whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to certain employees on a merit basis and in accordance with industry practice. Other staff benefits include a share option scheme, a mandatory provident fund, a free hospitalisation insurance plan, subsidised medical care and subsidies for external education and training programmes. Total staff costs for the six months ended 31st January, 2006 amounted to approximately HK$24 million.

Prospects

The Group principally focuses on property projects located in downtown areas in core cities in China. The Group currently has a sizeable rental property portfolio with an aggregate GFA attributable to the Group of around 200,000 sq.m., and has property under development and land bank with an aggregate GFA attributable to the Group of around 1 million sq.m. in Shanghai, Guangzhou and Zhongshan. Our property projects are all located in prime urban areas serviced by mass transit system or conveniently linked to transportation network within the city.

For our investment properties, the Group realises the upside potential in rental rates in Shanghai and Guangzhou in the next few years, given the strong consumer spending and office demand. Through improvement of tenant mix, renovations and facelifts, the Group will strive to improve the rental income from Hong Kong Plaza in Shanghai and Guangzhou May Flower Plaza.

For our development properties, the Group has accelerated its property development schedule and expects the completion volume to increase significantly in the next few years. The Group is also actively looking for opportunities to replenish its land bank in the core cities where we have a presence, i.e. Shanghai and Pearl River Delta areas. Other than these cities, the Group also plans to extend its coverage to Beijing. One of the key development strategies to be adopted by the Group is through co-operation with joint venture partners.

DIRECTORS' INTERESTS

As at 31st January, 2006, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("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:

	Long positions in the shares of the Company					
Name of Director	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Capacity**	**Total**	**Percentage**
Lam Kin Ngok, Peter	Nil	Nil	2,650,688,037 *(Note)*	Beneficial owner	2,650,688,037	45.13%
Lau Shu Yan, Julius	2,258,829	Nil	Nil	Beneficial owner	2,258,829	0.04%

Note: These interests in the Company represented the shares beneficially owned by Lai Sun Garment (International) Limited ("LSG") (1,819,206,362 shares) and Silver Glory Securities Limited ("SGS") (831,481,675 shares), a wholly-owned subsidiary of LSG. Mr. Lam Kin Ngok, Peter was deemed to be interested in the 2,650,688,037 shares in the Company held by LSG and SGS by virtue of his personal interest of 124,644,319 shares in LSG and his 50% interest in Wisdoman Limited which held 484,991,750 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

Save as disclosed above, as at 31st January, 2006, 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 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 21st August, 2003 for the purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Eligible Employees (as defined in the Scheme) of the Company. Eligible Employees of the Scheme include the directors and employees of the Group. Unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from the date of adoption.

No options under the Scheme were granted to any Eligible Employees or other persons or were exercised, cancelled or lapsed during the six months ended 31st January, 2006. As at 31st January, 2006, the Company had no share options outstanding under the Scheme.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st January, 2006, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

	Long positions in the shares			
Name	**Capacity**	**Nature of Interests**	**Number of Shares**	**Percentage**
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	2,650,688,037 *(Note 1)*	45.13%
Silver Glory Securities Limited ("SGS")	Beneficial owner	Corporate	831,481,675	14.16%
Lam Kin Ngok, Peter	Beneficial owner	Corporate	2,650,688,037 *(Note 2)*	45.13%

Notes:

1. These interests in the Company represented the shares beneficially owned by LSG (1,819,206,362 shares) and SGS (831,481,675 shares), a wholly-owned subsidiary of LSG. SGS's interest constituted part of the interest held by LSG.

2. Mr. Lam Kin Ngok, Peter was deemed to be interested in 2,650,688,037 shares held by LSG and SGS by virtue of his personal interest of 124,644,319 shares in LSG and his 50% interest in Wisdoman Limited which held 484,991,750 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

3. The Company received on 17th March, 2006 notices pursuant to section 324 of Part XV of the SFO from each of Veer Palthe Voûte NV, Dresdner Bank Aktiengesellschaft and Allianz Aktiengesellschaft disclosing their interests in 627,259,787 shares in the Company, representing approximately 10.68% of the then issued share capital of the Company as at 31st January, 2006. The aforesaid interests had been recorded in the register required to be kept under section 336 of the SFO on 17th March, 2006.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31st January, 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

DISCLOSURE PURSUANT TO CHAPTER 13.21 OF THE LISTING RULES

Loan agreements for certain bank facilities of certain subsidiaries of the Group (the "Subsidiaries") impose specific performance obligations on LSG, a substantial shareholder of the Company, and Lai Sun Development Company Limited ("LSD"), an investee company of LSG. Pursuant to the covenants of the loan agreements dated 14th June, 2001 and 15th February, 2005, the Company and the Subsidiaries shall procure that (i) LSG and LSD shall together hold not less than 35% of the total issued share capital of the Company at all times throughout the terms of the facilities, (ii) LSG and/or LSD will remain as the single largest shareholder of the Company, and (iii) LSG will maintain management control of the Company. The outstanding loan balances of these facilities at the balance sheet date amounted to approximately HK$850 million, with the last instalment repayment falling due in July 2008.

DISCLOSURE PURSUANT TO CHAPTER 13.22 OF THE LISTING RULES

At the balance sheet date, the Group had amounts due from affiliated companies which in total exceeded 8% of the Group's total assets as at 31st January, 2006 and, individually and in aggregate exceeded 8% of the Company's market capitalisation as at 31st January, 2006 as set out below:

Name of affiliated companies	Percentage of attributable interest held by the Group	Amounts due from affiliated companies
		HK$'000
Hankey Development Limited	50%	226,326
Besto Investments Limited	25%	497,623
		723,949

Note: The amounts due are unsecured, interest-free and have no fixed terms of repayment.

The total amounts due from affiliated companies represented approximately 11.2% of the Group's total assets of HK$6,454,538,000 as at 31st January, 2006 and represented approximately 38.5% of the Company's market capitalisation as at 31st January, 2006.

The proforma combined balance sheet of the affiliated companies as at 31st January, 2006 is as follows:

	HK$'000
Interests in joint ventures	623,888
Investment properties	386,000
Properties under development	178,675
Fixed assets	410
Net current assets	9,119
Total assets less current liabilities	1,198,092
Amounts due to shareholders	(1,789,223)
Deferred tax liabilities	(35,136)
	(626,267)
Capital and reserves	
Issued capital	40,010
Reserves	(673,609)
	(633,599)
Minority interests	7,332
	(626,267)

CORPORATE GOVERNANCE

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, 2006, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviations from the code provisions A.4.1 and E.1.2:

Code Provision A.4.1

The non-executive directors of the Company were not appointed for a specific term as they 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.

Code Provision E.1.2

Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the Annual General Meeting of the Company held on 23rd December, 2005.

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. 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, 2006.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31st January, 2006 has been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Wong Yee Sui, Andrew, Mr. Lam Bing Kwan and Mr. Wan Yee Hwa, Edward.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 7th April, 2006