LAI FUNG HOLDINGS

LAI FUNG HOLDINGS LIMITED

(Stock code: 1125)

Interim Report 2006-2007

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)*
U Po Chu
Lau Shu Yan, Julius
Tam Kin Man, Kraven
Lim Ming Yan
Lui Chong Chee
Wong Yee Sui, Andrew**
Lam Bing Kwan**
Ku Moon Lun**
Lam Kin Ko, Stewart (resigned on 1st September, 2006)
Lee Po On (retired on 22nd December, 2006)

*** independent non-executive directors*

COMPANY SECRETARY

Yeung Kam Hoi

QUALIFIED ACCOUNTANT

Hui Hon Pong

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

RESULTS

The Board of Directors of the Company presents herein the Interim Report together with the unaudited financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st January, 2007.

Condensed Consolidated Income Statement

For the six months ended 31st January, 2007

		For the six months ended 31st January,	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*4*	**504,666**	592,625
Cost of sales		**(300,964)**	(367,814)
Gross profit		**203,702**	224,811
Other income and gain		**40,637**	26,442
Selling expenses		**(7,424)**	(17,278)
Administrative expenses		**(60,987)**	(51,918)
Other operating income/(expense), net		**3,769**	(8,237)
Fair value gain on investment properties		**147,641**	17,463
PROFIT FROM OPERATING ACTIVITIES	*6*	**327,338**	191,283
Finance costs	*5*	**(37,190)**	(28,819)
Share of profit of associates		**3,793**	3,764
Write-back of provision/(provision) for amounts due from associates		**11,417**	(1,052)
PROFIT BEFORE TAX		**305,358**	165,176
Tax	*7*	**(88,148)**	(88,762)
PROFIT FOR THE PERIOD		**217,210**	76,414
ATTRIBUTABLE TO:			
Equity holders of the Company		**203,544**	69,231
Minority interests		**13,666**	7,183
		217,210	76,414
EARNINGS PER SHARE	*8*		
Basic		**2.53 cents**	1.18 cents
Diluted		**N/A**	N/A

Condensed Consolidated Balance Sheet

As at 31st January, 2007

	Notes	31st January, 2007 (Unaudited) *HK$'000*	31st July, 2006 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**669,884**	666,683
Properties under development		**2,331,205**	1,937,211
Investment properties		**3,526,700**	3,189,300
Prepaid land lease payments		**5,455**	5,371
Goodwill		**4,561**	4,561
Interests in associates		**937,212**	770,917
Deposit paid		**11,934**	—
Available-for-sale investments		**14,452**	13,464
Total non-current assets		**7,501,403**	6,587,507
CURRENT ASSETS			
Properties under development		**—**	186,243
Completed properties for sale		**72,628**	46,672
Debtors, deposits and prepayments	*9*	**58,875**	62,133
Tax recoverable		**—**	12,312
Pledged time deposits and bank balances		**428,699**	207,738
Cash and cash equivalents		**359,138**	899,125
Total current assets		**919,340**	1,414,223
CURRENT LIABILITIES			
Creditors and accruals	*10*	**521,643**	405,006
Deposits received and deferred income		**16,575**	317,161
Rental deposits received		**19,339**	13,858
Interest-bearing bank loans, secured		**769,679**	89,723
Tax payable		**78,334**	55,590
Total current liabilities		**1,405,570**	881,338
NET CURRENT ASSETS/(LIABILITIES)		**(486,230)**	532,885
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,015,173**	7,120,392
NON-CURRENT LIABILITIES			
Long term rental deposits received		**17,928**	21,931
Interest-bearing bank loans, secured		**151,648**	753,859
Promissory note		**167,000**	167,000
Advances from a substantial shareholder		**46,919**	45,542
Deferred tax liabilities		**711,631**	627,752
Total non-current liabilities		**1,095,126**	1,616,084
		5,920,047	5,504,308
EQUITY			
Equity attributable to equity holders of the Company:			
Issued capital		**804,796**	804,796
Share premium account		**3,876,668**	3,876,668
Investment revaluation reserve		**(468)**	(1,456)
Share option reserve		**755**	—
Exchange fluctuation reserve		**284,343**	145,071
Capital reserve		**(457)**	(457)
Retained earnings		**616,709**	413,165
Proposed dividends		**—**	8,048
		5,582,346	5,245,835
Minority interests		**337,701**	258,473
		5,920,047	5,504,308

Condensed Consolidated Statement Of Changes In Equity

For the six months ended 31st January, 2007

		Attributable to equity holders of the Company										
		Issued capital (Unaudited)	Share premium account (Unaudited)	Investment revaluation reserve (Unaudited)	Share option reserve (Unaudited)	Exchange fluctuation reserve (Unaudited)	Capital reserve (Unaudited)	Retained earnings (Unaudited)	Proposed dividends (Unaudited)	Sub-total (Unaudited)	Minority interests (Unaudited)	Total (Unaudited)
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st August, 2006		804,796	3,876,668	(1,456)	–	145,071	(457)	413,165	8,048	5,245,835	258,473	5,504,308
Change in fair value of available-for-sale investments		–	–	988	–	–	–	–	–	988	–	988
Exchange realignments:												
Subsidiaries		–	–	–	–	128,965	–	–	–	128,965	8,305	137,270
Associates		–	–	–	–	10,307	–	–	–	10,307	–	10,307
Total income and expense recognised directly in equity		–	–	988	–	139,272	–	–	–	140,260	8,305	148,565
Profit for the period		–	–	–	–	–	–	203,544	–	203,544	13,666	217,210
Total recognised income and expense for the period		–	–	988	–	139,272	–	203,544	–	343,804	21,971	365,775
Acquisition of subsidiaries	*11*	–	–	–	–	–	–	–	–	–	57,257	57,257
Equity-settled share option arrangements		–	–	–	755	–	–	–	–	755	–	755
Final dividend 2006 paid		–	–	–	–	–	–	–	(8,048)	(8,048)	–	(8,048)
At 31st January, 2007		**804,796**	**3,876,668**	**(468)**	**755**	**284,343**	**(457)**	**616,709**	**–**	**5,582,346**	**337,701**	**5,920,047**
At 1st August, 2005		587,296	3,224,676	–	–	82,618	(457)	288,468	–	4,182,601	219,162	4,401,763
Exchange realignments and total income and expense recognised directly in equity:												
Subsidiaries		–	–	–	–	10,252	–	–	–	10,252	728	10,980
Associates		–	–	–	–	600	–	–	–	600	–	600
		–	–	–	–	10,852	–	–	–	10,852	728	11,580
Profit for the period		–	–	–	–	–	–	69,231	–	69,231	7,183	76,414
Total recognised income and expense for the period		–	–	–	–	10,852	–	69,231	–	80,083	7,911	87,994
At 31st January, 2006		587,296	3,224,676	–	–	93,470	(457)	357,699	–	4,262,684	227,073	4,489,757

Condensed Consolidated Cash Flow Statement

For the six months ended 31st January, 2007

	For the six months ended 31st January,	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**144,303**	19,346
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(688,122)**	(235,380)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**2,480**	(41,160)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(541,339)**	(257,194)
Cash and cash equivalents at beginning of period	**899,125**	492,520
Effect of foreign exchange rate changes, net	**1,352**	(5,444)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**359,138**	229,882
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**176,997**	90,556
Non-pledged time deposits with original maturity of less than three months when acquired	**182,141**	139,326
	359,138	229,882

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31st January, 2007

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of Lai Fung Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 31st January, 2007 have been prepared under the historical cost convention except for investment properties and available-for-sale investments which have been measured at fair value, 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 Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and basis of preparation adopted 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, 2006. The impact on the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) is disclosed in note 3.1.

2. BASIS OF PRESENTATION

As at 31st January, 2007, the Group had net current liabilities of HK$486,230,000 and reported a net decrease in cash and cash equivalents of HK$541,339,000 for the six months then ended. The Group's current liabilities as at 31st January, 2007 included its interest-bearing bank loans of HK$769,679,000 that are repayable within twelve months from the balance sheet date. HK$616,948,000 of such bank loans which are secured by the Group's properties at Hong Kong Plaza, Shanghai, will mature and be repayable in lump sum at end of 2007. The Group has started discussions with the relevant bank for refinancing of such loans and the relevant bank has expressed its intention to provide refinancing of the outstanding loans. The directors of the Company are confident that the Group will be able to meet its financial obligations as and when they fall due in the foreseeable future and be able to operate as a going concern. Accordingly, the directors are satisfied that it is appropriate to prepare the Group's condensed consolidated interim financial statements on a going concern basis.

Had the going concern basis not been used, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify the non-current assets and liabilities as current. The effects of these potential adjustments have not been reflected in the condensed consolidated interim financial statements of the Group.

3. CHANGES IN ACCOUNTING POLICIES

3.1 Impact of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2006. The Group has adopted the following revised HKFRSs which are pertinent to its operations and relevant to these unaudited condensed consolidated interim financial statements:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 8	Scope of HKFRS 2

The adoption of these amendments and interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

3.2 Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated interim financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January, 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1st January, 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1st January, 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 "Segment Reporting".

HKFRS 8, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1st January, 2009, 1st November, 2006, 1st March, 2007 and 1st January, 2008 respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT REVENUE AND RESULTS

Segment information is presented by way of the Group's primary segment reporting format, by business segment.

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

The following table presents revenue and profit for the Group's business segments for the six months ended 31st January, 2007 and 2006.

Group

	Property development For the six months ended 31st January,		**Property investment For the six months ended 31st January,**		**Total For the six months ended 31st January,**	
	2007 (Unaudited) *HK$'000*	2006 (Unaudited) *HK$'000*	**2007 (Unaudited) *HK$'000***	2006 (Unaudited) *HK$'000*	**2007 (Unaudited) *HK$'000***	2006 (Unaudited) *HK$'000*
Segment revenue:						
Sales to external customers	**393,041**	497,656	**111,625**	94,969	**504,666**	592,625
Other revenue	**942**	1,133	**24,603**	23,445	**25,545**	24,578
Total	**393,983**	498,789	**136,228**	118,414	**530,211**	617,203
Segment results	**106,919**	138,700	**225,210**	67,274	**332,129**	205,974
Unallocated gains					**15,092**	1,864
Unallocated expenses, net					**(19,883)**	(16,555)
Profit from operating activities					**327,338**	191,283
Finance costs					**(37,190)**	(28,819)
Share of profit of associates	**—**	—	**3,793**	3,764	**3,793**	3,764
Write-back of provision/ (provision) for amounts due from associates	**—**	—	**11,417**	(1,052)	**11,417**	(1,052)
Profit before tax					**305,358**	165,176
Tax					**(88,148)**	(88,762)
Profit for the period					**217,210**	76,414

5. FINANCE COSTS

Group

	For the six months ended 31st January,	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**29,684**	28,370
Bank loans repayable beyond five years	**670**	—
Promissory note	**6,635**	—
Bank charges	**1,228**	1,456
	38,217	29,826
Less: Interest capitalised in properties under development	**(1,027)**	(1,007)
Total finance costs	**37,190**	28,819

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 31st January,	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of completed properties held for sale	**278,000**	345,586
Depreciation#	**11,661**	10,178
Amortisation of prepaid land lease payments	**77**	75
Write-back of provision for a completed property held for sale	**—**	(1,068)
Equity-settled share option expense	**755**	—

\# *Depreciation charge of HK$7,336,000 (six months ended 31st January, 2006: HK$7,289,000) for service apartments is included in "Other operating income/(expense), net" on the face of the condensed consolidated income statement.*

7. 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, 2006: 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.

	For the six months ended 31st January,	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Mainland China		
Charge for the period	**47,361**	58,369
Deferred	**40,787**	30,393
Total tax charge for the period	**88,148**	88,762

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to equity holders of the Company of HK$203,544,000 (six months ended 31st January, 2006: HK$69,231,000), and the weighted average number of 8,047,956,478 (six months ended 31st January, 2006: 5,872,956,478) ordinary shares in issue during the period.

All the share options of the Company had an anti-dilutive effect on the basic earnings per share amount and have not been included in the diluted earnings per share calculation for the current period. The diluted earnings per share amount for the six months ended 31st January, 2006 had not been disclosed as there was no diluting event that occurred during that period.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Service apartments charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables of the Group are interest-free.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	31st January, 2007 (Unaudited)	31st July, 2006 (Audited)
	HK$'000	*HK$'000*
Trade receivables, net:		
Within one month	**17,476**	9,834
One to two months	**1,177**	243
Two to three months	**3,246**	8,894
Three to six months	**164**	—
Over six months	**7,045**	4,851
	29,108	23,822
Other receivables, prepayments and deposits	**29,767**	38,311
Total	**58,875**	62,133

10. CREDITORS AND ACCRUALS

An aged analysis of the Group's trade payables as at the balance sheet date, based on the invoice date, is as follows:

	31st January, 2007 (Unaudited)	31st July, 2006 (Audited)
	HK$'000	*HK$'000*
Trade payables:		
Within one month	**36,560**	5,719
One to three months	**830**	623
Over three months	**20,127**	75,514
	57,517	81,856
Accruals and other creditors	**464,126**	323,150
Financial liability — a put option	**—**	—
Total	**521,643**	405,006

11. BUSINESS COMBINATION

On 12th December, 2006, the Company through its wholly owned subsidiary, Beamunion Limited, acquired 87.5% equity interest in Frank Light Development Limited ("Frank Light") and the shareholders' loan owed by Frank Light with an aggregate amount of HK$169,135,000 for a total consideration of HK$247,300,000. Frank Light and its subsidiary, Guangzhou Honghui Real Estate Development Co., Ltd., (the "Frank Light Group") are engaged in the property development and investment business.

The fair values of the identifiable assets and liabilities of the Frank Light Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	Carrying amount immediately before the acquisition *HK$'000*
Equipment	37	37
Property under development	348,400	220,860
Debtors, deposits and prepayments	14,484	14,484
Cash and bank balances	979	979
Creditors and accruals	(3,003)	(3,003)
Interest-bearing bank loans	(21,810)	(21,810)
Deferred tax liabilities	(32,000)	—
	307,087	211,547
Minority interests	(57,257)	
	249,830	
Expenses incurred for the acquisition	(2,530)	
	247,300	
Consideration:		
Cash	221,300	
Consideration to be paid	26,000	
	247,300	

The underlying properties of the subsidiaries acquired were in the development stage and no income or expense was incurred during the period. Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would not be materially different from those disclosed for the six months ended 31st January, 2007.

12. CONTINGENT LIABILITIES

(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 Company agreed to guarantee up to 95% of the liabilities of a subsidiary for the due performance of its undertaking to buy back the relevant properties in case the end-buyers default on repayment of the mortgage loans. The Group's contingent liabilities under this obligation have gradually been relinquished along with the settlement of the mortgage loans granted by the bank to the end-buyers.

(b) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of Regents Park Phase I. Pursuant to the terms of the guarantees, upon default on mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the defaulted end-buyers. The Group's contingent liabilities under this obligation in relation to such guarantees have gradually been relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such contingent liabilities will also be relinquished when the Property Ownership Certificates for the relevant properties are issued or the end-buyers have fully repaid the mortgage loans, whichever is earlier.

(c) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of Eastern Place Phase I, II and III. Pursuant to the terms of the guarantees, upon default on mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the defaulted end-buyers. Such contingent liabilities will be relinquished when the end-buyers have fully repaid the mortgage loans.

(d) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of Eastern Place Phase IV. Pursuant to the terms of the guarantees, upon default on mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the defaulted end-buyers. Such contingent liabilities will also be relinquished when the Property Ownership Certificates for the relevant properties are issued or the end-buyers have fully repaid the mortgage loans, whichever is earlier.

It is not practical to determine the outstanding amount of the contingent liabilities of the Group in respect of the above guarantees at the balance sheet date.

13. COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	31st January, 2007 (Unaudited)	31st July, 2006 (Audited)
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Resettlement, compensation, construction costs and others	**328,186**	268,375

14. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	For the six months ended 31st January, 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Advertising fees paid to related companies	*(i)*	**(1,461)**	(5,392)
Promissory note interest paid to a substantial shareholder	*(ii)*	**(6,635)**	—

Notes:

(i) The related companies are subsidiaries of eSun Holdings Limited ("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.

(ii) Interest is charged on a promissory note issued by the Company to Lai Sun Garment (International) Limited, a substantial shareholder of the Company, at the prevailing Hong Kong Dollar Prime Rate as quoted by a designated bank in Hong Kong.

(b) Compensation of key management personnel of the Group

	For the six months ended 31st January, 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Short term employee benefits	**4,135**	5,161
Post-employment benefits	**30**	54
Share-based payments	**559**	—
Total compensation paid to key management personnel	**4,724**	5,215

15. EVENTS AFTER THE BALANCE SHEET DATE

(a) Subsequent to the balance sheet date, on 16th February, 2007, the Group acquired the remaining 12.5% equity interest in Frank Light and the shareholder's loan owed by Frank Light of HK$47,801,000 for a total consideration of HK$45,000,000. As a result of this acquisition, Frank Light becomes a wholly-owned subsidiary of the Company. Further details of such acquisition are disclosed in the Company's announcement dated 14th February, 2007.

(b) The Company proposes to issue fixed rate notes (the "Notes"). The Notes will be guaranteed by certain subsidiaries of the Company on a senior basis. Certain terms and conditions of the Notes, including their offer price and interest rate, are still being determined. As no binding agreement in relation to the proposed issue of the Notes has been entered into, the proposed issue of the Notes may or may not materialise. Further details of the Notes are disclosed in the Company's announcement dated 23rd March, 2007.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 23rd March, 2007.

ERNST & YOUNG
安永會計師事務所

To the Board of Directors
LAI FUNG HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 2 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st January, 2007.

Ernst & Young
Certified Public Accountants

Hong Kong
23rd March, 2007

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31st January, 2007 (six months ended 31st January, 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of interim results

For the six months ended 31st January, 2007, the Group recorded a turnover of HK$504,666,000 (2006: HK$592,625,000) and a gross profit of HK$203,702,000 (2006: HK$224,811,000), representing a decrease of approximately 15% and 9%, respectively from the previous corresponding period. The decrease in turnover and gross profit was mainly due to less revenue being recognised from sale of development properties in the period under review. Overall gross profit margin remained stable at 40.3% for the six months ended 31st January, 2007, up from 37.9% in the previous corresponding period.

For the six months ended 31st January, 2007, the Group achieved a profit from operating activities of HK$327,338,000 (2006: HK$191,283,000) and a consolidated profit attributable to equity holders of the Company of HK$203,544,000 (2006: HK$69,231,000), representing an increase of approximately 71% and 194%, respectively from the previous corresponding period. The increase in profit from operating activities and net profit was primarily due to higher fair value gain on investment properties of HK$147,641,000 in the six months ended 31st January, 2007, versus HK$17,463,000 in the previous corresponding period. Basic earnings per share was 2.53 HK cents for the six months ended 31st January, 2007 compared to 1.18 HK cents for the previous corresponding period.

Shareholders' equity as at 31st January, 2007 amounted to HK$5,582,346,000, up from HK$5,245,835,000 as at 31st July, 2006. Net asset value per share as at 31st January, 2007 was HK$0.69, as compared to HK$0.65 as at 31st July, 2006.

Market overview and operating environment

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

In 2006, China achieved a strong GDP growth of 10.7%. Three major cities, Shanghai, Guangzhou and Beijing, recorded even higher GDP growth at 12%, 14% and 12% respectively. The resilient economic growth, sustained increase in average income per capita and the expectation of Renminbi appreciation should support the growth of urban property market in China.

In 2005 and 2006, the central and local governments of China implemented austerity measures and policies to tighten supply and transfer of land, restrict property financing, dampen speculation as well as impose strict tax collection. Other tightening measures and policies were also implemented to restrict supply of large residential units, villas and houses, discourage speculative and investment-oriented housing, as well as control on foreign ownership of properties.

In Shanghai, these control measures had the most significant impact. The supply and demand of residential units as well as the residential property prices in Shanghai were effectively restrained in 2006. However, rental rates for commercial, office and service apartment properties in Shanghai remained strong due to increased commercial and consumer demand. In most other cities including Guangzhou, residential property prices still recorded healthy gains since early 2006 despite the government's consecutive austerity measures.

According to recent survey figures from the National Development and Reform Commission and National Bureau of Statistics of China, the average price of newly-built commodity residential properties in 70 major Chinese cities gained 5.6% year-on-year in January 2007. Average price of newly-built residential properties in Beijing and Guangzhou gained 9.9% and 8.9% while average price in Shanghai slightly softened by 0.1% year-on-year in January 2007. More noticeably, average secondary transaction price of residential properties in Beijing and Guangzhou also gained 9.4% and 4.8% respectively year-on-year, further signifying the strength of the property market in these Chinese cities.

Business review

Investment properties

During the six months ended 31st January, 2007, the Group recorded turnover of HK$111,625,000 and gross profit of HK$88,662,000 respectively from rental operations. A breakdown of turnover and gross profit from rental operations is as follows:

	Six months ended 31st January		
Rental income	**2007**	2006	**Change (%)**
	HK$'000	*HK$'000*	
Contribution to turnover			
Shanghai Hong Kong Plaza	**87,763**	75,263	+17
Guangzhou Mayflower Plaza	**23,862**	19,706	+21
	111,625	94,969	+18
Contribution to gross profit	**88,662**	71,673	+24

Shanghai Hong Kong Plaza recorded a 17% increase in rental revenue, due to positive rental reversions on the office and shopping arcade portions as well as the increase in rental rates for the service apartments. Guangzhou May Flower Plaza also recorded a 21% increase in rental revenue, as all spaces were fully leased out since the beginning of the current period under review.

Development properties

Contracted property sales Project:	**Approximate contracted sales area concluded in the six months ended 31st January, 2007** *(sq.m.)*	**Approximate average contracted selling price** *(HK$/sq.m.)*	**Approximate contracted total sales amount*** *(HK$'000)*
Shanghai Regents Park Phase I	61	24,800	1,508
Guangzhou Eastern Place Phase IV	2,287	12,608	28,835
Total	2,348		30,343

* Before business tax

During the six months ended 31st January, 2007, the Group concluded total contracted sales area of approximately 2,348 sq.m. Nearly all of these contracted sales were attributable to the sale of units at Guangzhou Eastern Place Phase IV since 1st August, 2006.

In Guangzhou, sale of residential units of Eastern Place Phase IV continued to receive good interests mainly due to the sustained strength of the property market in Guangzhou.

In Shanghai, depending on property market conditions, the Group is preparing to launch the pre-sale of Regents Park Phase II in the second half of 2007. The Group still holds a small number of finished units at Regents Park Phase I and plans to sell these units together with Phase II units.

Completion of development properties

During the six months ended 31st January, 2007, the Group completed the development of Guangzhou Eastern Place Phase IV, with GFA attributable to the Group of approximately 37,000 sq.m.

The Group recorded turnover of HK$393,041,000 from sale of development properties, substantially most of which were attributable to the recognition of final portions of the revenue from sale of residential units at Guangzhou Eastern Place Phase IV since its pre-sale in February 2006. The balance was attributable to the sale of finished residential units at Shanghai Regents Park Phase I. Breakdown of turnover and gross profit from sale of properties is as follows:

	Six months ended 31st January,		
Sale of development properties	**2007**	2006	**Change (%)**
	HK$'000	*HK$'000*	
Contribution to turnover			
Guangzhou Eastern Place Phase IV	**383,874**	—	
Guangzhou Eastern Place Phases I — III	**5,960**	3,933	
Shanghai Regents Park Phase I	**3,207**	493,723	
	393,041	497,656	-21
Contribution to gross profit	**115,040**	153,138	-25

Acquisition and corporate development

During the six months ended 31st January, 2007, the Group completed the acquisition of 87.5% of the issued share capital and the relevant shareholders' loans of Frank Light Development Limited ("Frank Light"). Frank Light is an investment holding company which holds 100% effective equity interest in Guangzhou Honghui Real Estate Development Co., Ltd. which is the owner and developer of an unfinished property project, Guangzhou West Point (previously known as Guangzhou Honghui Plaza). This semi-finished property project is located at Liwan District of Guangzhou with a total GFA of approximately 72,000 sq.m. for office, commercial and residential use. Subsequent to 31st January, 2007, the Group also completed the acquisition of the remaining 12.5% of the issued share capital and relevant shareholder's loan of Frank Light. Accordingly, the Group now owns the entire issued share capital and shareholders' loans of Frank Light.

The total consideration paid by the Group for the acquisition of entire issued share capital and shareholders' loan of Frank Light was HK$292,300,000.

Review of major property projects

Shanghai

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a prime property located on Huaihaizhong Road in Luwan District of Shanghai. The development is directly above the Huangpi Road South Metro Station and there is direct access to the metro station from the property. This development is within walking distance of Xintiandi. The property consists of two towers and a shopping arcade. The north tower contains service apartments and the south tower contains offices. The total GFA attributable to the Group is 123,000 sq.m.

In line with the upgrading work on service apartments on the lower floors completed in the previous years, the Group conducted an upgrade and renovation of the service apartments on the upper floors since 2006. Such upgrade and renovation of the service apartments contributed to the increase in rental rates for the service apartment portions.

With the positioning of Huaihaizhong Road as a prime and high-end shopping district in Shanghai Puxi area, the Group plans to conduct major upgrade and renovation work on the shopping spaces of the property at the end of 2007 or early 2008. The upgrade and facelift work is targeted to improve the rental yield of this property in future.

Shanghai Regents Park

Shanghai Regents Park is a major residential project located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. This project is situated within walking distance of the Zhongshan Park Subway Station. The Group has an effective 95% interest in the project. The project has a total saleable GFA of approximately 154,000 sq.m.

Phase I of the project comprising 7 residential towers with 1,010 saleable units (saleable GFA attributable to the Group of approximately 87,000 sq.m.) was completed in December 2005. Substantially most of the units in Phase I were sold in the earlier years. As at 31st January, 2007, the Group had 78 units on hand in Phase I (equivalent to GFA attributable to the Group of approximately 5,200 sq.m.).

Phase II development will comprise 6 residential towers with 466 units (saleable GFA attributable to the Group of approximately 59,000 sq.m.). Construction of Phase II commenced in August 2006 and is expected to be completed in the first half of 2008. Pre-sale of Phase II is expected to start in the second half of 2007.

Shanghai May Flower Plaza (previously known as Su Jia Xiang Project)

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Zhabei District in Shanghai. This project is situated near the Zhongshan Road North Subway Station. The Group has an effective 95% interest in the project.

The project has a total GFA of approximately 116,000 sq.m. (GFA attributable to the Group of approximately 110,000 sq.m.), comprising residential and office apartments, commercial spaces, carparks and ancillary facilities. Construction of Shanghai May Flower Plaza is expected to commence in the second half of 2007 or early 2008 and is scheduled to be completed at the end of 2009.

Shanghai Northgate Plaza

Shanghai Northgate Plaza Phase I is a block of office units with retail podium located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal. The Group has an effective 48.3% interest in Phase I.

The Phase I complex has a total GFA of approximately 36,300 sq.m. (GFA attributable to the Group of approximately 17,500 sq.m.) comprising office units and retail spaces.

The Group plans to develop Shanghai Northgate Plaza Phase II on the vacant site located adjacent to Phase I. The Group has an effective 49.5% interest in Phase II.

The Phase II development will have a total GFA of approximately 28,800 sq.m. (GFA attributable to the Group of approximately 14,000 sq.m.) comprising service/office apartment units with retail podium. The Group is finalising the construction plan of the Phase II development. Construction of Phase II is expected to commence by the end of 2007 or early 2008 and is scheduled to be completed in 2010.

Guangzhou and Zhongshan

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. The Group has an effective 77.5% interest in this property.

This 13-storey complex has a total GFA of approximately 51,000 sq.m. (GFA attributable to the Group of approximately 39,000 sq.m.) comprising retail spaces, restaurants and fast food outlets, cinemas and office units. The property was opened in mid-2005 and is now 100% occupied by tenants that are well known corporations and/or consumer brands.

Guangzhou Eastern Place

Guangzhou 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 in years between 1997 and 2004. The resident clubhouse houses an Olympic size swimming pool, fitness facilities, a convenience store as well as a restaurant.

Phase IV, which comprises 2 residential towers (Towers 7 and 8) with 382 saleable units attributable to the Group (GFA attributable to the Group of approximately 37,000 sq.m.) was completed in 2006.

The Group launched the pre-sale of Phase IV in February 2006 and has received good market response since then. As at 31st January 2007, we sold 374 units in Phase IV with a total GFA attributable to us of approximately 36,000 sq.m., representing approximately 97% of the total saleable units attributable to the Group in Phase IV.

The Phase V development will have an intended total GFA attributable to the Group of approximately 104,000 sq.m. comprising residential blocks, a grade-A office building and retail spaces. The Group is finalizing the construction plan of Phase V. Construction of Phase V is expected to commence in the second half of 2007 and is scheduled to be completed in 2009. Pre-sale of Phase V is expected to start in the second half of 2008 or early 2009.

Guangzhou West Point (previously known as Guangzhou Honghui Plaza)

Guangzhou West Point is our newly acquired semi-finished property project located at Zhongzhan Qi Road in the Liwan District in Guangzhou. The project was acquired by the Group in November 2006. The project is within walking distance from the Ximenkou Subway Station. The Group effectively owns the entire interest in the project.

The project has a total GFA of approximately 72,000 sq.m., comprising residential, office units, commercial spaces, carparks and ancillary facilities. Currently, the main superstructure of the project has been completed. The exterior and interior fitting of the project is scheduled to be completed in the first half of 2008. Pre-sale is expected to start in the second half of 2007.

Guangzhou Jinshazhou Project

Guangzhou 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 340,000 sq.m. (GFA attributable to the Group of approximately 170,000 sq.m.), comprising low-rise residential units with ancillary facilities including carparks and shopping amenities.

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

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located at Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group effectively owns the entire interest in this project.

The proposed development has a GFA attributable to the Group of approximately 106,000 sq.m., is intended for a grade-A office tower and a service apartment tower, a retail podium, carparks as well as ancillary facilities.

The project is currently in the process of resettlement of original occupants which is expected to be completed by the end of 2007. On this basis, the development is expected to commence thereafter and will be completed in 2010.

Zhongshan Project

The Group wholly owns a project located in Caihong Planning Area, West District of Zhongshan with a site area of approximately 236,600 sq.m. The Group plans to apply for a higher plot ratio of this project to increase its approximate total planned GFA from the original 350,000 sq.m. to approximately 500,000 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 2009 to 2011.

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, 2007, the Group had total borrowings in the amount of HK$1,135 million (as at 31st July, 2006: HK$1,056 million), representing an increase of HK$79 million from that as at the preceding financial year end. The consolidated net assets attributable to the equity holders of the Company amounted to HK$5,582 million (as at 31st July, 2006: HK$5,246 million). The resultant debt to equity ratio was 20% (as at 31st July, 2006: 20%).

Approximately 96% of the Group's borrowings were on a floating rate basis at the balance sheet date and the remaining 4% were interest-free. As at 31st January, 2007, approximately 29% of the Group's borrowings were denominated in Renminbi ("RMB"), 17% were denominated in Hong Kong dollars ("HKD") and 54% 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, the Group believes that the corresponding exposure to exchange rate risk is nominal. The Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are in RMB. The Group is taking the view that RMB will continue to appreciate against HKD in the foreseeable future and the net exchange exposure to RMB will benefit the Group's financial position. As present, the Group does not intend to hedge its current 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, 2007 was spread over a period of nine years, with approximately 84% repayable within one year, 15% repayable between two to five years and 1% repayable over 5 years. The term loans of the Group have amortisation throughout the tenure. The Group is constantly negotiating with the relevant bank in refinancing and/or rescheduling the principal amortisation schedule where necessary. For HK$616,948,000 outstanding bank loans which are secured by the Group's properties at Hong Kong Plaza, Shanghai that will mature and be repayable in lump sum at the end of 2007, the Group has started discussions with the relevant bank for refinancing of such loans and the relevant bank has expressed its intention to provide refinancing of the outstanding loans. Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value amounting to approximately HK$3,407 million, service apartments with carrying value amounting to approximately HK$553 million, properties under development with carrying value amounting to approximately HK$432 million, a property with carrying value amounting to approximately HK$45 million, and bank balances amounting to approximately HK$174 million at the balance sheet date.

Taking into account cash held as at the balance sheet date, available banking facilities, possible loan refinancing 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.

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 IV of Eastern Place. The Group's contingent liabilities under these 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 at 31st January, 2007, the Group employed a total of around 830 staff. 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.

Prospects

The Group principally focuses on property development projects located in prime areas in core cities in China including Shanghai, Guangzhou and Zhongshan. 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, given the tremendous potential in rental rates in Shanghai and Guangzhou in the next few years due to strong consumer spending and office demand, the Group will strive to improve the rental income from its investment properties through improvement of tenant mix and major renovations.

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.

While the Group seeks to expand its land bank in core cities such as Shanghai and Guangzhou where we already have a strong presence, the Group is also actively looking for land acquisition targets in Beijing. When necessary and appropriate, the Group will continue to seek development opportunities with our co-investors or partners.

Other than green-field land development projects, the Group is also keen to explore opportunities in semi-finished property projects given its short development cycle and attractive rate of return. The acquisition of Guangzhou West Point project marked a good start of our efforts in this area.

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.

The following share options were outstanding under the Scheme as at 31st January, 2007:

		No. of Options				
Name	Date of Grant	As at 1st August, 2006	Granted during the period	As at 31st January, 2007	Option Period	Option Price per Share
Director						
Tam Kin Man, Kraven	9/1/2007	—	10,000,000	10,000,000	1/1/2007 — 31/12/2007	HK$0.45
	9/1/2007	—	10,000,000	10,000,000	1/1/2008 — 31/12/2008	HK$0.55
	9/1/2007	—	10,000,000	10,000,000	1/1/2009 — 31/12/2009	HK$0.65
	9/1/2007	—	10,000,000	10,000,000	1/1/2010 — 31/12/2010	HK$0.75
		—	40,000,000	40,000,000		
Other employees	9/1/2007	—	2,500,000	2,500,000	1/1/2007 — 31/12/2007	HK$0.45
(in aggregate)	9/1/2007	—	2,500,000	2,500,000	1/1/2008 — 31/12/2008	HK$0.55
	9/1/2007	—	5,000,000	5,000,000	1/1/2009 — 31/12/2009	HK$0.60
	9/1/2007	—	5,000,000	5,000,000	1/1/2010 — 31/12/2010	HK$0.65
	9/1/2007	—	5,000,000	5,000,000	1/1/2010 — 31/12/2010	HK$0.70
	9/1/2007	—	2,500,000	2,500,000	1/1/2008 — 31/12/2008	HK$0.40
	9/1/2007	—	2,500,000	2,500,000	1/1/2009 — 31/12/2009	HK$0.55
		—	25,000,000	25,000,000		
Total		—	65,000,000	65,000,000		

The closing price of the Company's share immediately before the date of grant was HK$0.350. The fair value of the share options granted during the period was HK$4,515,000 of which the Group recognized a share option expense of HK$755,000 in the condensed consolidated income statement for employee services received during the period ended 31st January, 2007 (six months ended 31st January, 2006: Nil).

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the period ended 31st January, 2007:

Dividend yield	0.303%
Expected volatility	52.97%
Risk-free interest rate	3.577% to 3.65%
Expected life of options	1 to 4 years
Weighted average share price	HK$0.35

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

During the period under review, no options were exercised or cancelled or lapsed in accordance with the terms of the Scheme. As at 31st January, 2007, the total number of 65,000,000 shares options outstanding under the Scheme represented approximately 0.81% of the Company's shares in issue at that date.

DIRECTORS' INTERESTS

As at 31st January, 2007, 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	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 *(Note)*	Nil	Owner of Controlled Corporation	3,265,688,037	40.58%
Lau Shu Yan, Julius	2,258,829	Nil	Nil	Nil	Beneficial owner	2,258,829	0.03%
Tam Kin Man, Kraven	Nil	Nil	Nil	40,000,000 (under share option)	Beneficial owner	40,000,000	0.50%

Note: These interests in the Company represented the shares beneficially owned by Lai Sun Garment (International) Limited ("LSG") (1,869,206,362 shares) and Silver Glory Securities Limited ("SGS") (1,396,481,675 shares), a wholly-owned subsidiary of LSG. Mr. Lam Kin Ngok, Peter was deemed to be interested in the 3,265,688,037 shares in the Company held by LSG and SGS since he held (1) a 50% interest in Wisdoman Limited which held 484,991,750 shares in LSG; and (2) a personal interest of 124,644,319 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

Save as disclosed above, as at 31st January, 2007, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st January, 2007, the following persons, one of whom is a Director 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 interest**	**Number of Shares**	**Percentage**
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate Interest	3,265,688,037 *(Note 1)*	40.58%
Silver Glory Securities Limited ("SGS")	Beneficial owner	Corporate Interest	1,396,481,675	17.35%
Lam Kin Ngok, Peter	Owner of Controlled Corporation	Corporate Interest	3,265,688,037 *(Note 2)*	40.58%
CapitaLand China Holdings Pte Ltd.	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
CapitaLand LF (Cayman) Holdings Co., Ltd	Beneficial owner	Corporate Interest	1,610,000,000	20%
CapitaLand Limited	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
CapitaLand Residential Limited	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
Temasek Holdings (Private) Limited	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
Allianz Aktiengesellschaft	Owner of Controlled Corporation	Corporate Interest	596,681,180	7.41%
Dresdner Bank Aktiengesellschaft	Owner of Controlled Corporation	Corporate Interest	596,681,180	7.41%
Veer Palthe Voute NV	Investment Manager	Corporate Interest	596,681,180	7.41%

Notes:

1. These interests in the Company represented the shares beneficially owned by LSG (1,869,206,362 shares) and SGS (1,396,481,675 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 3,265,688,037 shares held by LSG and SGS by virtue of his approximate 37.69% interest in the issued share capital of LSG.

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, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2007, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

Loans agreements for certain bank facilities of certain subsidiaries of the Group (the "Subsidiaries") impose specific performance obligations on Lai Sun Garment (International) Limited ("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 loans 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$778 million, with the last installment repayment falling due in July 2008.

DISCLOSURE PURSUANT TO PARAGRAPH 13.22 OF CHAPTER 13 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, 2007.

The Group have committed capital injection to Guangzhou Beautiwin Real Estate Development Limited, which is a wholly-owned subsidiary of Beautiwin Limited, an affiliated company of the Group. The committed capital injection amount is approximately HK$60,250,000 and the Group currently intends to fund the committed capital injection by internal source of funding.

The total amounts due from affiliated companies represented approximately 10% of the Group's total assets of HK$8,420,743,000 as at 31st January, 2007.

The proforma combined balance sheet of the affiliated companies as at 31st January, 2007 is as follows:

	HK$'000
Interests in joint ventures	762,241
Investment properties	395,000
Properties under development	526,921
Fixed assets	898
Net current assets	112,857
Total assets less current liabilities	1,797,917
Amounts due to shareholders	(2,267,653)
Deferred tax liabilities	(35,938)
	(505,674)
Capital and reserves	
Issued capital	40,012
Reserves	(553,360)
	(513,348)
Minority interests	7,674
	(505,674)

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the Interim Report save for the following deviations from 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 22nd December, 2006.

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, 2007.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31st January, 2007 has been reviewed by the auditors and Audit Committee of the Company, respectively. The Audit Committee comprises two of the independent non-executive Directors of the Company, namely Messrs. Wong Yee Sui, Andrew and Lam Bing Kwan and a non-executive Director of the Company, Mr. Lim Ming Yan.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 23rd March, 2007