



LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED

(Stock code: 488)

Interim Report 2006-2007

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Lam Kin Ngok, Peter (*Chairman*)
Lau Shu Yan, Julius (*Chief Executive Officer*)
Tam Kin Man, Kraven
Cheung Wing Sum, Ambrose
Lam Kin Ming
U Po Chu
David Tang*
Lam Bing Kwan*
Leung Shu Yin, William*

* *Independent Non-executive Directors*

COMPANY SECRETARY

Yeung Kam Hoi

QUALIFIED ACCOUNTANT

Sze Ka Ming

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Stock code on Hong Kong Stock Exchange: 488

RESULTS

The Board of Directors of Lai Sun Development Company Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2007

		Six months ended 31st January,	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
	Notes		
TURNOVER	3	458,030	404,551
Cost of sales		(177,036)	(150,166)
Gross profit		280,994	254,385
Other revenue		33,196	8,695
Administrative expenses		(162,899)	(131,177)
Other operating expenses		(26,764)	(32,742)
Fair value gain on investment properties		227,403	178,360
PROFIT FROM OPERATING ACTIVITIES	4	351,930	277,521
Finance costs	5	(77,475)	(78,934)
Provision for contingent liabilities to bondholders		—	(9,667)
Gain on cancellation of bond payables		—	37,492
Share of profits and losses of associates		402,398	65,413
PROFIT BEFORE TAX		676,853	291,825
Tax	6	(51,920)	(38,443)
PROFIT FOR THE PERIOD		624,933	253,382
ATTRIBUTABLE TO:			
Equity holders of the Company		600,103	231,297
Minority interests		24,830	22,085
		624,933	253,382
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		HK4.53 cents	HK1.81 cents
Diluted		HK4.49 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January, 2007

	Notes	As at 31st January, 2007 HK\$'000 (Unaudited)	As at 31st July, 2006 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,247,617	1,265,621
Prepaid land lease payments		30,662	31,176
Investment properties		4,365,200	4,124,700
Properties under development		69,808	61,197
Goodwill		2,861	4,005
Interests in associates	8	1,656,121	1,115,830
Available-for-sale investments		506,844	519,172
Pledged bank balances and time deposits	9	115,180	95,652
Total non-current assets		7,994,293	7,217,353
CURRENT ASSETS			
Completed properties for sale		2,350	2,350
Inventories		5,658	5,323
Debtors and deposits	10	152,403	108,763
Cash and cash equivalents		646,999	401,724
Total current assets		807,410	518,160
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10	154,423	200,437
Tax payable		5,853	9,314
Interest-bearing bank and other borrowings		168,596	309,841
Bonds payable		—	2,660
Total current liabilities		328,872	522,252
NET CURRENT ASSETS/(LIABILITIES)		478,538	(4,092)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,472,831	7,213,261
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		(2,311,141)	(2,234,551)
Deferred tax		(672,068)	(625,100)
Long term rental deposits received		(41,766)	(31,605)
Total non-current liabilities		(3,024,975)	(2,891,256)
		5,447,856	4,322,005
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	141,620	6,373,021
Share premium account		6,974,701	5,858,164
Investment revaluation reserve		127,760	106,111
Share option reserve		11,567	1,660
Capital redemption reserve		1,200,000	1,200,000
Special capital reserve	11(a)	25,320	—
Exchange fluctuation reserve		38,656	38,430
Accumulated losses		(3,446,479)	(9,640,262)
Minority interests		5,073,145	3,937,124
		374,711	384,881
		5,447,856	4,322,005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2007

	Attributable to equity holders of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Special capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st July, 2006 and 1st August, 2006 (Audited)	6,373,021	5,858,164	106,111	1,660	1,200,000	—	38,430	(9,640,262)	3,937,124	384,881	4,322,005
Exchange realignments:											
Subsidiaries	—	—	—	—	—	—	30	—	30	—	30
Associates	—	—	—	—	—	—	196	—	196	—	196
Changes in fair values of available-for-sale investments	—	—	19,710	—	—	—	—	—	19,710	—	19,710
Share of reserve movements of associates	—	—	1,939	3,335	—	—	—	—	5,274	—	5,274
Net income recognised directly in equity	—	—	21,649	3,335	—	—	226	—	25,210	—	25,210
Profit for the period	—	—	—	—	—	—	—	600,103	600,103	24,830	624,933
Total recognised income and expense for the period	—	—	21,649	3,335	—	—	226	600,103	625,313	24,830	650,143
Capital reduction (note 11(a))	(6,245,561)	626,561	—	—	—	—	—	5,619,000	—	—	—
Issue of shares (note 11(b))	14,160	495,600	—	—	—	—	—	—	509,760	—	509,760
Share issue expenses	—	(5,624)	—	—	—	—	—	—	(5,624)	—	(5,624)
Equity-settled share option arrangements	—	—	—	6,572	—	—	—	—	6,572	—	6,572
Transfer of reserves (note 11(a))	—	—	—	—	—	25,320	—	(25,320)	—	—	—
Repayment to minority shareholders	—	—	—	—	—	—	—	—	—	(35,000)	(35,000)
At 31st January, 2007 (Unaudited)	141,620	6,974,701	127,760	11,567	1,200,000	25,320	38,656	(3,446,479)	5,073,145	374,711	5,447,856
At 31st July, 2005 and 1st August, 2005 (Audited)	6,373,021	5,858,164	111,598	—	1,200,000	—	42,472	(10,153,184)	3,432,071	366,090	3,798,161
Exchange realignments:											
Subsidiaries	—	—	—	—	—	—	228	—	228	—	228
Associates	—	—	—	—	—	—	119	—	119	—	119
Changes in fair values of available-for-sale investments	—	—	8,000	—	—	—	—	—	8,000	—	8,000
Share of reserve movements of associates	—	—	1,879	—	—	—	—	—	1,879	—	1,879
Net income recognised directly in equity	—	—	9,879	—	—	—	347	—	10,226	—	10,226
Profit for the period	—	—	—	—	—	—	—	231,297	231,297	22,085	253,382
Total recognised income and expense for the period	—	—	9,879	—	—	—	347	231,297	241,523	22,085	263,608
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	17,611	17,611
At 31st January, 2006 (Unaudited)	6,373,021	5,858,164	121,477	—	1,200,000	—	42,819	(9,921,887)	3,673,594	405,786	4,079,380

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2007

	Six months ended	
	31st January,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	88,893	71,025
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(192,116)	252,753
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	348,469	(352,857)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	245,246	(29,079)
Cash and cash equivalents at beginning of period	401,724	446,451
Effect of foreign exchange rate changes, net	29	19
CASH AND CASH EQUIVALENTS AT END OF PERIOD	646,999	417,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	125,328	121,484
Non-pledged time deposits with original maturity of less than three months when acquired	521,671	295,907
	646,999	417,391

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Lai Sun Development Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 31st January, 2007 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 consolidated interim financial statements have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group’s audited consolidated financial statements for the year ended 31st July, 2006. During the current period, the Company operates a share option scheme and grants share options pursuant to the scheme, accordingly accounting policies for such employee benefits — share based payment transactions are adopted and described in 2.1 below. In addition, the Group has adopted certain new and revised Hong Kong Financial Reporting Standards which are generally effective for accounting periods beginning on or after 1st January, 2006 as described in 2.2 below.

2.1 *Accounting policies for employee benefits — share-based payment transactions*

During the current period, the Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (“market conditions”), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Impact of new and revised Hong Kong Financial Reporting Standards (“HKFRS”, which also include HKASs and Interpretations)

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 new and 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 new and revised HKFRSs 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.

2.3 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

The 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”.

HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 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, HKFRS 7 and HKFRS 8 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.

3. SEGMENT INFORMATION

(a) Business Segments

The following table presents revenue and results for the Group's business segments:

Six months ended 31st January, 2007 (Unaudited)						
	Property development and sales <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Hotel and restaurant operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	—	143,999	297,755	16,276	—	458,030
Intersegment sales	—	3,497	—	14,310	(17,807)	—
Other revenue	—	469	284	2	—	755
Total	—	147,965	298,039	30,588	(17,807)	458,785
Segment results	—	335,750	74,939	9,748	—	420,437
Interest income and unallocated gains						32,441
Unallocated expenses						(100,948)
Profit from operating activities						351,930

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Six months ended 31st January, 2006 (Unaudited)						
	Property development and sales <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Hotel and restaurant operations <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	—	132,206	256,765	15,580	—	404,551
Intersegment sales	—	3,327	—	11,388	(14,715)	—
Other revenue	—	575	248	10	—	833
Total	—	136,108	257,013	26,978	(14,715)	405,384
Segment results	—	279,938	56,045	7,817	—	343,800
Interest income and unallocated gains						7,862
Unallocated expenses						(74,141)
Profit from operating activities						277,521

3. SEGMENT INFORMATION (continued)

(b) Geographical Segments

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

	Six months ended 31st January, 2007 (Unaudited)			
	Hong Kong HK\$'000	Mainland China HK\$'000	Vietnam HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	356,144	—	101,886	458,030
Other revenue	755	—	—	755
Total	356,899	—	101,886	458,785
	Six months ended 31st January, 2006 (Unaudited)			
	Hong Kong HK\$'000	Mainland China HK\$'000	Vietnam HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	310,831	431	93,289	404,551
Other revenue	833	—	—	833
Total	311,664	431	93,289	405,384

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31st January,	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Depreciation [#]	32,389	30,496
Amortisation of prepaid land lease payments [*]	514	472
Impairment of goodwill [*]	1,144	1,144
Equity-settled share option expense for option granted to a director	6,572	—
Gain on disposal of subsidiaries [*]	(2,431)	—
Loss/(gain) on disposal of property, plant and equipment [*]	(1,544)	412
Interest income from bank deposits	(9,308)	(5,751)
Other interest income	(8,960)	—
Return of capital from available-for-sale equity investments	(1,914)	—
Dividend income from unlisted available-for-sale equity investments	(200)	(431)

Depreciation charge of HK\$28,479,000 (2006: HK\$27,616,000) for property, plant and equipment is included in "other operating expenses" on the face of the condensed consolidated income statement.

* These items are included in "other operating expenses" on the face of the condensed consolidated income statement.

5. FINANCE COSTS

	Six months ended	
	31st January,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	63,627	63,655
Interest on bank and other borrowings not wholly repayable within five years	7,536	7,225
Interest on amount due to Golden Pool Enterprises Limited, a wholly-owned subsidiary of eSun Holdings Limited ("eSun", an associate of the Group)	—	1,886
Total interest expenses	71,163	72,766
Bank charges and refinancing charges	6,312	6,168
Total finance costs	77,475	78,934

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 31st January, 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31st January,	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Provision for the period:		
Current — Hong Kong	4,144	4,406
Current — overseas	1,367	—
Deferred tax	46,968	34,594
	52,479	39,000
Prior period's overprovision — Hong Kong	(559)	(557)
Tax charge for the period	51,920	38,443

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$600,103,000 (six months ended 31st January, 2006: HK\$231,297,000) and the weighted average number of 13,246,259,711 (six months ended 31st January, 2006: 12,746,042,320) ordinary shares in issue during the period.

The calculation of diluted earnings per share amount for the current period is based on the adjusted profit attributable to ordinary equity holders of the Company for the period of HK\$594,436,000 and the weighted average number of 13,246,259,711 ordinary shares in issue during the period.

The current period adjusted profit attributable to ordinary equity holders of the Company is calculated based on the profit attributable to ordinary equity holders of the Company for the period of HK\$600,103,000 less the dilution in the results of an associate, eSun, attributable to the Group of HK\$5,667,000 arising from the deemed exercise of all eSun's share options being outstanding during the period.

All the outstanding share options of the Company have an anti-dilutive effect on the basic earnings per share and have not been included in the diluted earnings per share calculation for the current period.

Diluted earnings per share amount for the six months ended 31st January, 2006 had not been disclosed as there were no diluting events that occurred during that period.

8. INTERESTS IN ASSOCIATES

Included in the Group's interests in associates as at 31st January, 2007 is the Group's share of net assets of eSun and its subsidiaries (the "eSun Group") of approximately HK\$1,261,845,000 (31st July, 2006: HK\$875,991,000).

eSun's audit qualification for its financial year ended 31st December, 2006 — Prior year audit scope limitation affecting opening balances

With respect to the financial statements of the eSun Group for the year ended 31st December, 2006, the auditors of eSun stated in their report that they were unable to obtain sufficient reliable information to carry out the audit procedures to satisfy themselves as to (i) the competence and objectivity of an independent third party (the "Valuer") who performed a valuation of the rights, titles and interests to 127 Films of the eSun Group (the "127 Film Rights") as at 31st December, 2005 and (ii) the adequacy of the scope of the Valuer's work on the 127 Film Rights, which had an aggregate carrying value of HK\$187,073,000 and were included in the eSun Group's film rights of HK\$187,187,000 as at 31st December, 2005. Accordingly, they stated that they were unable to carry out adequate audit procedures to assess the carrying amount of the 127 Film Rights as at 31st December, 2005 and the appropriateness of the basis of computation of the amortisation charge for the year ended 31st December, 2005. They qualified their opinion on the financial statements of the eSun Group in respect of the year ended 31st December, 2005 on account of this scope limitation. Any adjustments that might have been found necessary in respect of the above as at 31st December, 2005 would have had a consequential impact on the opening balances of net assets of the eSun Group as at 1st January, 2006, and of its profit for the year ended 31st December, 2006, and the related disclosures in the financial statements.

Due to the scope limitation in the evidence available to the auditors of eSun, a qualified opinion on prior year audit scope limitation affecting opening balances was issued on the financial statements of the eSun Group for the year ended 31st December, 2006.

9. PLEDGED BANK BALANCES AND TIME DEPOSITS

As at 31st January, 2007, the non-current bank balances and time deposits of the Group of HK\$115,180,000 (31st July, 2006: HK\$95,652,000) were pledged to a bank to secure a loan facility granted to the Group.

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

- (a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sale proceeds receivables 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. Hotel and restaurant charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

An aged analysis of the trade debtors of the Group as at 31st January, 2007 and 31st July, 2006 are as follows:

	31st January, 2007 HK\$'000 (Unaudited)	31st July, 2006 HK\$'000 (Audited)
Trade debtors:		
Less than 30 days	22,557	20,494
31 — 60 days	3,376	2,730
61 — 90 days	839	614
Over 90 days	5,338	5,692
	32,110	29,530
Other debtors and deposits	120,293	79,233
	152,403	108,763

- (b) An aged analysis of the trade creditors of the Group as at 31st January, 2007 and 31st July, 2006 are as follows:

	31st January, 2007 HK\$'000 (Unaudited)	31st July, 2006 HK\$'000 (Audited)
Trade creditors:		
Less than 30 days	12,005	12,942
31 — 60 days	5,132	1,543
61 — 90 days	285	258
Over 90 days	361	384
	17,783	15,127
Other creditors, deposits received and accruals	136,640	185,310
	154,423	200,437

11. SHARE CAPITAL

	31st January, 2007		31st July, 2006	
	Number of shares '000 (Unaudited)	Nominal value HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Nominal value HK\$'000 (Audited)
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each (31st July, 2006: ordinary shares of HK\$0.50 each)	<u>16,000,000</u>	<u>160,000</u>	<u>16,000,000</u>	8,000,000
Preference shares of HK\$1.00 each	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	1,200,000
		<u>1,360,000</u>		<u>9,200,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each (31st July, 2006: ordinary shares of HK\$0.50 each)	<u>14,162,042</u>	<u>141,620</u>	<u>12,746,042</u>	<u>6,373,021</u>

Movements in the Company's issued share capital for the current period are summarised as follows:

	Number of ordinary shares '000	Issued share capital HK\$'000
At 31st July, 2006 and 1st August, 2006 (Audited)	12,746,042	6,373,021
Capital reduction (<i>note a</i>)	—	(6,245,561)
Issue of shares (<i>note b</i>)	1,416,000	14,160
At 31st January, 2007 (Unaudited)	14,162,042	141,620

Note:

- (a) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24th July, 2006, and the subsequent Order of the High Court of Hong Kong granted on 17th October, 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18th October, 2006. The paid-up capital on each of its issued ordinary shares of HK\$0.50 was cancelled to the extent of HK\$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK\$0.50 per share to HK\$0.01 per share. A total credit of HK\$6,245,561,000 was arisen as a result of the Capital Reduction. An amount of HK\$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK\$626,561,000 was credited to the share premium account of the Company.

11. SHARE CAPITAL (continued)

Note: (continued)

(a) (continued)

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1st August, 2005 in respect of the Company's:

- (1) 50% investment in Fortune Sign Venture Inc., up to an aggregate amount of HK\$1,556,000,000;
- (2) 10% investment in Bayshore Development Group Limited ("Bayshore"), up to an aggregate amount of HK\$2,923,000,000; and/or
- (3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK\$1,140,000,000,

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18th October, 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisos:

- (i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves after 18th October, 2006;
- (ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and
- (iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserves of the Company and the same shall become available for distribution.

During the six months ended 31st January, 2007, an amount of HK\$25,320,000 which represents the reversal of provision for impairment of the Company's interests in Peakflow Profits Limited, a wholly owned subsidiary of the Company which holds a 10% equity interest in Bayshore, was transferred from accumulated losses to the special capital reserve of the Company.

- (b) Pursuant to a placing agreement entered into between the Company and the placing agent dated 17th November, 2006, a total of 1,416,000,000 new ordinary shares of the Company of HK\$0.01 each were issued and allotted to not less than six institutional investors for cash at a subscription price of HK\$0.36 per share (the "Placement"). The Placement was completed on 28th November, 2006. The net proceeds from the Placement are approximately HK\$504,136,000.

12. CONTINGENT LIABILITIES

- (i) Contingent liabilities of the Group not provided for in the financial statements as at 31st January, 2007 and 31st July, 2006 were as follows:

	31st January, 2007 HK\$'000 (Unaudited)	31st July, 2006 HK\$'000 (Audited)
Guarantee given to a bank in connection with facilities granted to associates	226,360	232,300

- (ii) Pursuant to certain indemnity deeds dated 12th November, 1997 entered into between the Company and Lai Fung Holdings Limited (“Lai Fung”), the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax (“LAT”) payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31st October, 1997 (the “Property Interests”). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited, independent chartered surveyors, as at 31st October, 1997 (the “Valuation”); and (ii) the aggregate costs of such Property Interests incurred up to 31st October, 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deeds assume that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the “Listing”); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung’s prospectus dated 18th November, 1997. Lai Fung had no LAT payable in respect of the Property Interests during the period. No income tax payable by Lai Fung was indemnifiable by the Company during the period.

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

The Group had the following commitment in respect of purchase of property, plant and equipment not provided for in the financial statements as at 31st January, 2007 and 31st July, 2006:

	31st January, 2007 HK\$'000 (Unaudited)	31st July, 2006 HK\$'000 (Audited)
Capital commitments — contracted, but not provided for	24,591	9,803

14. POST BALANCE SHEET EVENT

On 25th January, 2007, a wholly-owned subsidiary of the Group (the "Purchaser") entered into a memorandum (the "Memorandum") with a vendor (the "Vendor") pursuant to which the Purchaser conditionally agreed to purchase from the Vendor a 10% equity interest in Diamond String Limited ("Diamond String") together with the outstanding shareholder loan owed by Diamond String to the Vendor (the "Shareholder's Loan") (subject to the exercise of pre-emption rights of the other shareholders under the shareholders' agreement of Diamond String) for a total consideration of HK\$211.1 million, subject to adjustment. As at date of the Memorandum, the Purchaser and the Vendor owns 65% and 10% interest in Diamond String, respectively, and Diamond String owns 100% interest of The Ritz-Carlton Hong Kong. As at 31st January, 2007, the Group has paid a deposit for the aforesaid purchase transaction of HK\$42.2 million to the Vendor.

At the close of the pre-emption period on 13th February, 2007, certain existing shareholders of Diamond String exercised their respective pre-emption rights to acquire a total of 2.56% equity interest in Diamond String and the corresponding proportion of the Shareholder's Loan from the Vendor. The Purchaser would therefore acquire a 7.44% equity interest in Diamond String together with the corresponding proportion of the Shareholder's Loan from the Vendor. The total consideration was accordingly adjusted to approximately HK\$157.1 million, subject to adjustment. The transaction constitutes a discloseable transaction and connected transaction of the Company and is subject to independent shareholders' approval at an extraordinary general meeting. The transaction was approved by the independent shareholders of the Company on 8th March, 2007. Further details of the transaction are set out in the Company's circular to shareholders dated 16th February, 2007.

The transaction was completed on 2nd April, 2007.

Other than disclosed above, the Group had no significant post balance sheet event.

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INTERIM ORDINARY DIVIDEND

The Directors do not recommend the payment of an interim ordinary dividend for the financial year ending 31st July, 2007. No interim ordinary dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 31st January, 2007, the Group recorded a turnover of HK\$458,030,000 (2006: HK\$404,551,000), representing an increase of approximately 13% from the previous corresponding period. The increase was largely due to rental reversion from the Group's investment properties and increase in average daily room rate of the Group's hotel operations.

For the six months ended 31st January, 2007, the Group recorded a gross profit of HK\$280,994,000 (2006: HK\$254,385,000) and a profit from operating activities of HK\$351,930,000 (2006: HK\$277,521,000), representing an increase of approximately 10% and 27% respectively from the previous corresponding period. Fair value gain on investment properties was approximately HK\$227,403,000 (2006: HK\$178,360,000), up approximately 27% from the previous corresponding period.

For the six months ended 31st January, 2007, the Group achieved a consolidated profit attributable to equity holders of HK\$600,103,000 (2006: HK\$231,297,000), up by approximately 159% from the previous corresponding period. Apart from the increase in profit from operating activities, net profit was also boosted by the substantial increase in the share of profits from associates. Share of profits from associates was HK\$402,398,000 (2006: HK\$65,413,000), up approximately 515% from the previous corresponding period largely due to a gain on completion in sale of a 40% effective interest in the Macao Studio City project by eSun.

Shareholders' equity as at 31st January, 2007 amounted to HK\$5,073,145,000, up from HK\$3,937,124,000 as at 31st July, 2006. Net asset value per share as at 31st January, 2007 was HK\$0.358, as compared to HK\$0.309 as at 31st July, 2006.

Corporate Developments

On 17th November, 2006, the Company entered into a share placing agreement pursuant to which the Company issued 1,416,000,000 new shares at a placing price of HK\$0.36 per share and raised net proceeds of approximately HK\$504,136,000. Following the issue of the new shares by the Company, the total number of issued shares of the Company increased to 14,162,042,320 shares. As a result, eSun, which held a 40.80% interest in the Company prior to the issue of such new shares, had its interest in the Company diluted to 36.72%. As at 31st January, 2007, the Company held a 34.83% interest in eSun, due to its cross-shareholding relationship with eSun.

Business Review

Investment Properties

The Group wholly owns three major investment properties for rental purposes, namely, Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the six months ended 31st January, 2007, aggregate gross rental income from these investment properties contributed to the Group's turnover of approximately HK\$144 million (2006: HK\$132 million), up approximately 9% from the previous corresponding period.

Development Properties

In September 2006, the Group entered into a 50:50 joint venture with a unit of AIG Global Real Estate Investment (Asia) LLC for the joint development of a residential project at Wood Road, Wanchai, Hong Kong. The development has a total gross floor area of approximately 11,000 square metres and a total estimated development cost of HK\$920,000,000.

Hotel Operations

For the six months ended 31st January, 2007, the Group's hotel operations achieved the following average occupancy and average daily room rate compared to the previous corresponding period:

	Effective ownership	Six months ended 31st January,		Average occupancy (%)	Average daily room rate
		2007	2006		
The Ritz-Carlton Hong Kong	65%	86	HK\$2,768	83	HK\$2,349
Majestic Hotel, Kowloon, Hong Kong	50%	92	HK\$686	93	HK\$593
Caravelle Hotel, Ho Chi Minh City, Vietnam	26%	71	US\$141	71	US\$113

For the six months ended 31st January, 2007, the Group recorded a turnover of HK\$297,755,000 from hotel operations (2006: HK\$256,765,000), up 16% from the previous corresponding period.

In January, 2007, the Group entered into a legally binding sale and purchase memorandum with a minority shareholder of The Ritz-Carlton Hong Kong relating to the increase of the Group's effective ownership stake in The Ritz-Carlton Hong Kong. Pursuant to the completion which took place on 2nd April, 2007, the Group increased its stake in The Ritz-Carlton Hong Kong from 65% to 72.44%. The increase in ownership in The Ritz-Carlton Hong Kong provides an opportunity for the Group to capture the future potential for possible redevelopment of The Ritz-Carlton Hong Kong.

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eSun

For the six months ended 31st January, 2007, share of profits from eSun Holdings Limited ("eSun") was HK\$380,392,000 (2006: HK\$18,758,000), up approximately 1,928% from the previous corresponding period largely due to a gain on completion in sale of a 40% effective interest in the Macao Studio City project.

Since early 2006, eSun successfully negotiated and lined up "best of breed" world-class partners for development of this mega-size project in Cotai, Macau.

In April 2006, the eSun Group announced the sale of a 40% effective interest in the Macao Studio City project, to its US joint venture partner New Cotai, LLC ("New Cotai"). New Cotai is a consortium of US-based investors including Mr. David Friedman (a veteran resort and gaming developer), Silver Point Capital, L.P., and Oaktree Capital Management, LLC. The sale to New Cotai was completed in December 2006.

In January 2007, the eSun Group further announced the sale of a 20% effective interest in Macao Studio City project to CapitaLand Integrated Resorts Pte. Ltd. ("CapitaLand Integrated Resorts"). CapitaLand Integrated Resorts is a wholly-owned subsidiary of CapitaLand Limited ("CapitaLand Group"), one of the largest listed real estate companies in Asia. Following completion of the sale to New Cotai and the CapitaLand Group, the eSun Group will retain a 40% effective interest in the Macao Studio City project. Such sale to CapitaLand Group was completed in March 2007.

In January 2007, the eSun Group also announced the entering into of various memoranda of understanding (“MOUs”) regarding the retail and hotel components of Macao Studio City. Under the retail MOU, Taubman Asia Management Limited (“Taubman Asia”) will be the retail component partner of Macao Studio City. Taubman Asia is a subsidiary of Taubman Centers, Inc., a global leader of the shopping centre industry. Under the hotel MOUs, Macao Studio City will build a luxury Ritz-Carlton hotel, a first class Marriot hotel and a new super-luxury boutique hotel under the brand “The Tang Hotel”, which will be designed by Mr. David Tang, founder of the China Clubs and Shanghai Tang. All these retail and hotel MOUs are subject to definitive legally binding agreements.

Macao Studio City will be Asia’s first leisure resort property combining working TV/film studios, theatre/concert venues, Studio Retail™ (a destination retail complex), Las Vegas-style gaming facilities and world-class hotels. The project will be developed on an approximately 35-acre site strategically located “Where Cotai Begins™”, next to the new Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai’s Hengqin Island. The architectural plan of Macao Studio City is designed by visionary Las Vegas-based design expert Mr. Paul Steelman.

With the track record and international experience of the joint venture partners and component partners, Macao Studio City will provide visitors with a new and unique experience on its world-class leisure resort facilities.

Prospects

Property and hotels

The Group continues to improve its tenant mix in its investment properties so as to strengthen its rental income base. The Group is also actively looking for development projects which offer good investment returns.

The Group is still evaluating the possible redevelopment of The Ritz-Carlton Hong Kong. The Ritz-Carlton Hong Kong site has the potential for redevelopment into grade-A office premises to provide not less than 225,000 square feet of office accommodation under current building regulations with basically no further land premium or lease modification.

Redevelopment of The Ritz-Carlton Hong Kong is likely to significantly enhance the recurring rental income and the capital value of the property, after completion of such redevelopment.

eSun

eSun’s Macao Studio City project will dramatically transform its businesses. Given its mega-scale and its unique positioning in Macau - a new integrated leisure, convention and retail centre in Asia, we expect Macao Studio City will stand as the major entertainment destination for visitors from Greater China and other parts of the world. It will become an important platform for the eSun Group to expand and monetarize its entertainment and media expertise. Upon the completion of Macao Studio City project, the eSun Group will become an operator of integrated leisure and entertainment venues as well as a provider of media and entertainment contents and services. On the media and entertainment businesses, the eSun Group will continue to consolidate its position in the media and entertainment industry.

According to the current plan, the Macao Studio City joint venture intends to tap the international capital markets in the middle of 2007 to raise debt financing to fund its construction and development costs. Foundation work of Macao Studio City will start in the second quarter of 2007 and construction of the superstructure is expected to commence in the fourth quarter of 2007. First phase of the project is scheduled to open in 2009.

Liquidity and Financial Resources

As at 31st January, 2007, the Group had consolidated net assets of approximately HK\$5,073 million (as at 31st July, 2006: HK\$3,937 million).

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, bank and other borrowings. During the period, the Group raised approximately HK\$504 million by way of placement of new ordinary shares of the Company.

As at 31st January, 2007, the Group had outstanding borrowings of approximately HK\$2,480 million (as at 31st July, 2006: HK\$2,547 million) comprising secured bank loans and other borrowings of approximately HK\$2,480 million (as at 31st July, 2006: HK\$2,544 million). Other outstanding borrowings of approximately HK\$3 million as at 31st July, 2006 represented the residual amount payable under the Guaranteed Secured A Bonds due 2005. The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 49%. The maturity profile of the bank and other borrowings of HK\$2,480 million was spread over a period of more than 5 years with HK\$169 million repayable within 1 year, HK\$415 million repayable in the second year, HK\$1,889 million repayable in the third to fifth years and HK\$7 million repayable beyond 5 years. As at 31st January, 2007, approximately 92% of the Group's borrowings were on a floating rate basis and the remaining 8% were at fixed interest rate.

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As at 31st January, 2007, certain investment properties with carrying amounts of approximately HK\$4,353 million, certain property, plant and equipment with carrying amounts of approximately HK\$1,172 million, prepaid land lease payments of approximately HK\$31 million and certain bank balances and time deposits with banks of approximately HK\$115 million were pledged to banks to secure banking facilities granted to the Group. At the same date, certain investment properties with carrying amounts of approximately HK\$5 million and certain property, plant and equipment with carrying amounts of approximately HK\$23 million were pledged to a bank to back up certain corporate guarantees issued by the Company in respect of certain banking facilities granted by the bank to a subsidiary of the Group. In addition, the entire holding of the shares of Peakflow Profits Limited together with its 10% shareholding in and its advance to Bayshore Development Group Limited, the joint venture company for the AIG Tower, and certain shares in subsidiaries held by the Group were also pledged to banks and other lender to secure loan facilities granted to the Group. Certain shares of associates held by the Group were pledged to banks for loan facilities granted to certain associates of the Group. The secured bank and other borrowings were also secured by floating charges over certain assets held by the Group.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars. All of the Group's borrowings are denominated in Hong Kong dollars or US dollars. Considering that the exchange rate between Hong Kong dollars and US dollars is pegged, the Group believes that the corresponding exposure to exchange rate risk is nominal.

Employees and Remuneration Policies

The Group employed a total of approximately 1,300 (as at 31st July, 2006: 1,300) employees as at 31st January, 2007. Total staff costs for the six months ended 31st January, 2007 amounted to approximately HK\$130 million. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a share option scheme, a number of mandatory provident fund schemes for all the eligible employees, a free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programmes.

Contingent liabilities

Details of contingent liabilities of the Group are set out in note 12 to the condensed consolidated interim financial statements.

DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES (“CHAPTER 13”)

Financial assistance and guarantees to affiliated companies (Paragraph 13.22 of Chapter 13)

As at 31st January, 2007, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded 8% under the assets ratio as defined under the Listing Rules. In compliance with paragraph 13.22 of Chapter 13, the proforma combined balance sheet of the affiliated companies as at 31st January, 2007 is disclosed as follows:

	31st January, 2007 HK\$'000 (Unaudited)
Property, plant and equipment	363,984
Prepaid land lease payments	688
Investment properties	438,000
Film rights	133,745
Deposits	10,048
Properties under development	889,642
Interests in associates	2,013,306
Interests in jointly controlled entities	654,534
Available-for-sale investments	34,704
Amounts due from shareholders	86,955
Net current assets	755,474
<hr/>	
Total assets less current liabilities	5,381,080
22 Long term borrowings	(859,081)
Rental deposits received	(4,634)
Land premium payable	(463)
Deferred tax	(72,383)
Deferred income	(44,021)
Amounts due to shareholders	(1,224,806)
<hr/>	
	(2,205,388)
<hr/>	
	3,175,692
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CAPITAL AND RESERVES	
Issued capital	418,210
Share premium account	3,390,169
Contributed surplus	891,289
Investment revaluation reserve	46,141
Share option reserve	11,495
Exchange fluctuation reserve	9,126
Accumulated losses	(1,590,934)
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	3,175,496
Minority interests	196
<hr/>	
	3,175,692
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SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") at the annual general meeting held on 22nd December, 2006 and the Scheme became effective on 29th December, 2006 (the "Commencement Date"). The purpose of the Scheme is to provide incentives or rewards to any eligible employee, any director of the Company or any of its subsidiaries, any agent or consultant of any member of the Group or any employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Unless otherwise cancelled or amended, the Scheme shall be valid and effective for a period of 10 years commencing on the Commencement Date.

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

Name	Date of Grant	No. of Options			Option Period	Subscription Price per Share
		As at 1st August, 2006	Granted during the period	As at 31st January, 2007		
<i>Director</i>						
Lau Shu Yan, Julius	19/01/2007	—	15,000,000	15,000,000	19/01/2007—31/12/2010	HK\$0.45
	19/01/2007	—	15,000,000	15,000,000	19/01/2007—31/12/2010	HK\$0.55
	19/01/2007	—	15,000,000	15,000,000	19/01/2007—31/12/2010	HK\$0.65
	19/01/2007	—	15,000,000	15,000,000	19/01/2007—31/12/2010	HK\$0.75
		<u>—</u>	<u>60,000,000</u>	<u>60,000,000</u>		

The closing price of the Company's share immediately before the date of grant was HK\$0.315. The fair value of the share options granted during the period was HK\$6,572,000 which was recognised as share option expense in the condensed consolidated income statement for the six months 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 the 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%
Expected volatility	63.21%
Risk-free interest rate	3.91%
Expected life of options	3.95 years
Closing share price	HK\$0.315

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 60,000,000 share options outstanding under the Scheme represented approximately 0.42% 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 (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

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Name	Long positions in the shares					Total	Percentage
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity		
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 (Note 1)	Nil	Beneficial owner	1,592,968,777	11.25%
Lau Shu Yan, Julius	1,200,000	Nil	Nil	60,000,000 (under share option)	Beneficial owner	61,200,000	0.43%
U Po Chu (Note 2)	633,400	Nil	Nil	Nil	Beneficial Owner	633,400	0.004%

Notes:

- Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in the Company. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares in the Company by virtue of his personal and deemed interest in approximately 37.69% in the issued share capital of LSG.
- Madam U Po Chu is the widow of the late Mr. Lim Por Yen, whose estate includes an interest of 197,859,550 shares.

DIRECTORS' INTERESTS (continued)

(2) **Associated Corporation**

eSun Holdings Limited ("eSun")

Name	Personal Interests	Family Interests	Long positions in the shares of eSun			Total	Percentage
			Corporate Interests	Other Interests	Capacity		
Lam Kin Ngok, Peter	Nil	Nil	Nil	7,451,849 (Note)	Beneficial owner	7,451,849	0.91%
Cheung Wing Sum, Ambrose	Nil	Nil	Nil	7,451,849 (Note)	Beneficial owner	7,451,849	0.91%

Note: An employee share option scheme was adopted by eSun on 23rd December 2005 and will remain in force for a period of 10 years. Options granted to the above Directors as at 31st January, 2007 are set out below:

Name	Date of Grant	No. of Share Option	Option Period	Subscription Price per Share
Lam Kin Ngok, Peter	24/02/2006	1,862,962	01/01/2007 — 31/12/2007	HK\$4.00
	24/02/2006	1,862,962	01/01/2008 — 31/12/2008	HK\$4.25
	24/02/2006	1,862,962	01/01/2009 — 31/12/2009	HK\$4.50
	24/02/2006	1,862,963	01/01/2010 — 31/12/2010	HK\$4.75
Cheung Wing Sum, Ambrose	24/02/2006	1,862,962	01/01/2007 — 31/12/2007	HK\$4.00
	24/02/2006	1,862,962	01/01/2008 — 31/12/2008	HK\$4.25
	24/02/2006	1,862,962	01/01/2009 — 31/12/2009	HK\$4.50
	24/02/2006	1,862,963	01/01/2010 — 31/12/2010	HK\$4.75

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:

Name	Capacity	Nature	Number of Shares	Percentage
eSun Holdings Limited ("eSun")	Owner of controlled corporation	Corporate	5,200,000,000	36.72%
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	1,582,869,192	11.18% (Note 1)
Lam Kin Ngok, Peter	Beneficial owner	Personal & corporate	1,592,968,777	11.25% (Note 1)
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	5.52%
Xing Feng Investments Limited ("Xing Feng")	Owner of controlled corporation	Corporate	781,346,935	5.52% (Note 2)
Chen Din Hwa	Owner of controlled corporation	Corporate	1,047,079,435	7.39% (Note 3)
Chen Yang Foo Oi	Interest of spouse	Family	1,047,079,435	7.39% (Note 4)
IGM Financial Inc. ("IGM")	Owner of controlled corporation	Corporate	1,000,000,000	7.06%
Power Financial Corporation ("Power F")	Owner of controlled corporation	Corporate	1,000,000,000	7.06% (Note 5)
Power Corporation of Canada ("Power C")	Owner of controlled corporation	Corporate	1,000,000,000	7.06% (Note 5)
Gelco Enterprises Limited ("Gelco")	Owner of controlled corporation	Corporate	1,000,000,000	7.06% (Note 5)
Nordex Inc. ("Nordex")	Owner of controlled corporation	Corporate	1,000,000,000	7.06% (Note 5)
Paul G. Desmarais	Owner of controlled corporation	Corporate	1,000,000,000	7.06% (Note 5)
Peter Cundill & Associates (Bermuda) Limited	Investment Manager	Corporate	903,108,000	6.37%

Notes:

1. LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares, and Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.
2. Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interests therein.
3. Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer. In addition, 265,732,500 shares were allotted by the Company to Absolute Gain Trading Limited on 7th December, 2004 as part of the Bonds Settlement (as defined in the Company's circular to its shareholders dated 15th September, 2004). Mr. Chen was taken to be interested in the 265,732,500 shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein.
4. Madam Chen Yang Foo Oi was deemed to be interested in 1,047,079,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.
5. Power F was deemed to be interested in 1,000,000,000 shares by virtue of its corporate interest in IGM.

Power C was deemed to be interested in 1,000,000,000 shares by virtue of its corporate interest in Power F.

Gelco was deemed to be interested in 1,000,000,000 shares by virtue of its corporate interest in Power C.

Nordex was deemed to be interested in 1,000,000,000 shares due to its corporate interest in Gelco.

Mr. Paul G. Desmarais was taken to be interested in 1,000,000,000 shares by virtue of his corporate interest in Nordex.

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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.

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 on The Stock Exchange of Hong Kong Limited ("Listing Rules") 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 audit committee of the Company. The audit committee comprises the three independent non-executive Directors of the Company, namely Messrs. David Tang, Lam Bing Kwan and Leung Shu Yin, William.

By Order of the Board
Lam Kin Ngok, Peter
Chairman