LAI FUNG HOLDINGS

LAI FUNG HOLDINGS LIMITED

(Stock code: 1125)

Interim Report 2007-2008

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
Cheung Sum, Sam
Leung Churk Yin, Jeanny (appointed on 1 September 2007)
Cheng Shin How
Lim Ming Yan
Cheong Kwok Mun (alternate director to Lim Ming Yan)
Wong Yee Sui, Andrew **
Lam Bing Kwan **
Ku Moon Lun **

*** independent non-executive directors*

COMPANY SECRETARY

Yeung Kam Hoi

QUALIFIED ACCOUNTANT

Hui Hon Pong

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Stock code on Hong Kong Stock Exchange: 1125

RESULTS

The Board of Directors of Lai Fung Holdings Limited (the "Company") presents herein the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 January 2008 as follows.

Condensed Consolidated Income Statement

For the six months ended 31 January 2008

		For the six months ended 31 January	
		2008	2007
		(Unaudited)	(Unaudited) (Restated)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**128,685**	504,666
Cost of sales		**(27,995)**	(270,917)
Gross profit		**100,690**	233,749
Other income and gains		**64,662**	40,637
Selling expenses		**(5,570)**	(7,424)
Administrative expenses		**(66,110)**	(60,987)
Other operating income/(expenses), net		**(51,379)**	3,769
Fair value gain on investment properties		**229,773**	147,641
PROFIT FROM OPERATING ACTIVITIES	*4*	**272,066**	357,385
Finance costs	*5*	**(94,991)**	(37,190)
Share of profits of associates		**1,607**	3,793
Write-back of provision for amounts due from associates		**14,132**	11,417
PROFIT BEFORE TAX		**192,814**	335,405
Tax	*6*	**(82,527)**	(118,195)
PROFIT FOR THE PERIOD		**110,287**	217,210
ATTRIBUTABLE TO:			
Equity holders of the Company		**85,276**	203,544
Minority interests		**25,011**	13,666
		110,287	217,210
EARNINGS PER SHARE	*7*		
Basic		**1.06 cents**	2.53 cents
Diluted		**N/A**	N/A

Condensed Consolidated Balance Sheet

As at 31 January 2008

	Notes	31 January 2008 (Unaudited) HK$'000	31 July 2007 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**672,294**	669,668
Properties under development		**3,011,364**	2,107,681
Investment properties		**4,725,900**	3,673,600
Prepaid land lease payments		**5,726**	5,531
Goodwill		**4,561**	4,561
Interests in associates		**281,658**	1,057,982
Long term deposits	8	**11,934**	25,904
Pledged time deposits		**—**	118,914
Total non-current assets		**8,713,437**	7,663,841
CURRENT ASSETS			
Properties under development		**485,831**	390,209
Completed properties for sale		**6,687**	10,591
Debtors, deposits and prepayments	8	**115,262**	106,415
Pledged and restricted time deposits and bank balances		**321,792**	321,160
Cash and cash equivalents		**1,601,577**	1,931,371
Total current assets		**2,531,149**	2,759,746
CURRENT LIABILITIES			
Creditors and accruals	9	**404,929**	455,480
Deposits received and deferred income		**18,352**	17,729
Rental deposits received		**24,015**	20,700
Interest-bearing bank loans, secured		**117,703**	894,265
Tax payable		**234,562**	231,425
Total current liabilities		**799,561**	1,619,599
NET CURRENT ASSETS		**1,731,588**	1,140,147
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,445,025**	8,803,988
NON-CURRENT LIABILITIES			
Long term rental deposits received		**20,133**	17,101
Interest-bearing bank loans, secured		**1,072,186**	123,343
Promissory note		**167,000**	167,000
Advances from a substantial shareholder		**50,710**	48,273
Fixed rate senior notes		**1,515,633**	1,513,431
Derivative financial instruments		**253,128**	72,859
Deferred tax liabilities		**784,149**	593,692
Total non-current liabilities		**3,862,939**	2,535,699
		6,582,086	6,268,289
EQUITY			
Equity attributable to equity holders of the Company:			
Issued capital		**804,796**	804,796
Share premium account		**3,876,668**	3,876,668
Share option reserve		**2,783**	1,842
Hedge reserve		**(139,451)**	(41,780)
Exchange fluctuation reserve		**733,371**	431,398
Capital reserve		**(457)**	(457)
Retained earnings		**937,174**	851,324
Proposed dividends		**—**	32,192
		6,214,884	5,955,983
Minority interests		**367,202**	312,306
		6,582,086	6,268,289

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2008

		Attributable to equity holders of the Company											
	Notes	Issued capital (Unaudited) *HK$'000*	Share premium account (Unaudited) *HK$'000*	Share option reserve (Unaudited) *HK$'000*	Hedge reserve (Unaudited) *HK$'000*	Investment revaluation reserve (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Capital reserve (Unaudited) *HK$'000*	Retained earnings (Unaudited) *HK$'000*	Proposed dividends (Unaudited) *HK$'000*	Sub-total (Unaudited) *HK$'000*	Minority interests (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 August 2007		804,796	3,876,668	1,842	(41,780)	–	431,398	(457)	851,324	32,192	5,955,983	312,306	6,268,289
Net losses on cash flow hedges		–	–	–	(97,671)	–	–	–	–	–	(97,671)	–	(97,671)
Exchange realignment:													
Subsidiaries		–	–	–	–	–	275,265	–	–	–	275,265	16,253	291,518
Associates		–	–	–	–	–	29,035	–	–	–	29,035	–	29,035
Total income and expense recognised directly in equity		–	–	–	(97,671)	–	304,300	–	–	–	206,629	16,253	222,882
Profit for the period		–	–	–	–	–	–	–	85,276	–	85,276	25,011	110,287
Total income and expense for the period		–	–	–	(97,671)	–	304,300	–	85,276	–	291,905	41,264	333,169
Release of reserve upon disposal of interest in a subsidiary	*11*	–	–	–	–	–	(2,327)	–	–	–	(2,327)	–	(2,327)
Acquisition of subsidiaries	*10*	–	–	–	–	–	–	–	–	–	–	13,632	13,632
Equity-settled share option arrangements		–	–	1,515	–	–	–	–	–	–	1,515	–	1,515
Release of reserve upon lapse of share options		–	–	(574)	–	–	–	–	574	–	–	–	–
Final 2007 dividend paid		–	–	–	–	–	–	–	–	(32,192)	(32,192)	–	(32,192)
At 31 January 2008		**804,796**	**3,876,668**	**2,783**	**(139,451)**	–	**733,371**	**(457)**	**937,174**	**–**	**6,214,884**	**367,202**	**6,582,086**
At 1 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 realignment:													
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 income and expense for the period		–	–	–	–	988	139,272	–	203,544	–	343,804	21,971	365,775
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	57,257	57,257
Equity-settled share option arrangements		–	–	755	–	–	–	–	–	–	755	–	755
Final 2006 dividend paid		–	–	–	–	–	–	–	–	(8,048)	(8,048)	–	(8,048)
At 31 January 2007		804,796	3,876,668	755	–	(468)	284,343	(457)	616,709	–	5,582,346	337,701	5,920,047

Condensed Consolidated Cash Flow Statement

For the six months ended 31 January 2008

	For the six months ended 31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**(20,411)**	144,303
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(367,682)**	(688,122)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**13,438**	2,480
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(374,655)**	(541,339)
Cash and cash equivalents at beginning of period	**1,931,371**	899,125
Effect of foreign exchange rate changes, net	**44,861**	1,352
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,601,577**	359,138
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged cash and bank balances	**489,296**	176,997
Non-pledged time deposits with original maturity of less than three months when acquired	**1,112,281**	182,141
	1,601,577	359,138

Notes to Condensed Consolidated Financial Statements

As at 31 January 2008

1. BASIS OF PREPARATION

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 31 January 2008 have been prepared under the historical cost convention except for investment properties and derivative financial instruments 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 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 31 July 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the Group and are adopted for the first time for the current period's interim financial statements:

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

The adoption of these new and revised HKFRSs has had no material impact on the accounting polices of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements.

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 interim financial statements:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments

HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have a significant financial impact on the Group.

HKFRS 8 shall be applied for annual periods beginning on or after 1 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".

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 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. TURNOVER, 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 31 January 2008 and 2007.

Group

	Property development For the six months ended 31 January		**Property investment For the six months ended 31 January**		**Total For the six months ended 31 January**	
	2008 (Unaudited)	2007 (Unaudited) (Restated)	**2008 (Unaudited)**	2007 (Unaudited) (Restated)	**2008 (Unaudited)**	2007 (Unaudited) (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**7,308**	393,041	**121,377**	111,625	**128,685**	504,666
Other revenue	**—**	942	**28,021**	24,603	**28,021**	25,545
Total	**7,308**	393,983	**149,398**	136,228	**156,706**	530,211
Segment results	**(6,727)**	136,966	**325,399**	225,210	**318,672**	362,176
Unallocated gains					**36,641**	15,092
Unallocated expenses, net					**(83,247)**	(19,883)
Profit from operating activities					**272,066**	357,385
Finance costs					**(94,991)**	(37,190)
Share of profits of associates	**—**	—	**1,607**	3,793	**1,607**	3,793
Write-back of provision for amounts due from associates	**—**	—	**14,132**	11,417	**14,132**	11,417
Profit before tax					**192,814**	335,405
Tax					**(82,527)**	(118,195)
Profit for the period					**110,287**	217,210

4. PROFIT FROM OPERATING ACTIVITIES

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

		Group For the six months ended 31 January	
		2008	2007
		(Unaudited)	(Unaudited) (Restated)
	Notes	***HK$'000***	*HK$'000*
Cost of completed properties sold		**5,832**	247,953
Depreciation #		**12,024**	11,661
Recognition of prepaid land lease payments		**82**	77
Equity-settled share option expense		**1,515**	755
Negative goodwill recognised as income	10	**(29,671)**	—
Loss on disposal of interest in a subsidiary	11	**14,268**	—
Foreign exchange differences, net ##		**59,010**	—

\# *Depreciation charge of HK$7,467,000 (six months ended 31 January 2007: HK$7,336,000) for service apartments is included in "Other operating income/(expenses), net" on the face of the condensed consolidated income statement.*

\## *Foreign exchange differences, net included exchange loss of HK$82,598,000 (six months ended 31 January 2007: Nil) arising from cash flow hedges and is included in "Other operating income/(expenses), net" on the face of the condensed consolidated income statement.*

5. FINANCE COSTS

	Group For the six months ended 31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**37,579**	29,684
Bank loan repayable beyond five years	**555**	670
Promissory note	**6,087**	6,635
Fixed rate senior notes, net *	**54,744**	—
Amortisation of fixed rate senior notes	**2,203**	—
Bank charges	**3,985**	1,228
	105,153	38,217
Less: Interest capitalised in properties under development	**(10,162)**	(1,027)
Total finance costs	**94,991**	37,190

* *Net of interest saving of HK$16,431,000 (six months ended 31 January 2007: Nil) arising from cash flow hedges*

6. TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the period (six months ended 31 January 2007: Nil). Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group For the six months ended 31 January	
	2008	2007
	(Unaudited)	(Unaudited) (Restated)
	HK$'000	*HK$'000*
Current — Mainland China		
Corporate income tax	**15,276**	47,361
Land appreciation tax	**1,896**	30,047
Deferred	**65,355**	40,787
Total tax charge for the period	**82,527**	118,195

7. 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$85,276,000 (six months ended 31 January 2007: HK$203,544,000), and the weighted average number of 8,047,956,478 (six months ended 31 January 2007: 8,047,956,478) 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 period ended 31 January 2008. The diluted earnings per share amount for the six months ended 31 January 2007 had not been disclosed as there was no diluting event that occurred during that period.

8. 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.

8. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

An aged analysis of the trade receivables as at the balance sheet date is as follows:

	Group	
	31 January 2008	31 July 2007
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables, net:		
Within one month	**19,656**	25,940
One to two months	**336**	5,821
Two to three months	**391**	893
Three to six months	**273**	246
Over six months	**22**	—
	20,678	32,900
Other receivables, prepayments and deposits	**106,518**	99,419
	127,196	132,319
Portion classified as current assets	**(115,262)**	(106,415)
Non-current portion	**11,934**	25,904

9. CREDITORS AND ACCRUALS

An aged analysis of the trade payables as at the balance sheet date is as follows:

	Group	
	31 January 2008	31 July 2007
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables:		
Within one month	**4,158**	12,966
One to three months	**1,221**	934
Over three months	**5,175**	5,328
	10,554	19,228
Accruals and other creditors	**394,375**	436,252
Financial liability — a put option	**—**	—
Total	**404,929**	455,480

10. BUSINESS COMBINATION

On 29 October 2007, Nicetronic Investments Limited ("Nicetronic"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Pilkington Investments Limited (the "Vendor"), an independent third party, whereby Nicetronic agreed to purchase the remaining 50% of the issued share capital of and the entire shareholder's loan advanced to Hankey Development Limited ("Hankey") from the Vendor at a consideration of HK$424,000,000 (the "Acquisition"). Hankey indirectly holds 96.6% and 99% interest in Zhabei Plaza I (Northgate Plaza I) and Zhabei Plaza II (Northgate Plaza II), respectively, located at Tian Mu Road West in the Zhabei District of Shanghai (collectively the "Hankey Group").

Before the Acquisition, Nicetronic held 50% of the issued share capital of Hankey. The Acquisition was completed on 16 January 2008 and Hankey became an indirect wholly-owned subsidiary of the Company. The excess over the cost of a business combination of HK$29,671,000 was recognised as income and included in "Other operating income/(expenses), net" on the face of the condensed consolidated income statement. Further details of the Acquisition are disclosed in the Company's circular dated 14 November 2007.

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

	Fair values recognised on acquisition *HK$'000*	**Carrying amounts immediately before the acquisition** *HK$'000*
Equipment	728	728
Properties under development	292,388	199,514
Investment properties	630,000	630,000
Debtors, deposits and prepayments	339	339
Cash and bank balances	33,708	33,708
Creditors and accruals	(11,042)	(11,042)
Deferred tax liabilities	(106,816)	(83,598)
	839,305	769,649
Minority interests	(13,632)	
	825,673	
Expenses incurred for the acquisition	(587)	
Excess over the cost of a business combination recognised in the income statement *(Note 4)*	(29,671)	
	795,415	
Satisfied by:		
Cash consideration paid	424,000	
Interests in associates	371,415	
	795,415	

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The acquisition was completed close to the period ended 31 January 2008 and the contribution of the Hankey Group to the Group's consolidated profit for the current period is immaterial. 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 have been HK$138,840,000 and HK$86,953,000, respectively.

11. DISPOSAL OF INTEREST IN A SUBSIDIARY

On 22 November 2007, Lai Fung Company Limited ("LFCL") (as Vendor), a wholly-owned subsidiary of the Company, and Right Rich Investments Limited (as Purchaser), an independent third party, entered into a sale and purchase agreement (the "Agreement").

Under the Agreement, the Vendor agreed to sell and assign to the Purchaser the entire issued share capital of and the entire shareholder's loan Perfect Mark Worldwide Limited ("Perfect Mark"), a then wholly-owned subsidiary of LFCL, owed to the Vendor at a consideration of HK$422,000,000 (the "Disposal").

Before the Disposal, Perfect Mark and the Purchaser held 25% and 75% of the issued share capital of Besto Investments Limited ("Besto"), respectively. Besto holds property interests in Tianhe Entertainment Plaza and Cultural Entertainment Plaza in Guangzhou. The Disposal was completed on 18 January 2008. A loss on disposal of interest in a subsidiary of HK$14,268,000 was recognised and included in "Other operating income/(expenses), net" on the face of the condensed consolidated income statement. Further details of the Disposal are disclosed in the Company's circular dated 12 December 2007.

	HK$'000
Underlying net assets disposal of:	
Interests in associates	438,463
Expenses incurred for the disposal	132
Exchange fluctuation reserve realised	(2,327)
Loss on disposal of interest in a subsidiary *(Note 4)*	(14,268)
	422,000
Satisfied by:	
Cash consideration received	422,000

12. CONTINGENT LIABILITIES

The Group had the following material contingent liabilities not provided for in the financial statements at the balance sheet date:

(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 in repayment of the mortgage loans. The Group's obligation has been gradually 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 terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principles together with accrued interest owed by the defaulted end-buyers. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation 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 the 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 terms of the guarantees, upon default in 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 obligation will be relinquished when the end-buyers have fully repaid the mortgage loans.

12. CONTINGENT LIABILITIES *(Continued)*

(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 terms of the guarantees, upon default in 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 obligation 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 the 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:

	Group	
	31 January 2008 (Unaudited)	31 July 2007 (Audited)
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land lease payments, resettlement costs, compensation, construction costs and others	**293,857**	598,899
Authorised, but not contracted for:		
Resettlement costs and others	**103,602**	—

In addition, at 31 January 2008, the Group had commitment in respect of capital injection to an associate amounting to HK$37,986,000 (2007: HK$36,161,000).

14. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

		Group For the six months ended 31 January	
		2008 (Unaudited)	2007 (Unaudited)
	Notes	***HK$'000***	*HK$'000*
Advertising fees paid to related companies	*(i)*	**(1,556)**	(1,461)
Interest on the promissory note paid to a substantial shareholder	*(ii)*	**(6,087)**	(6,635)

Notes:

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

14. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group

	Group For the six months ended 31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**7,527**	4,135
Post-employment benefits	**37**	30
Share-based payments	**1,059**	559
Total compensation paid to key management personnel	**8,623**	4,724

15. COMPARATIVE AMOUNTS

For the period ended 31 January 2007, land appreciation tax arisen from the sale of properties ("LAT") was recognised as direct costs and included in the Group's "Cost of sales" as shown on the face of the condensed consolidated income statement, and the relevant LAT payable was included in the Group's "Creditors and accruals" as shown on the face of the condensed consolidated balance sheet.

During the year ended 31 July 2007, the directors considered it a more appropriate presentation, after a reassessment of the nature of LAT and a study of the market practices, to include LAT in "Tax" on the face of the consolidated income statement, and to include the relevant LAT payable in "Tax payable" on the face of the consolidated balance sheet. Same classification is adopted in the preparation of these interim financial statements and accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 11 April 2008.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2008 (six months ended 31 January 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of interim results

For the six months ended 31 January 2008, the Group recorded a turnover of HK$128,685,000 (2007: HK$504,666,000) and a gross profit of HK$100,690,000 (2007 (restated): HK$233,749,000), representing a decrease of approximately 74.5% and 56.9% respectively from the previous corresponding period. The decrease in turnover and gross profit was mainly due to lower revenue generated from sale of properties in the period under review. Overall gross profit margin increased to approximately 78.2% from 46.3% in the previous corresponding period. The increase was mainly due to higher gross profit margin on rental income compared with sale of properties.

For the six months ended 31 January 2008, the Group achieved a profit from operating activities of HK$272,066,000 (2007 (restated): HK$357,385,000) and a profit attributable to equity holders of the Company of HK$85,276,000 (2007: HK$203,544,000), representing a decrease of approximately 23.9% and 58.1% respectively from the previous corresponding period. The decrease in profit from operating activities and profit attributable to equity holders of the Company were mainly due to lower revenue generated from sale of properties in the period under review.

Basic earnings per share were 1.06 HK cents for the six months ended 31 January 2008 compared to 2.53 HK cents for the previous corresponding period.

Shareholders' equity as at 31 January 2008 amounted to HK$6,214,884,000, up from HK$5,955,983,000 as at 31 July 2007. Net asset value per share as at 31 January 2008 was HK$0.77 as compared to HK$0.74 as at 31 July 2007.

Business review

	Six months ended 31 January		
	2008	2007	**Change**
	HK$'000	*HK$'000*	*(%)*
Turnover			
Rental income	**121,377**	111,625	+8.7
Sale of properties	**7,308**	393,041	-98.1
	128,685	504,666	-74.5
Contribution to gross profit			
Rental income	**99,214**	88,662	+11.9
Sale of properties	**1,476**	145,087	-99.0
	100,690	233,749	-56.9

During the period under review, rental income recorded an increase of 8.7% and contribution to gross profit increased by 11.9%. On the sale of properties, since there was no completion of development projects during the period under review, the turnover from sale of properties and contribution to gross profit have dropped significantly by 98.1% and 99.0% respectively.

Review of operations

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 is within walking distance of Xintiandi. The total gross floor area ("GFA") attributable to the Group is 123,000 sq.m. comprising office, serviced apartments and shopping arcades.

The planned renovation work on the shopping arcades will commence in the second half of this year and is expected to be completed by phases in two years, which will target high-end retail brands. It is expected that the rental yield will increase upon completion of the renovation. The Group also plans to upgrade the serviced apartments, lift lobbies and common areas of the office tower.

Shanghai Regents Park

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

All the remaining units in Phase I had been sold in the last financial year. The Phase II development comprises six residential towers with 455 units (saleable GFA attributable to the Group of approximately 59,000 sq.m.). Pre-sale of Phase II started on 9 April 2008 and 71 units have been pre-sold (with GFA of approximately 8,500 sq.m.) at an average price of approximately RMB33,000 per sq.m. as at 11 April 2008. Given the location and quality of the project, we expect the pre-sale would achieve satisfactory results. Construction work is expected to be completed in the first half of 2008.

Shanghai May Flower Plaza

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 Metro Station. The Group has an effective 95% interest in the project.

The project has a total GFA of approximately 147,900 sq.m. (GFA attributable to the Group of approximately 140,500 sq.m.), comprising residential and office apartments, commercial spaces, carparks and ancillary facilities. Construction work has already commenced in October 2007 and is scheduled to be completed in late 2009 or early 2010.

Shanghai Northgate Plaza

Shanghai Northgate Plaza 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. Following completion of the acquisition of the remaining interests in January 2008, the Group now owns 96.6% interest in this property. Shanghai Northgate Plaza I has a total GFA of approximately 36,500 sq.m. comprising office units, retail spaces and car parks.

The Group plans to develop Shanghai Northgate Plaza II on the vacant site adjacent to Phase I. Following completion of the acquisition of the remaining interests in January 2008, the Group now owns 99.0% interest in this project. The Phase II development will have a total GFA of approximately 34,400 sq.m. comprising serviced apartments with retail podium and car parks. Construction of Phase II is expected to commence later this year and is scheduled to be completed in 2010.

Guangzhou

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Subway Station in Guangzhou, interchange station of Guangzhou Subway Lines No. 1 and 2. The Group has an effective 77.5% interest in this property.

The 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, cinema and office units. The property is fully leased to tenants that are well-known corporations, popular consumer brands and restaurants.

Guangzhou Eastern Place

Guangzhou Eastern Place is a multi-phase residential project located at Dongfeng East Road, Yuexiu District, Guangzhou.

The Phase V development will have an intended total GFA attributable to the Group of approximately 114,600 sq.m. comprising residential blocks, serviced apartments, offices and retail spaces. Construction work has been commenced and is now scheduled to be completed in 2010.

Guangzhou West Point

Guangzhou West Point is located at Zhongshan Qi Road, Liwan District and is within walking distance from the Ximenkou Subway Station. The project has a total GFA of approximately 72,000 sq.m., comprising residential and office units, commercial spaces, car parks and ancillary facilities. Marketing program has already been launched and pre-sale of residential units is expected to commence later this month. Following completion of the pre-sale of residential units, the Group plans to launch the office units for pre-sale. Construction work is expected to be completed in the second half of 2008.

Guangzhou Jinshazhou Project

Guangzhou Jinshazhou project is a 50:50 joint venture with CapitaLand China Holdings Pte. Ltd. This proposed development in Jinshazhou, Hengsha, Baiyuan District, Guangzhou has a total GFA of approximately 369,000 sq.m. (GFA attributable to the Group of approximately 184,500 sq.m.), comprising low-rise residential units with ancillary facilities including car parks and shopping amenities.

The project is currently at the planning stage. According to current development schedule, the project is expected to be completed in phases from 2009 to 2011.

Guangzhou Hai Zhu Plaza

Guangzhou Hai Zhu 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 of approximately 113,000 sq.m. and is intended to be developed into a grade-A office tower, a serviced apartment tower, a retail podium, car parks as well as ancillary facilities.

The project is currently in the process of resettlement of original occupants which is expected to be completed in 2008. The development is expected to be completed in 2010.

Guangzhou Donghua Dong Road Project

The site is located at Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 10,600 sq.m. The project is currently at the planning stage and is intended to be developed into a residential tower. The project is expected to be completed in 2011.

Guangzhou Da Sha Tou Road/Yuan Jiang Dong Road Project

The site is located at the junction of Da Sha Tou Road and Yuan Jiang Dong Road in Yuexiu District. The permitted GFA is approximately 8,800 sq.m. The project is currently at the planning stage and is intended to be developed into a serviced apartment tower. The project is expected to be completed in 2011.

Guangzhou Guan Lu Road Project

The site is located at Guan Lu Road in Yuexiu District. The permitted GFA is approximately 14,000 sq.m. The project is currently at the planning stage and is intended to be developed into a residential tower. The project is expected to be completed in 2011.

Zhongshan

Zhongshan Palm Springs

The project is located in Caihong Planning Area, West District of Zhongshan. Phase I of the project will comprise 27 blocks of residential towers and serviced apartments with a total GFA of approximately 138,000 sq.m. Construction work has already been commenced and is expected to be completed by the end of 2009. Other phases of the project is expected to be completed from 2010 and 2011.

Capital structure, liquidity and debt maturity profile

As at 31 January 2008, the Group had total borrowings in the amount of approximately HK$2,923 million (as at 31 July 2007: HK$2,746 million), representing an increase of HK$177 million. The consolidated net assets attributable to the equity holders of the Company amounted to approximately HK$6,215 million (as at 31 July 2007: HK$5,956 million). The total debt to equity ratio was 47% (as at 31 July 2007: 46%) and the total debt to total capitalisation (long-term debt + equity) ratio was 32% (as at 31 July 2007: 35%).

As at 31 January 2008, approximately 52% and 46% of the Group's borrowings were on fixed rate basis and floating rate basis respectively, with the remaining 2% of the Group's borrowings were interest free.

Apart from the Senior Notes, the Group's other borrowings of HK$1,408 million were 43% denominated in Renminbi ("RMB"), 13% in Hong Kong dollars ("HKD") and 44% in United States dollars ("USD").

In order to match its USD exposure on the Senior Notes with its revenue, which are mainly denominated in RMB, the Group has hedged its USD exposure on the Senior Notes in RMB. Apart from this hedge, the Group does not hedge its other exposures in RMB and USD.

The outstanding bank loans which are secured by the Group's properties at Shanghai Hong Kong Plaza and Guangzhou May Flower Plaza have been refinanced for a period of five years. As a result, the maturity profile of the Group's bank borrowings as at 31 January 2008 was spread over a period of 8 years, with approximately 9.9% repayable within one year, 89.3% repayable between two to five years and 0.8% repayable over five years. The term loans of the Group have amortisation throughout the tenure.

Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value amounting to approximately HK$3,973 million, service apartments with carrying value of approximately HK$552 million, properties under development with carrying value amounting to approximately HK$986 million, a property with carrying value amounting to approximately HK$44 million, and bank balances amounting to approximately HK$160 million at the balance sheet date.

Taking into account cash held as at the balance sheet date, available banking facilities and the recurring cashflow from the Group's operating activities, the Group believes that it has sufficient liquidity to finance its existing property development 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 obligations have been gradually reduced along with the settlement of the mortgage loans granted by the bank to the end-buyers.

Employees and Remuneration Policies

As at 31 January 2008, the Group employed a total of around 1,000 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.

In the coming months, the Group will focus on the pre-sale of Regents Park Phase II in Shanghai and West Point in Guangzhou. Initial response of the pre-sale of Regents Park Phase II has been satisfactory and the Group has pre-sold 71 units with a total GFA of approximately 8,500 sq.m. at an average selling price of approximately RMB33,000 per sq.m.

On the development projects, construction work has already commenced on Shanghai May Flower Plaza, Guangzhou Eastern Place Phase V and Zhongshan Palm Springs. Shanghai Northgate Plaza II is also expected to commence construction soon.

Renovation work on the retail podium of Shanghai Hong Kong Plaza will commence in the second half of 2008. The upgrade on the serviced apartments, lift lobbies and common areas of office tower will also commence later this year. During the renovation period, the rental income on the retail podium will be affected but we expect the impact would not be significant.

In 2008 the Chinese Government has further tightened its monetary policy. This will tighten the lending ability of the banks and increase the cost of funding. In the medium-to long-term, this is beneficial to the stable development of the Mainland property market. The Group maintains a healthy financial position and will take a cautious approach in the acquisition of new development opportunities.

Given the favourable response on the pre-sale of Regents Park Phase II, the Group is optimistic about the full year results for the year ending 31 July 2008.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 21 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 31 January 2008:

		No. of Options					
Name	Date of Grant	As at 1 August 2007	Granted during the period	Lapsed during the period	As at 31 January 2008	Option Period	Option Price per share
Director							
Tam Kin Man,	9/1/2007	10,000,000	—	(10,000,000)	—	1/1/2007 — 31/12/2007	HK$0.45
Kraven	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
Cheung Sum, Sam	8/8/2007	—	7,500,000	—	7,500,000	8/8/2007 — 31/7/2008	HK$0.50
	8/8/2007	—	7,500,000	—	7,500,000	1/8/2008 — 31/7/2009	HK$0.55
	8/8/2007	—	7,500,000	—	7,500,000	1/8/2009 — 31/7/2010	HK$0.60
	8/8/2007	—	7,500,000	—	7,500,000	1/8/2010 — 31/7/2011	HK$0.75
		40,000,000	30,000,000	(10,000,000)	60,000,000		
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	—	(2,500,000)	22,500,000		
Total		65,000,000	30,000,000	(12,500,000)	82,500,000		

The closing price of the Company's share immediately before the date of grant of options granted during the period was HK$0.390. The fair value of the share options granted during the period was HK$2,303,000 (six months ended 31 January 2007: HK$4,515,000), of which a share option expense of HK$508,000 was recognised in the condensed consolidated income statement during the period ended 31 January 2008 (six months ended 31 January 2007: HK$755,000).

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 formula used for the share options granted during the period ended 31 January 2008:

Dividend yield	0.25%
Expected volatility	48.52%
Risk-free interest rate	3.980% to 4.258%
Expected life of options	1 to 4 years
Weighted average share price	HK$0.40

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 and 12,500,000 options lapsed in accordance with the terms of the Scheme. As at 31 January 2008, the total number of 82,500,000 share options outstanding under the Scheme represented approximately 1.025% of the Company's shares in issue at that date.

DIRECTORS' INTERESTS

As at 31 January 2008, 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	30,000,000 (under share option)	Beneficial Owner	30,000,000	0.37%
Cheung Sum, Sam	Nil	Nil	Nil	30,000,000 (under share option)	Beneficial Owner	30,000,000	0.37%

Note: These interests in the Company represent 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 31 January 2008, 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 31 January 2008, 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 SE	Owner of Controlled Corporation	Corporate Interest	554,944,771	6.90%
Dresdner Bank Aktiengesellschaft	Owner of Controlled Corporation	Corporate Interest	554,944,771	6.90%
Veer Palthe Voute NV	Investment Manager	Corporate Interest	554,944,771	6.90%

Notes:

1. These interests in the Company represent 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 constitutes 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 31 January 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2008, 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

Loan agreements for certain banking facilities of certain subsidiaries of the Company 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 such loan agreements, the Company and such 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 aggregate outstanding loan balance of these facilities at the balance sheet date amounted to approximately HK$790 million, with the last installment repayment falling due in 2012.

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 throughout the accounting period covered by this Interim Report save for the deviations from code provisions A.4.1 and E.1.2, as follows:

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors of the Company is appointed for a specific term. However, all Directors of the Company are subject to the retirement provisions in the Articles of Association of the Company which provide that the Directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring Director shall be eligible for re-election.

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 21 December 2007.

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 31 January 2008.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31 January 2008 has been reviewed by the Audit Committee of the Company. 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, 11 April 2008