LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED
(Stock code: 488)

Interim Report 2010-2011

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ngok, Peter *(Chairman)*	
Lau Shu Yan, Julius *(Chief Executive Officer)*	
Tam Kin Man, Kraven	
Cheung Wing Sum, Ambrose, MH, JP	
Lui Siu Tsuen, Richard	(appointed on 1 January 2011)
Cheung Sum, Sam	(appointed on 1 March 2011)
Leung Churk Yin, Jeanny	(resigned on 1 January 2011)

Non-executive Directors

Lam Kin Ming	
U Po Chu	
Wan Yee Hwa, Edward	(re-designated as a non-executive director on 1 February 2011)

Independent non-executive Directors

Lam Bing Kwan
Leung Shu Yin, William
Ip Shu Kwan, Stephen, GBS, JP

COMPANY SECRETARY

Kwok Siu Man

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*Stock code on the Hong Kong Stock Exchange: **488***

RESULTS

The board of directors (the "Board") 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 31 January 2011 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2011

		Six months ended 31 January	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**669,439**	341,933
Cost of sales		**(353,473)**	(111,305)
Gross profit		**315,966**	230,628
Other revenue and gain		**39,938**	18,554
Selling and marketing expenses		**(24,597)**	—
Administrative expenses		**(147,677)**	(140,403)
Other operating expenses, net		**(11,691)**	(32,547)
Fair value gain on investment properties		**587,635**	782,772
Provision for tax indemnity	*12(c)*	**(47,185)**	(34,352)
PROFIT FROM OPERATING ACTIVITIES	*4*	**712,389**	824,652
Finance costs	*5*	**(23,866)**	(19,381)
Share of profits and losses of associates	*8*	**391,588**	671,533
PROFIT BEFORE TAX		**1,080,111**	1,476,804
Tax	*6*	**(115,677)**	(146,250)
PROFIT FOR THE PERIOD		**964,434**	1,330,554
Attributable to:			
Ordinary equity holders of the Company		**940,835**	1,308,667
Non-controlling interests		**23,599**	21,887
		964,434	1,330,554
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic		**HK 6.64 cents**	HK 9.24 cents
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2011

	Six months ended 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**964,434**	1,330,554
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	**168,487**	144,297
Exchange realignments:		
Subsidiaries	**233**	1
Associate	**33,757**	(7,046)
Share of investment revaluation reserve of an associate	**8,338**	32,582
Share of an associate's release of reserves to income statement upon its disposal of an interest in an associate	**(99,279)**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**111,536**	169,834
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,075,970**	1,500,388
Attributable to:		
Ordinary equity holders of the Company	**1,052,290**	1,478,501
Non-controlling interests	**23,680**	21,887
	1,075,970	1,500,388

Condensed Consolidated Statement of Financial Position

As at 31 January 2011

	Notes	31 January 2011 (Unaudited) HK$'000	31 July 2010 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**362,866**	368,231
Prepaid land lease payments		**26,552**	27,066
Investment properties		**7,040,580**	6,444,930
Properties under development for sale		**933,054**	900,378
Interests in associates	8	**4,068,135**	3,725,761
Available-for-sale financial assets		**869,112**	657,994
Held-to-maturity debt investments		**—**	35,840
Pledged bank balances and time deposits		**94,723**	99,154
Total non-current assets		**13,395,022**	12,259,354
CURRENT ASSETS			
Completed properties for sale		**243,773**	465,085
Equity investments at fair value through profit or loss		**19,455**	12,552
Inventories		**6,001**	4,780
Debtors and deposits paid	9(a)	**135,625**	121,315
Held-to-maturity debt investments		**132,243**	144,812
Cash and cash equivalents		**1,250,998**	1,124,778
Total current assets		**1,788,095**	1,873,322
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9(b)	**223,011**	216,621
Tax payable		**54,908**	51,829
Bank borrowings		**1,349,110**	390,323
Total current liabilities		**1,627,029**	658,773
NET CURRENT ASSETS		**161,066**	1,214,549
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,556,088**	13,473,903
NON-CURRENT LIABILITIES			
Bank borrowings		**(1,184,920)**	(2,313,493)
Deferred tax		**(1,075,627)**	(975,875)
Provision for tax indemnity	12(c)	**(517,376)**	(470,191)
Long term rental deposits received		**(48,206)**	(47,523)
Total non-current liabilities		**(2,826,129)**	(3,807,082)
		10,729,959	9,666,821
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	10	**141,620**	141,620
Share premium account		**6,974,701**	6,974,701
Investment revaluation reserve		**777,902**	699,769
Share option reserve		**948**	12,417
Capital redemption reserve		**1,200,000**	1,200,000
General reserve	10	**504,136**	504,136
Other reserve		**4,962**	3,734
Special capital reserve	10	**126,264**	126,264
Exchange fluctuation reserve		**68,197**	35,058
Retained profits/(Accumulated losses)		**661,706**	(292,009)
		10,460,436	9,405,690
Non-controlling interests		**269,523**	261,131
		10,729,959	9,666,821

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2011

	Attributable to ordinary equity holders of the Company												
	Issued capital	Share premium account	Investment revaluation reserve	Share option reserve	Capital redemption reserve	General reserve	Other reserve	Special capital reserve	Exchange fluctuation reserve	Retained profits/ (Accumulated losses)	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 July 2010 and 1 August 2010 (Audited)	141,620	6,974,701	699,769	12,417	1,200,000	504,136	3,734	126,264	35,058	(292,009)	9,405,690	261,131	9,666,821
Total comprehensive income for the period	—	—	78,133	—	—	—	—	—	33,322	940,835	1,052,290	23,680	1,075,970
Share of reserve movements of associates	—	—	—	(4,897)	—	—	1,228	—	(183)	6,308	2,456	—	2,456
Transfer of reserve upon lapse of share options	—	—	—	(6,572)	—	—	—	—	—	6,572	—	—	—
Dividend paid to a non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(15,288)	(15,288)
At 31 January 2011 (Unaudited)	141,620	6,974,701	777,902	948	1,200,000	504,136	4,962	126,264	68,197	661,706	10,460,436	269,523	10,729,959
At 31 July 2009 and 1 August 2009 (Audited)	141,620	6,974,701	450,378	19,019	1,200,000	504,136	—	46,885	41,579	(2,284,844)	7,093,474	221,630	7,315,104
Total comprehensive income/ (expenses) for the period	—	—	176,879	—	—	—	—	—	(7,045)	1,308,667	1,478,501	21,887	1,500,388
Share of reserve movements of associates	—	—	—	(5,871)	—	—	—	—	—	6,562	691	—	691
Transfer of reserves	—	—	—	—	—	—	—	79,379	—	(79,379)	—	—	—
Dividend paid to a non-controlling interest of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(11,466)	(11,466)
At 31 January 2010 (Unaudited)	141,620	6,974,701	627,257	13,148	1,200,000	504,136	—	126,264	34,534	(1,048,994)	8,572,666	232,051	8,804,717

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2011

	Six months ended 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**327,998**	76,388
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(16,418)**	(524,832)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**(185,593)**	424,329
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**125,987**	(24,115)
Cash and cash equivalents at beginning of period	**1,124,778**	1,019,259
Effect of foreign exchange rate changes, net	**233**	1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,250,998**	995,145
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**260,414**	236,433
Non-pledged time deposits with original maturity of less than three months when acquired	**990,584**	758,712
	1,250,998	995,145

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2011 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 2010. The Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the Group and are effective in the current period. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

Impact of issued but not yet effective HKFRSs

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

Improvements to HKFRSs 2010[1]	
HKAS 24 (Revised)	Related Party Disclosures[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The adoption of the amendments to HKAS 12 may have a material impact on deferred tax recognised for investment properties that are measured using the fair value model. The Group is in the process of assessing the impact from application of these amendments.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

3. SEGMENT INFORMATION

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

	Six months ended 31 January (Unaudited)											
	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**287,486**	—	**174,614**	169,984	**196,758**	162,286	**10,581**	9,663	**—**	—	**669,439**	341,933
Intersegment sales	**—**	—	**3,800**	5,346	**—**	—	**11,431**	14,186	**(15,231)**	(19,532)	**—**	—
Other revenue	**2,533**	462	**266**	272	**—**	—	**—**	—	**—**	—	**2,799**	734
Total	**290,019**	462	**178,680**	175,602	**196,758**	162,286	**22,012**	23,849	**(15,231)**	(19,532)	**672,238**	342,667
Segment results	**40,904**	(4,604)	**135,240**	131,630	**40,299**	39,695	**(63)**	2,349	**—**	—	**216,380**	169,070
Interest income and unallocated gains											**37,139**	17,820
Fair value gain on investment properties	**—**	—	**587,635**	782,772	**—**	—	**—**	—	**—**	—	**587,635**	782,772
Unallocated expenses											**(81,580)**	(110,658)
Provision for tax indemnity											**(47,185)**	(34,352)
Profit from operating activities											**712,389**	824,652
Finance costs											**(23,866)**	(19,381)
Share of profits and losses of associates	**(3,075)**	(152)	**147,691**	605,229	**431**	(167)	**—**	—	**—**	—	**145,047**	604,910
Share of profits and losses of associates — unallocated											**246,541**	66,623
Profit before tax											**1,080,111**	1,476,804
Tax											**(115,677)**	(146,250)
Profit for the period											**964,434**	1,330,554

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

3. SEGMENT INFORMATION *(continued)*

The following table presents the total assets for the Group's reportable segments:

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	31 January 2011 (Unaudited) *HK$'000*	31 July 2010 (Audited) *HK$'000*	**31 January 2011 (Unaudited) *HK$'000***	31 July 2010 (Audited) *HK$'000*	**31 January 2011 (Unaudited) *HK$'000***	31 July 2010 (Audited) *HK$'000*	**31 January 2011 (Unaudited) *HK$'000***	31 July 2010 (Audited) *HK$'000*	**31 January 2011 (Unaudited) *HK$'000***	31 July 2010 (Audited) *HK$'000*
Segment assets	**1,237,549**	1,409,304	**7,060,815**	6,465,206	**553,906**	528,001	**54,475**	56,497	**8,906,745**	8,459,008
Interests in associates	**281,861**	279,531	**1,531,871**	1,384,180	**4,622**	4,174	**—**	—	**1,818,354**	1,667,885
Interests in associates — unallocated									**2,249,781**	2,057,876
Unallocated assets									**2,208,237**	1,947,907
Total assets									**15,183,117**	14,132,676

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Depreciation #	**11,447**	13,217
Amortisation of prepaid land lease payments *	**514**	514
Loss/(gain) on disposal of equity investments at fair value through profit or loss*	**882**	(462)
Fair value (gain)/loss on equity investments at fair value through profit or loss*	**(2,083)**	22,401
Gain on disposal of an available-for-sale financial assets	**(27,795)**	—
Interest income from bank deposits	**(1,676)**	(922)
Other interest income	**(1,702)**	(3,692)
Dividend income from unlisted available-for-sale equity investments	**(215)**	(529)

\# *Depreciation charge of HK$9,840,000 (Six months ended 31 January 2010: HK$9,571,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the condensed consolidated income statement.*

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

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

5. FINANCE COSTS

	Six months ended 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**21,108**	15,668
Bank financing charges	**4,651**	4,666
	25,759	20,334
Less: Amount capitalised in properties under development for sale	**(1,893)**	(953)
	23,866	19,381

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2010: 16.5%) 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 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**8,369**	7,627
Overseas	**7,556**	7,653
	15,925	15,280
Deferred tax	**99,752**	130,970
Tax charge for the period	**115,677**	146,250

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK$940,835,000 (Six months ended 31 January 2010: HK$1,308,667,000) and the weighted average number of 14,162,042,000 (Six months ended 31 January 2010:14,162,042,000) ordinary shares in issue during the period.

The diluted earnings per share amounts for the six months ended 31 January 2011 and 2010 have not been disclosed as no diluting events existed during both periods.

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

8. INTERESTS IN ASSOCIATES/SHARE OF PROFITS AND LOSSES OF ASSOCIATES

The eSun Group

Included in the Group's interests in associates at 31 January 2011 and share of profits and losses of associates for the six months ended 31 January 2011 was the Group's share of net assets and profits of the eSun Group of HK$2,236,443,000 (31 July 2010: HK$2,044,631,000) and HK$246,539,000 (Six months ended 31 January 2010: HK$66,626,000) respectively.

Reorganisation involving shares in the capital of Lai Fung Holdings Limited ("Lai Fung") and the Company

As at 31 July 2010, the Group's interest in eSun was 36.08% and the eSun Group held 36.72% of the issued share capital of the Company.

On 26 July 2010, Lai Sun Garment (International) Limited ("LSG"), a substantial shareholder of the Company, entered into a conditional shares swap agreement with eSun pursuant to which:

(a) LSG agreed to transfer or procure the transfer of, and eSun agreed to accept the transfer of, LSG's direct and indirect interests in 3,265,688,037 shares in the capital of Lai Fung (the "Lai Fung Transaction"), representing approximately 40.58% of the existing issued share capital of Lai Fung and LSG's entire shareholding interest in Lai Fung. The consideration was to be satisfied by (i) the transfer to LSG of eSun's entire shareholding interest in the Company; and (ii) cash consideration of HK$178.4 million payable by eSun to LSG (HK$100 million to be paid on the date of completion of the Shares Swap Transactions (see definition below), and approximately HK$78.4 million to be paid, without interest, six months after the date of completion); and

(b) eSun agreed to procure the transfer of, and LSG agreed to accept the transfer of, eSun's indirect interest in 5,200,000,000 shares in the capital of the Company (the "LSD Transaction", together with the Lai Fung Transaction collectively referred to as "Shares Swap Transactions"), representing approximately 36.72% of the existing issued share capital of the Company and eSun's entire shareholding interest in the Company. The consideration was to be satisfied by the transfer to eSun of LSG's entire shareholding interest in Lai Fung less the cash consideration of approximately HK$178.4 million receivable by LSG from eSun.

Further details of the Shares Swap Transactions were set out in the joint announcement of LSG and eSun dated 26 July 2010 and the circulars of LSG and eSun both dated 30 August 2010. Resolutions approving the shares swap agreement were duly passed at an extraordinary general meeting of LSG and a special general meeting of eSun on 20 September 2010. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Shares Swap Transactions took place on 30 September 2010.

Upon completion of the Shares Swap Transactions, eSun no longer holds any interest in the Company but the Company continues to hold a 36.08% equity interest in eSun. Accordingly, the cross-shareholding relationship between eSun and the Company was eliminated.

Included in the share of results of eSun Group above were (i) eSun Group's gain on disposal of 36.72% interest in the Company shared by the Group of HK$215,505,000; and (ii) eSun Group's discount on acquisition of 40.58% interest in Lai Fung shared by the Group of HK$1,861,000.

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

8. INTERESTS IN ASSOCIATES/SHARE OF PROFITS AND LOSSES OF ASSOCIATES *(continued)*

Macao Studio City

eSun has been engaged in the Macao Studio City project through its interest in East Asia Satellite Television (Holdings) Limited ("EAST (Holdings)"), of which 66.7% is held indirectly by eSun and 33.3% is held by CapitaLand Integrated Resorts Pte. Ltd. ("CapitaLand"), a wholly-owned subsidiary of CapitaLand Limited (one of the largest listed real estate companies in Asia). EAST (Holdings) has a 60% interest in Cyber One, the joint venture company responsible for the project while the US partner, New Cotai, LLC, holds the balance 40%. Disputes have arisen in respect of the joint venture, which has led to litigation between the parties. Details of the disputes and ensuring litigation are set out in the 2010 Final Results Announcement of eSun published on 29 March 2011. With the litigation continuing, it should be noted that its timing and outcome remain inherently uncertain. The Directors of eSun consider that the core claims made by the eSun Group are well-founded and the litigations are necessary in order to protect the interest of all of eSun's shareholders and, ultimately, to preserve the potential of the Macao Studio City project. Further, in the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau government would exercise its rights, including but not limited to its rights to re-possess the plot of land of Macao Studio City.

Diamond String Limited ("Diamond String")

Included in the Group's interests in associates as at 31 January 2011 and share of profits and losses of associates for the six months ended 31 January 2011 was the Group's share of net assets and profits of Diamond String, a 50%-owned associate of HK$1,531,871,000 (31 July 2010: HK$1,384,180,000) and HK$147,691,000 (Six months ended 31 January 2010: HK$605,229,000) respectively.

During the six months ended 31 January 2010, the Group adopted the amendments to HKAS 40 which became effective in the Group's accounting period beginning 1 August 2009. Under the amendments, investment property under construction is included within the scope of HKAS 40. Investment property under construction could be carried at fair value when its fair value is reliably determinable. Any difference between the fair value and the carrying book value of the property shall be recognised as gain or loss in the income statement for the period of initial adoption of this amendment. Prior to the amendments, investment property under construction was carried at cost until the construction had been completed. The Group, through Diamond String holds a property ("Property") situated at 3 Connaught Road Central, Hong Kong (formerly operating as "The Ritz-Carlton Hong Kong") which is being re-developed into a grade-A office tower for investment purpose. The Property is stated at cost less accumulated depreciation and any impairment losses in Diamond String's financial statements. When the Group accounts for its interest in Diamond String under equity method in its consolidated financial statements, the Property is measured at fair value for the purpose of conforming to the Group's accounting policies. As a result, a 50% share of fair value gain arising from valuation of the Property of HK$605,366,000 (net of the related deferred tax and goodwill) was recorded in the Group's share of results of associates for the six months ended 31 January 2010. In current period, the Group's share of profits of Diamond String was mainly attributable to the Group's share of the fair value gain in the period arising from the Property of HK$147,870,000 (net of the related deferred tax).

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

9. DEBTORS AND DEPOSITS PAID/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. 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. 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 ageing analysis of the trade debtors, based on payment due date, as at the end of the reporting period is as follows:

	31 January 2011 (Unaudited) *HK$'000*	31 July 2010 (Audited) *HK$'000*
Trade debtors:		
Not yet due or less than 30 days past due	**22,876**	23,363
31 — 60 days past due	**1,544**	1,458
61 — 90 days past due	**389**	270
Over 90 days past due	**2,614**	2,282
	27,423	27,373
Other debtors and deposits paid	**108,202**	93,942
	135,625	121,315

(b) An ageing analysis of the trade creditors, based on payment due date, as at the end of the reporting period is as follows:

	31 January 2011 (Unaudited) *HK$'000*	31 July 2010 (Audited) *HK$'000*
Trade creditors:		
Not yet due or less than 30 days past due	**8,017**	6,973
31 — 60 days past due	**640**	173
61 — 90 days past due	**66**	1
Over 90 days past due	**458**	—
	9,181	7,147
Other creditors, deposits received and accruals	**213,830**	209,474
	223,011	216,621

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

10. SHARE CAPITAL

	31 January 2011		31 July 2010	
	Number of shares (Unaudited)	**Nominal value (Unaudited)**	Number of shares (Audited)	Nominal value (Audited)
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**17,200,000**	**172,000**	17,200,000	172,000
Preference shares of HK$1.00 each	**1,200,000**	**1,200,000**	1,200,000	1,200,000
		1,372,000		1,372,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**14,162,042**	**141,620**	14,162,042	141,620

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18 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 had 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.

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 1 August 2005 in respect of the Company's:

(1) 50% investment in Fortune Sign Venture Inc. ("Fortune Sign"), 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 18 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.

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

10. SHARE CAPITAL *(continued)*

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 upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserve of the Company and the same shall become available for distribution;

(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 being 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 reserve of the Company and the same shall become available for distribution.

In prior year, an aggregate amount of HK$630,400,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow Profits Limited ("Peakflow"), a wholly owned subsidiary of the Company which holds a 10% equity interest in Bayshore, to the extent of HK$372,072,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company. During the six months ended 31 January 2011, there was no movement of transfer between retained profits/(accumulated losses) and special capital reserve.

After the effective date of the Capital Reduction, the Company entered into a placing agreement dated 17 November 2006 pursuant to which a total of 1,416,000,000 new ordinary shares of HK$0.01 each in the capital of the Company were allotted and issued for net cash proceeds of HK$504,136,000. With such increase in the Company's issued share capital and share premium account resulting from the placing of new shares for cash, an aggregate amount of HK$504,136,000 was then transferred from special capital reserve to general reserve (a distributable reserve) of the Company in prior years pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

As a result of the above transfers between the reserves, the outstanding balance of the special capital reserve of the Company as at 31 January 2011 was HK$126,264,000 (31 July 2010: HK$126,264,000).

11. CAPITAL COMMITMENTS

The Group had the following commitments in respect of purchase of property, plant and equipment not provided for in the financial statements at the end of the reporting period:

	31 January 2011 (Unaudited) ***HK$'000***	31 July 2010 (Audited) *HK$'000*
Capital Commitments — contracted but not provided for	4,481	11,070

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

12. CONTINGENT LIABILITIES

(a) Contingent liabilities not provided for in the financial statements at the end of the reporting period are as follows:

	31 January 2011 (Unaudited) ***HK$'000***	31 July 2010 (Audited) *HK$'000*
Guarantees given to a bank in connection with a facility granted to and utilised by an associate	**250,596**	216,608

(b) In connection with the disposal (the "Transaction") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company, Limited ("Taiwa"), an indirect 50% owned associate of the Group, Taiwa, the Company, and the other 50% beneficial shareholder of Taiwa (collectively the "Covenantors") entered into a tax deed (the "Tax Deed") with the purchaser of the Transaction, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries collectively (the "Properties Holding Companies") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events happened prior to the completion of the Transaction for a maximum amount of HK$30,000,000. As such, the maximum liability of the Company under the Tax Deed is HK$15,000,000. The Tax Deed is valid for a period of 7 years from the date of its execution.

(c) Pursuant to an indemnity deed (the "Lai Fung Tax Indemnity Deed") dated 12 November 1997 entered into between the Company and 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 31 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 (currently known as "Knight Frank Petty Limited"), independent chartered surveyors, as at 31 October 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31 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 deed assumes 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 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 January 2011 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK$1,341,829,000.

As at 31 January 2011, the directors of the Company, after taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, considered it is probable that an estimated amount of HK$517,376,000 (31 July 2010: HK$470,191,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, an additional provision for the tax indemnity amount of HK$47,185,000 was recognised in the income statement for the six months ended 31 January 2011.

INTERIM ORDINARY DIVIDEND

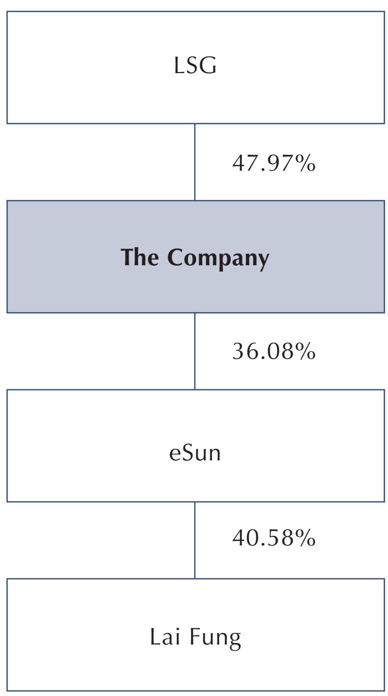
As at 31 January 2011, the Company did not have any reserves available for distribution in accordance with the provisions of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Board of the Company has resolved not to declare the payment of an interim ordinary dividend for the financial year ending 31 July 2011. No interim ordinary dividend was declared in respect of the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Reorganisation

On 30 September 2010, Lai Sun Garment (International) Limited ("LSG") and eSun Holdings Limited ("eSun") completed a group reorganisation (the "Group Reorganisation"). Pursuant to the Group Reorganisation, LSG transferred its entire shareholding interest in Lai Fung Holdings Limited ("Lai Fung") (approximately 40.58% of the issued share capital of Lai Fung) to eSun; to be settled by (i) the transfer to LSG of eSun's entire shareholding interest in the Company (approximately 36.72% of the issued share capital of the Company) and (ii) cash balance of approximately HK$178.4 million.

Immediately following the completion of the Group Reorganisation, the group structure involving LSG, the Company, eSun and Lai Fung has become as follows:



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Group Reorganisation *(continued)*

As a result of the Group Reorganisation, the cross-shareholding structure between the Company and eSun that existed since 2004 was dismantled. The Group Reorganisation simplified the ownership structure of the Company and eSun, and eliminated the circular effect of the accounting treatment of the cross-shareholdings. With this structure, the magnifying effect of the cross-held interests were eliminated. More importantly, the directors of the Company believe that the simplified shareholding structure provides greater clarity to shareholders and the market with regard to the core business of each of the above companies.

eSun became the controlling shareholder of Lai Fung, a company that has a well-established portfolio of property interests in the Mainland of China and shares the operating profit of Lai Fung as an associate (as that expression is used in the context of the Hong Kong Financial Reporting Standards) of eSun. This new shareholding structure directly benefits eSun and indirectly benefits the Company.

Overview of Interim Results

For the six months ended 31 January 2011, the Group recorded a turnover of HK$669,439,000 (2010: HK$341,933,000) and a gross profit of HK$315,966,000 (2010: HK$230,628,000), representing an increase of approximately 95.8% and 37.0% respectively from the previous corresponding period. The increase in turnover and gross profit was mainly attributable to the recognition of property development turnover from completion of sales of residential units at Emerald 28, Tai Po Road, Kowloon, Hong Kong.

During the period under review, the Group booked a fair value gain on completed investment properties of HK$587,635,000 (2010: HK$782,772,000) as a result of the continued strength of the macro-economic conditions, rebound of the property markets and a low interest rate environment. During the period under review, the Group recorded an additional provision for tax indemnity of approximately HK$47,185,000 (2010: a provision of HK$34,352,000). Such provision was made in respect of certain tax indemnity granted by the Group to Lai Fung in November 1997 at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited (details of such tax indemnity and provision are set out in Note 12(c) above). Taking into account of the above exceptional items, the Group recorded a profit from operating activities of HK$712,389,000 during the six months ended 31 January 2011 (2010: HK$824,652,000).

During the period under review, share of profits from associates was HK$391,588,000, compared to that of HK$671,533,000 in the previous corresponding period. Movements of main items of the Group's share of profits from associates during the period under review were as follows:

1. The Group currently holds a 50% shareholding interest in Diamond String Limited ("DSL"), which is the joint venture company between the Group and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB") for the redevelopment of 3 Connaught Road Central, Hong Kong. During the period under review, the Group's share of the fair value gain in the Group's consolidated income statement (net of the related deferred tax) from DSL's investment property under development amounted to approximately HK$147,900,000 (2010: HK$605,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Overview of Interim Results *(continued)*

2. Prior to the Group Reorganisation, the Group held a 36.08% shareholding interest in eSun, which in turn held a 36.72% shareholding interest in the Group. Following completion of the Group Reorganisation on 30 September 2010, (i) the Group continues to hold a 36.08% shareholding interest in eSun but the cross-shareholding was eliminated, and (ii) eSun holds a 40.58% shareholding interest in Lai Fung. Accordingly, the share of profits of eSun during the period under review was mainly attributable to the (i) share of eSun's operating losses (excluding LSD and Lai Fung) of HK$73,200,000 (2010: HK$123,000,000); (ii) share of eSun's share of the Company's profits due to the cross-shareholding structure that was in place during the period from 1 August 2010 to 30 September 2010 of HK$51,900,000 (2010: HK$190,000,000); (iii) share of eSun's gain on the Group Reorganisation of HK$217,400,000; and (iv) share of eSun's share of Lai Fung's results from 1 October 2010 to 31 January 2011 of HK$50,400,000.

Finance costs during the period amounted to HK$23,866,000 (2010: HK$19,381,000).

For the six months ended 31 January 2011, the Group recorded a consolidated net profit attributable to ordinary equity holders of the Company of HK$940,835,000 (2010: HK$1,308,667,000).

Shareholders' equity as at 31 January 2011 amounted to HK$10,460,436,000, up from HK$9,405,690,000 as at 31 July 2010. Net asset value per share as at 31 January 2011 was HK$0.739, as compared to HK$0.664 as at 31 July 2010.

Business Review

Investment Properties

The Group wholly owns three major investment properties in Hong Kong, i.e. Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the six months ended 31 January 2011, aggregate gross rental income from the Group's investment properties amounted to approximately HK$174,600,000 (2010: HK$170,000,000), representing a slight increase of 2.7% over the last corresponding period. As at 31 January 2011, overall occupancy of the Group's investment properties remained high at 97%.

Development Properties

The Group holds the following property development projects in Hong Kong:

3 Connaught Road Central Project (Redevelopment of the former The Ritz-Carlton Hong Kong site)

This joint redevelopment project is a 50:50 joint venture between the Group and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB"). The buildable gross floor area is approximately 225,000 square feet. The redeveloped office tower will become a landmark property in Central. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations. Total construction cost of the project is estimated to be about HK$1,100,000,000.

Foundation work was completed in April 2010 and main construction work has started since then. The entire redevelopment work is now expected to be completed around mid-2012.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

Development Properties *(continued)*

The Oakhill, Wood Road, Wanchai

This joint residential development project is a 50:50 joint venture between the Group and Invesco Management Group, Inc. (formerly known as AIG Global Real Estate Investment (Asia) LLC). The project's total development cost is approximately HK$1,300,000,000. The project comprises a total of 130 residential units with a total gross floor area of 154,713 square feet, podium retail units with a total gross floor area of 7,880 square feet and about 60 car-parking spaces for sale.

The project is scheduled for completion by the second half of 2011. Pre-sale for the residential units commenced in July 2010. To date, 122 residential units with an aggregate gross floor area of 139,423 square feet were pre-sold at an average selling price of approximately HK$14,800 per square foot. The development income will be recognised in the Group's share of results of associates after completion of the project.

Emerald 28, Tai Po Road, Kowloon

The Group wholly owns this development project. The project's estimated total development cost is approximately HK$500,000,000. The project comprises a total of 53 residential units with a total gross floor area of 60,686 square feet and podium retail units with a total gross floor area of 10,186 square feet. During the period under review, the Group recorded the sale of 29 residential units with an aggregate gross floor area of 33,178 square feet at an average selling price of HK$8,665 per square foot and recognised a turnover of HK$287,500,000.

Yau Tong Project

The Group wholly owns this development project located at No. 4 Shung Shun Street, Yau Tong, Kowloon. The Group intends to develop the site into a residential-cum-commercial property with a total gross floor area of about 108,000 square feet. The estimated total development cost (including land cost) is about HK$700 million.

Superstructure work was started in February 2011 and the entire construction is scheduled for completion by the second half of 2012. The Group tentatively plans to commence pre-sale of the residential units around the end of 2011.

Tai Hang Road Project

The Group wholly owns this project and intends to redevelop the site located at 335-339 Tai Hang Road into a luxury residential property. A total gross floor area for redevelopment is about 30,000 square feet. The total development cost (including land cost) is estimated to be about HK$650 million.

Foundation work was started in October 2010 and the entire construction is scheduled for completion in the first half of 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

Hotel and Restaurant Operation

For the six months ended 31 January 2011, hotel and restaurant operations contributed HK$196,758,000 to the Group's turnover (2010: HK$162,286,000), up approximately 21.2% from the previous corresponding period. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of Caravelle Hotel in Ho Chi Minh City, Vietnam. For the period under review, Caravelle Hotel achieved an average occupancy of 68% (2010: 58%) and an average daily room rate of US$142 (2010: US$153).

eSun

Prior to the completion of the Group Reorganisation, eSun's principal businesses included media and entertainment, the development of Macao Studio City project through its 40% effectively-owned jointly controlled entity and the holding of a 36.72% equity interest in the Company. Following completion of the Group Reorganisation, eSun now holds approximately 40.58% shareholding interest in Lai Fung but no longer owns a stake in the Company.

Macao Studio City

Macao Studio City is an integrated leisure resort project combining theatre/concert venues, live entertainment facilities, a destination retail complex, Las Vegas-style gaming facilities and world-class hotels. The site of the project is strategically located next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island. There is no progress on the Macao Studio City project over the period, essentially because of the continuing litigations between joint venture partners.

Cyber One Agents Limited ("Cyber One") is the jointly-controlled joint venture company responsible for the project. East Asia Satellite Television (Holdings) Limited ("EAST (Holdings)") is the holding company of a 60% interest in Cyber One, of which 66.7% is held indirectly by eSun and 33.3% is held by CapitaLand Integrated Resorts Pte. Ltd. ("CapitaLand"), a wholly-owned subsidiary of CapitaLand Limited. New Cotai, LLC ("New Cotai") is the US joint venture partner holding a 40% interest in Cyber One.

Cyber One has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. Since 2009, there have been disputes and ongoing litigations between EAST (Holdings) and New Cotai on the land grant modification and development of the project.

The outcome of all these legal proceedings remains inherently uncertain. However, eSun believes that the litigation is necessary in order to protect the interest of eSun and, ultimately, to preserve the potential of the Macao Studio City project. Further, in the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau government would exercise its rights, including but not limited to its rights to re-possess the plot of land of Macao Studio City.

Cyber One has not appointed a general contractor and has not, to date, progressed the building works beyond foundations for the superstructure. Cyber One presently has only a minimal staff base so as to contain overheads and expenses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

eSun *(continued)*

Financing

To date, the parties have contributed a total of US$200 million capital to the project (eSun's attributable share being US$80 million). However, Cyber One has yet to secure the necessary project finance for the development. The directors of eSun believe that this will be more readily achievable once consensus is reached between the joint venture partners or the current differences are resolved.

EAST (Holdings)'s put option

Although eSun and CapitaLand have been in consistent agreement on the development of Macao Studio City, it should be noted that, in the event the land grant modification for the first phase of the project has not been published by the Macau government and the occupation permit for Macao Studio City (in effect, signifying completion of the first phase of the project) is not issued solely due to the failure of the Macau government to publish in its gazette the land grant modification for the first phase of the project, in each case, within 54 months of completion of CapitaLand's investment (i.e. by mid-September 2011), then CapitaLand would, subject to the terms and conditions in the relevant sale and purchase agreement, have an option to put back its holding of shares in EAST (Holdings) to eSun. The consideration payable for such shares would be equal to the purchase price paid by CapitaLand for the shares (being approximately HK$659 million to date) and any further sums invested by it (being US$40 million to date, as its project funding contribution) net of any returns or dividends received by CapitaLand. Were the put option to become exercisable and be exercised and completed, eSun's attributable interest in Macao Studio City would increase to 60%.

Media and entertainment businesses

During the period under review, there were increases in revenue across all of eSun's media and entertainment business operations including film production and distribution, entertainment event income, music production and distribution, film library licensing income.

Prospects

Development Properties

The continued economic growth, a low interest rate, ample liquid funds and a tight market supply of residential units have extended the bullish sentiment to Hong Kong's residential properties since early 2010. As pre-cautionary measures against the rising risks of inflation and the development of a property bubble, the Hong Kong Government and the Hong Kong Monetary Authority in November 2010 introduced a series of tightening measures, including the levy of a special stamp duty on short-term property transactions and the direction to mortgage lenders to lower the loan-to-value ratio for mortgage loans to ease property speculation. Between November 2010 and early 2011, the market experienced a short-term consolidation, evidenced by a sharp drop in the transaction volume. Starting from early 2011, the market gradually stabilised as the transaction volume recovered and the prices of the residential properties edged up modestly. Such recovery has reinforced the confidence of the market and re-opened the windows for primary sales of residential projects. The low interest rate environment and a tight supply of residential units in urban areas are expected to sustain a steady development of the residential market in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects *(continued)*

Development Properties *(continued)*

The Group currently holds a number of residential projects under development in Hong Kong. In 2010, the Group has managed to capture the strong growth in the Hong Kong residential property market by achieving satisfactory sales performances for The Oakhill and Emerald 28 projects that it owns 50% and 100% respectively. In 2011, the Group intends to sell the remaining units at The Oakhill and Emerald 28 and starts the preparation work for the pre-sale of the development project in Yau Tong.

Investment Properties

Rentals for office and commercial properties in prime locations in Hong Kong have sustained a rising momentum since the middle of 2009. Favourable operating conditions for most commercial sectors in Hong Kong foster a greater demand for office space which in turn fuels the uptick of rental rates. The improved local consumption expenditure and the strong retail spending by the Mainland visitors provide further impetus to the retail market. The strong retail performance in Hong Kong has boosted rental demand for retail premises. In 2011, the Group will target to maintain high occupancy rates and rental cashflows from its investment properties.

New Investments

With a healthy balance sheet and good cash inflow from the timely sale of its residential units of The Oakhill and Emerald 28, the Group is now actively evaluating new property investment and development opportunities in Hong Kong and overseas.

In February 2011, the Group announced the acquisition of an office building with a total floor area of 41,680 sq. ft. at 36 Queen Street, London, the United Kingdom at a consideration of GBP 16,880,000 (equivalent to approximately HK$213,532,000). The Group believes that this acquisition represents an opportunity to own a prime investment property in the core of the financial district of central London that generates a good rental yield and a steady flow of rental income.

eSun

Macao Studio City

Despite the on-going litigations, eSun remains confident about the future of the Macao Studio City project, with or without the participation of its US project partners.

Media and entertainment

With regard to eSun's media and entertainment businesses, eSun will strive to (i) produce more quality Chinese-language films that appeal to local and international markets; (ii) expand its live entertainment business events in Hong Kong and worldwide; (iii) explore new media channels for music distribution; (iv) increase investments in television dramas; (v) continue to develop its own new media and entertainment Internet platform — Goyeah.com; and (vi) expand the coverage of its artiste management business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects *(continued)*

eSun *(continued)*

Lai Fung

China's property market will continue to be influenced by policy risks. The unfavourable impact of the existing austerity policies in China towards the property market will lead to short-term volatility in the property market. Overall, Lai Fung believes that the intention of the government policies on the property market has been consistent; these policies are aimed to stabilise the property price and curb speculative demand in order to achieve a steady development of the property market.

Lai Fung's net gearing level was low by industry standards. Lai Fung will be able to implement its business plan and respond to the challenges of the ever-changing policies. Lai Fung will continue with its construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. Lai Fung is now awaiting improvement in the market sentiment in order to launch further pre-sale of properties in its pipeline. Furthermore, as encouraged by its success in revitalizing the Shanghai Hong Kong Plaza property, Lai Fung will continue to grow its recurrent income base through an upgrade program aimed at improving existing rental properties and the addition of new venues through completion of commercial property portions of new development projects. While it expects its rental income to increase steadily in the next few years, Lai Fung will closely monitor the market and cautiously evaluate new investment opportunities.

Liquidity and Financial Resources

As at 31 January 2011, the Group had consolidated net assets of approximately HK$10,460 million (as at 31 July 2010: HK$9,406 million).

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations and loan facilities provided by banks.

As at 31 January 2011, the Group had outstanding secured bank borrowings of approximately HK$2,534 million (as at 31 July 2010: HK$2,704 million). The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 24%. As at 31 January 2011, the maturity profile of the bank borrowings of HK$2,534 million was spread over a period of less than 3 years with HK$1,349 million repayable within 1 year, HK$961 million repayable in the second year and HK$224 million repayable in the third year. As at 31 January 2011, all the Group's borrowings carried interest on a floating rate basis.

As at 31 January 2011, certain investment properties with a total carrying amount of approximately HK$7,029 million, certain property, plant and equipment with a total carrying amount of approximately HK$247 million, prepaid land lease payments of approximately HK$27 million, certain properties under development of approximately HK$442 million, certain completed properties for sale of approximately HK$241 million and certain bank balances and time deposits with banks of approximately HK$95 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares in an associate held by the Group were pledged to a bank to secure a loan facility granted to that associate of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources *(continued)*

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

Employees and Remuneration Policies

The Group employed a total of approximately 1,200 employees as at 31 January 2011. Pay rates of employees are maintained at competitive levels and salary adjustments or bonuses are made on a performance related basis. Other staff benefits included a share option scheme, a mandatory provident fund scheme for all the eligible employees, a free hospitalisation insurance plan, subsidised 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 RULES GOVERNING THE LISTING OF SECURITIES (THE "LISTING RULES") ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE") ("CHAPTER 13")

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

As at 31 January 2011, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies exceeded the assets ratio of 8% (as defined in the Listing Rules).

In compliance with paragraph 13.22 of Chapter 13, the proforma combined statement of financial position of the affiliated companies at 31 January 2011 is disclosed as follows:

	HK$'000
Property, plant and equipment	266,715
Film rights	60,624
Film products	86,765
Music catalogs	92,530
Interest in jointly controlled entities	1,037,169
Interests in associates	4,366,538
Available-for-sale investments	77,946
Deposits, prepayments and other receivables	99,747
Deferred tax assets	4,058
Investment property under construction	1,158,079
Properties under development	1,291,888
Amounts due from shareholders	31,277
Net current assets	328,515
Total assets less current liabilities	8,901,851
Long term borrowings	(654,159)
Deferred tax	(534)
Deferred income	(47,730)
Amounts due to shareholders	(2,050,036)
	(2,752,459)
	6,149,392
CAPITAL AND RESERVES	
Issued capital	629,563
Share premium account	4,227,678
Contributed surplus	891,289
Share option reserve	2,627
Other reserve	13,753
Exchange fluctuation reserve	(6,223)
Retained profits	73,705
	5,832,392
Non-controlling interests	317,000
	6,149,392

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 22 December 2006 and the Scheme became effective on 29 December 2006 (the "Commencement Date"). The purpose of the Scheme is to provide incentives or rewards to any eligible employee and 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 of 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 altered or terminated, the Scheme will be valid and effective for a period of 10 years commencing on the Commencement Date.

The particulars of the movement of the share options outstanding under the Scheme during the six months ended 31 January 2011 are as follows:

	Number of underlying shares comprised in options								
Name of Director	As at 1 August 2010	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	As at 31 January 2011	Date of Grant (dd/mm/yyyy)	Exercisable Period (dd/mm/yyyy)	Subscription Price per Share
Lau Shu Yan, Julius	15,000,000	—	—	15,000,000	—	—	19/01/2007	19/01/2007-31/12/2010	HK$0.45
	15,000,000	—	—	15,000,000	—	—	19/01/2007	19/01/2007-31/12/2010	HK$0.55
	15,000,000	—	—	15,000,000	—	—	19/01/2007	19/01/2007-31/12/2010	HK$0.65
	15,000,000	—	—	15,000,000	—	—	19/01/2007	19/01/2007-31/12/2010	HK$0.75
Total	60,000,000	—	—	60,000,000	—	—			

A share option comprising a total of 60,000,000 underlying Shares lapsed on 1 January 2011 upon expiration of the exercise period from 19 January 2007 to 31 December 2010 in accordance with the terms of the Scheme. During the six-month period ended 31 January 2011, no options were granted, exercised or cancelled in accordance with the terms of the Scheme.

DIRECTORS' INTERESTS

The directors and chief executive of the Company who held office on 31 January 2011 and their respective associates (as defined in the Listing Rules on the Stock Exchange) had the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (the "Register"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company:

DIRECTORS' INTERESTS *(Continued)*

(1) The Company

Long positions in the ordinary shares of HK$0.01 each (the "Shares")

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	10,099,585	Nil	6,792,869,192 *(Note 1)*	Nil	Beneficial owner	6,802,968,777	48.04%
Lau Shu Yan, Julius	6,200,000	Nil	Nil	Nil *(Note 3)*	Beneficial owner	6,200,000	0.044%
U Po Chu *(Note 2)*	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.004%

Notes:

(1) Lai Sun Garment (International) Limited ("LSG") and certain of its wholly-owned subsidiaries beneficially owned 6,792,869,192 Shares, representing approximately 47.97% of the issued share capital of the Company. Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 6,792,869,192 Shares in the Company by virtue of, in aggregate, his approximate 38.06% personal and deemed interests in the issued share capital of LSG.

(2) Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 Shares in the Company.

(3) A share option comprising a total of 60,000,000 underlying Shares granted to Mr. Lau Shu Yan, Julius on 19 January 2007 at an exercise price per share of HK$0.45, HK$0.55, HK$0.65 and HK$0.75 respectively for each tranche of 15,000,000 Shares lapsed on 1 January 2011.

DIRECTORS' INTERESTS *(Continued)*

(2) Associated Corporation

(i) eSun Holdings Limited ("eSun") — an associated company of the Company

Long positions in the shares of HK$0.50 each of eSun

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	2,794,443	Nil	447,604,186 *(Note 1)*	Nil *(Note 2)*	Beneficial owner	450,398,629	36.30%
Cheung Wing Sum, Ambrose	2,194,443	Nil	Nil	Nil *(Note 2)*	Beneficial owner	2,194,443	0.18%

Notes:

(1) LSG was interested in 6,792,869,192 Shares in the Company, representing approximately 47.97% of the issued share capital of the Company which in turn was interested in 447,604,186 shares in eSun, representing approximately 36.08% of the issued share capital of eSun. As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 447,604,186 shares in eSun by virtue of, in aggregate, his approximate 38.06% and 48.04% personal and deemed interests in the issued share capital of LSG and the Company respectively.

(2) A share option comprising a total of 1,889,507 shares in eSun granted to each of Messrs. Lam Kin Ngok, Peter and Cheung Wing Sum, Ambrose at an exercise price of HK$4.68 per share lapsed on 1 January 2011.

DIRECTORS' INTERESTS *(Continued)*

(2) Associated Corporation *(continued)*

(ii) Lai Fung Holdings Limited ("LFH") — an associated company of eSun

(a) Long positions in the shares of HK$0.10 each of LFH

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 *(Note 1)*	Nil	Owner of controlled corporation	3,265,688,037	40.58%
Lau Shu Yan, Julius	6,458,829	Nil	Nil	Nil	Beneficial owner	6,458,829	0.08%

Notes:

(1) eSun was interested in 3,265,688,037 shares in LFH, representing approximately 40.58% of the issued share capital of LFH. As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 3,265,688,037 issued shares in LFH by virtue of, in aggregate, his approximate 36.30% personal and deemed shareholding interests in eSun.

(2) A share option comprising a total of 10,000,000 shares in LFH granted to Mr. Tam Kin Man, Kraven, a director of the Company, at an exercise price of HK$0.75 per share lapsed on 1 January 2011.

(b) Long Position in the 9.125% Senior Notes due 2014 issued by LFH

Name of Director	Capacity	Nature of Interests	Principal Amount
Lau Shu Yan, Julius	Beneficial owner	Personal	US$300,000

Save as disclosed above, as at 31 January 2011, 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 of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 January 2011, so far as it is known by or otherwise notified to any director or the chief executive of the Company, the particulars of the corporations or persons, one being a director of the Company, who had 5% or more interests 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 or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	6,792,869,192	47.97%
Lam Kin Ngok, Peter	Beneficial owner	Personal and corporate	6,802,968,777	48.04% *(Note 1)*
Peter Cundill & Associates (Bermuda) Limited	Investment Manager	Corporate	903,108,000	6.38%

Note:

(1) LSG and its wholly-owned subsidiary beneficially owned 6,792,869,192 Shares, representing approximately 47.97% of the issued share capital of the Company. Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 6,792,869,192 Shares by virtue of, in aggregate, his approximate 38.06% personal and deemed interests in the issued share capital of LSG.

Save as disclosed above, the directors of the Company are not aware of any other corporation or person who, as at 31 January 2011, had the Voting Entitlements or any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2011, the Company did not redeem any of its listed shares nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed shares.

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 Listing Rules throughout the six months ended 31 January 2011 save for the deviations from code provisions A.4.1 and E.1.2.

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 (including the independent non-executive directors (the "INEDs")) 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 require that the directors for the time being shall retire from office by rotation once every three years since their last election and the retiring directors are eligible for re-election. In addition, any person appointed by the Board to fill a casual vacancy or as an additional director (including a non-executive director) will hold office only until the next annual general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objective of the relevant code provision and, therefore, does not intend to take any remedial steps in this regard.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other commitments which must be attended to by him, the Chairman was not present at the Annual General Meeting of the Company held on 21 December 2010.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry on all directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2011.

UPDATE OF DIRECTORS' INFORMATION

Pursuant to rule 13.51B(1) of the Listing Rules, the information of the directors of the Company is updated as follows:

(1) Mr. Ip Shu Kwan, Stephen was appointed an INED of PICC Property and Casualty Company Limited ("PICC") on 17 January 2011.

(2) Mr. Lam Bing Kwan was appointed an INED of Lai Sun Garment (International) Limited ("LSG") on 1 February 2011.

(3) Mr. Leung Shu Yin, William was appointed an INED of Crocodile Garments Limited ("CG") on 1 February 2011.

PICC, LSG and CG are companies listed on the Stock Exchange.

(4) Owing to an annual adjustment, the monthly salary of Mr. Lau Shu Yan, Julius, an executive director has been increased from HK$275,000 to HK$286,000 and that of Mr. Tam Kin Man, Kraven, an executive director has been increased from HK$230,000 to HK$239,200, both with effect from 1 January 2011.

REVIEW OF INTERIM REPORT

The audit committee of the Company currently comprises two of the INEDs of the Company, namely, Messrs. Leung Shu Yin, William and Lam Bing Kwan and a non-executive director of the Company, Mr. Wan Yee Hwa, Edward. It has reviewed this interim report (containing the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2011.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 30 March 2011