



L A I S U N D E V E L O P M E N T

Lai Sun Development Company Limited  
(Stock Code: 488)

## Interim Report

For the six months ended 31 January 2013



# ▶ Corporate Information

## PLACE OF INCORPORATION

Hong Kong

## BOARD OF DIRECTORS

### *Executive Directors*

Lam Kin Ngok, Peter (*Chairman*)  
Chew Fook Aun (*Deputy Chairman*)  
Lau Shu Yan, Julius (*Chief Executive Officer*)  
Lam Hau Yin, Lester

### *Non-executive Directors*

Lam Kin Ming  
U Po Chu

### *Independent Non-executive Directors*

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

## AUDIT COMMITTEE

Leung Shu Yin, William (*Chairman*)  
Lam Bing Kwan  
Lam Kin Ming

## REMUNERATION COMMITTEE

Leung Shu Yin, William (*Chairman*)  
Chew Fook Aun  
Lam Bing Kwan

## COMPANY SECRETARY

Chow Kwok Wor

## REGISTERED OFFICE / PRINCIPAL OFFICE

11th Floor  
Lai Sun Commercial Centre  
680 Cheung Sha Wan Road  
Kowloon, Hong Kong

Tel: (852) 2741 0391

Fax: (852) 2785 2775

## AUTHORISED REPRESENTATIVES

Chew Fook Aun  
Chow Kwok Wor

## SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

## INDEPENDENT AUDITORS

Ernst & Young  
Certified Public Accountants

## PRINCIPAL BANKERS

The Bank of East Asia, Limited  
China Construction Bank Corporation  
Chong Hing Bank Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

## SHARE INFORMATION

### *Place of Listing*

The Main Board of The Stock Exchange  
of Hong Kong Limited

### *Stock Code*

488

### *Board Lot*

1,000 shares

## WEBSITE

[www.laisun.com](http://www.laisun.com)

## INVESTOR RELATIONS

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E-mail: [ir@laisun.com](mailto:ir@laisun.com)

The board of directors (the “Board”) of Lai Sun Development Company Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 January 2013 together with the comparative figures of the last corresponding period as follows:

## Condensed Consolidated Income Statement

For the six months ended 31 January 2013

	Notes	Six months ended 31 January	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
TURNOVER	3	<b>429,156</b>	451,989
Cost of sales		<b>(146,981)</b>	(174,216)
Gross profit		<b>282,175</b>	277,773
Other revenue and gain		<b>21,713</b>	11,400
Selling and marketing expenses		<b>(11,040)</b>	(6,119)
Administrative expenses		<b>(209,524)</b>	(154,435)
Other operating expenses, net		<b>(12,796)</b>	(21,106)
Fair value gains on investment properties		<b>1,373,509</b>	60,624
(Provision)/reversal of provision for tax indemnity	14(c)	<b>(44,000)</b>	1,060
PROFIT FROM OPERATING ACTIVITIES	4	<b>1,400,037</b>	169,197
Finance costs	5	<b>(39,219)</b>	(23,035)
Share of profits and losses of associates	8(a)	<b>(9,944)</b>	(23,439)
Share of profits and losses of joint ventures	8(b)	<b>522,356</b>	160,515
Discount on acquisition of additional interest in an associate	8(a)	<b>134,930</b>	88,695
PROFIT BEFORE TAX		<b>2,008,160</b>	371,933
Tax	6	<b>(22,863)</b>	(18,058)
PROFIT FOR THE PERIOD		<b>1,985,297</b>	353,875
Attributable to:			
Owners of the Company		<b>1,964,744</b>	330,517
Non-controlling interests		<b>20,553</b>	23,358
		<b>1,985,297</b>	353,875
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic		<b>HK\$0.098</b>	HK\$0.020
Diluted		<b>HK\$0.097</b>	N/A

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2013

	Six months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
PROFIT FOR THE PERIOD	<b>1,985,297</b>	353,875
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	<b>30,587</b>	71,335
Exchange realignments	<b>18,930</b>	27,620
Share of investment revaluation reserve of an associate	<b>8,847</b>	(1,808)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<b>58,364</b>	97,147
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>2,043,661</b>	451,022
Attributable to:		
Owners of the Company	<b>2,023,133</b>	427,653
Non-controlling interests	<b>20,528</b>	23,369
	<b>2,043,661</b>	451,022

# Condensed Consolidated Statement of Financial Position

As at 31 January 2013

	Notes	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		561,758	350,817
Prepaid land lease payments		24,496	25,010
Investment properties		9,978,954	8,570,911
Properties under development for sale		1,433,178	1,309,418
Interests in associates	8(a)	3,348,036	3,083,687
Interests in joint ventures	8(b)	5,587,248	3,889,258
Available-for-sale financial assets		1,195,281	1,185,810
Pledged bank balances and time deposits		75,595	—
Deposit paid		—	61,500
<b>Total non-current assets</b>		<b>22,204,546</b>	<b>18,476,411</b>
<b>CURRENT ASSETS</b>			
Completed properties for sale		76,480	76,480
Equity investments at fair value through profit or loss		17,186	1,648
Inventories		6,982	5,305
Debtors, deposits paid and other receivables	9(a)	144,684	99,594
Pledged bank balances and time deposits		—	106,037
Cash and cash equivalents		3,433,876	1,565,105
<b>Total current assets</b>		<b>3,679,208</b>	<b>1,854,169</b>
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals	9(b)	267,637	243,603
Tax payable		64,330	61,627
Bank borrowings		481,482	1,104,818
<b>Total current liabilities</b>		<b>813,449</b>	<b>1,410,048</b>
<b>NET CURRENT ASSETS</b>		<b>2,865,759</b>	<b>444,121</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>25,070,305</b>	<b>18,920,532</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		(2,938,105)	(1,707,404)
Guaranteed notes	10	(2,692,979)	—
Amounts due to associates		(20,799)	(20,799)
Deferred tax		(102,910)	(100,880)
Provision for tax indemnity	14(c)	(391,135)	(347,135)
Long term rental deposits received		(69,037)	(60,032)
<b>Total non-current liabilities</b>		<b>(6,214,965)</b>	<b>(2,236,250)</b>
		<b>18,855,340</b>	<b>16,684,282</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	11	200,629	200,629
Share premium account	11	7,429,332	7,429,332
Investment revaluation reserve		1,118,886	1,079,452
Share option reserve		66,229	11,139
Capital redemption reserve		1,200,000	1,200,000
General reserve	11	630,400	630,400
Other reserve		139,228	78,823
Special capital reserve	11	—	—
Exchange fluctuation reserve		54,742	35,787
Retained profits		7,656,767	5,692,023
<b>Non-controlling interests</b>		<b>359,127</b>	<b>326,697</b>
		<b>18,855,340</b>	<b>16,684,282</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2013

	Attributable to owners of the Company											Non-controlling interests	Total
	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	Sub-total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 31 July 2012 and 1 August 2012 (Audited)	200,629	7,429,332	1,079,452	11,139	1,200,000	630,400	78,823	—	35,787	5,692,023	16,357,585	326,697	16,684,282
Profit for the period	—	—	—	—	—	—	—	—	—	1,964,744	1,964,744	20,553	1,985,297
Other comprehensive income/(expenses) for the period:													
Change in fair value of available-for-sale financial assets	—	—	30,587	—	—	—	—	—	—	—	30,587	—	30,587
Exchange realignments	—	—	—	—	—	—	—	—	18,955	—	18,955	(25)	18,930
Share of investment revaluation reserve of an associate	—	—	8,847	—	—	—	—	—	—	—	8,847	—	8,847
Total comprehensive income for the period	—	—	39,434	—	—	—	—	—	18,955	1,964,744	2,023,133	20,528	2,043,661
Share of reserve movements of an associate	—	—	—	4,677	—	—	60,405	—	—	—	65,082	—	65,082
Recognition of share-based payments	—	—	—	50,413	—	—	—	—	—	—	50,413	—	50,413
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	12,500	12,500
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(598)	(598)
<b>At 31 January 2013 (Unaudited)</b>	<b>200,629</b>	<b>7,429,332</b>	<b>1,118,886</b>	<b>66,229</b>	<b>1,200,000</b>	<b>630,400</b>	<b>139,228</b>	<b>—</b>	<b>54,742</b>	<b>7,656,767</b>	<b>18,496,213</b>	<b>359,127</b>	<b>18,855,340</b>
At 31 July 2011 and 1 August 2011 (Audited)	141,620	6,974,701	986,610	1,092	1,200,000	504,136	7,565	126,264	112,379	3,409,455	13,463,822	287,934	13,751,756
Profit for the period	—	—	—	—	—	—	—	—	—	330,517	330,517	23,358	353,875
Other comprehensive income/(expenses) for the period:													
Change in fair value of available-for-sale financial assets	—	—	71,335	—	—	—	—	—	—	—	71,335	—	71,335
Exchange realignments	—	—	—	—	—	—	—	—	27,609	—	27,609	11	27,620
Share of investment revaluation reserve of an associate	—	—	(1,808)	—	—	—	—	—	—	—	(1,808)	—	(1,808)
Total comprehensive income for the period	—	—	69,527	—	—	—	—	—	27,609	330,517	427,653	23,369	451,022
Rights issue (Note 11)	59,009	472,068	—	—	—	—	—	—	—	—	531,077	—	531,077
Share issue expenses (Note 11)	—	(17,437)	—	—	—	—	—	—	—	—	(17,437)	—	(17,437)
Share of reserve movements of associates	—	—	—	119	—	—	52,385	—	—	—	52,504	—	52,504
Transfer of reserves (Note 11)	—	—	—	—	—	126,264	—	(126,264)	—	—	—	—	—
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	1,900	1,900
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(4,260)	(4,260)
At 31 January 2012 (restated) (Unaudited)	200,629	7,429,332	1,056,137	1,211	1,200,000	630,400	59,950	—	139,988	3,739,972	14,457,619	308,943	14,766,562

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2013

	Six months ended 31 January	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	<b>50,379</b>	120,812
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(1,484,884)</b>	(545,538)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<b>3,302,822</b>	619,278
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>1,868,317</b>	194,552
Cash and cash equivalents at beginning of period	<b>1,565,105</b>	1,002,805
Effect of foreign exchange rate changes, net	<b>454</b>	(2,889)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>3,433,876</b>	1,194,468
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>2,965,636</b>	388,485
Non-pledged time deposits	<b>468,240</b>	805,983
	<b>3,433,876</b>	1,194,468

# 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 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The 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

### Changes in 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 2012. 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.

During the year ended 31 July 2012, the Group had early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time:

HKAS 12 Amendments	Income Taxes — Deferred Tax: Recovery of Underlying Assets
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

These six HKFRSs have been adopted retrospectively and the impact on the unaudited condensed consolidated income statement for the six months ended 31 January 2012 is set out below:

	<b>HKAS 12 (Amendments)</b> HK\$’000	<b>HKFRS 11</b> HK\$’000	<b>Total</b> HK\$’000
Decrease in share of profits and losses of associates	—	(139,727)	(139,727)
Increase in share of profits and losses of joint ventures	20,788	139,727	160,515
Decrease in tax	7,345	—	7,345
Increase in profit for the period	28,133	—	28,133
Increase in profit for the period attributable to owners of the Company	28,133	—	28,133
Increase in basic earnings per share	HK\$0.002	—	HK\$0.002



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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### Impact of issued but not yet effective HKFRSs

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

HKAS 19 (2011)	Employee Benefits <sup>1</sup>
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 Financial Instruments and HKFRS 7 Financial Instruments: Disclosures — Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendment to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
Annual Improvements 2009 — 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact upon initial adoption of the above new and revised HKFRSs. 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 results 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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	1,220	57,893	214,831	195,868	202,814	186,899	10,291	11,329	—	—	429,156	451,989
Intersegment sales	—	—	8,021	5,152	—	—	12,846	11,577	(20,867)	(16,729)	—	—
Other revenue	552	4,965	709	1,246	91	1	78	—	—	—	1,430	6,212
<b>Total</b>	<b>1,772</b>	<b>62,858</b>	<b>223,561</b>	<b>202,266</b>	<b>202,905</b>	<b>186,900</b>	<b>23,215</b>	<b>22,906</b>	<b>(20,867)</b>	<b>(16,729)</b>	<b>430,586</b>	<b>458,201</b>
Segment results	(12,490)	13,313	174,273	153,430	36,058	38,447	(737)	(639)	—	—	197,104	204,551
Interest income and unallocated gain											20,283	5,188
Fair value gains on investment properties	—	—	1,373,509	60,624	—	—	—	—	—	—	1,373,509	60,624
Unallocated expenses (Provision)/reversal of provision for tax indemnity											(146,859)	(102,226)
											(44,000)	1,060
Profit from operating activities											1,400,037	169,197
Finance costs											(39,219)	(23,035)
Share of profits and losses of associates (restated)	19	160	—	—	(34)	(1,275)	—	—	—	—	(15)	(1,115)
Share of profits and losses of associates — unallocated											(9,929)	(22,324)
Share of profits and losses of joint ventures (restated)	61,001	34,669	461,355	125,846	—	—	—	—	—	—	522,356	160,515
Discount on acquisition of additional interest in an associate											134,930	88,695
Profit before tax											2,008,160	371,933
Tax (restated)											(22,863)	(18,058)
Profit for the period											1,985,297	353,875

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 2013	31 July 2012	31 January 2013	31 July 2012	31 January 2013	31 July 2012	31 January 2013	31 July 2012	31 January 2013	31 July 2012
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,538,206	1,398,555	10,013,684	8,705,592	848,212	558,074	60,947	56,819	12,461,049	10,719,040
Interests in associates	14,061	9,503	—	—	11,183	11,214	—	—	25,244	20,717
Interests in associates — unallocated									3,322,792	3,062,970
Interests in joint ventures	1,470,447	256,363	4,116,801	3,632,895	—	—	—	—	5,587,248	3,889,258
Unallocated assets									4,487,421	2,638,595
<b>Total assets</b>									<b>25,883,754</b>	<b>20,330,580</b>

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

### 4. PROFIT FROM OPERATING ACTIVITIES

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

	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation*	<b>11,946</b>	11,551
Amortisation of prepaid land lease payments*	<b>514</b>	514
Loss on disposal of listed equity investments at fair value through profit or loss*	<b>385</b>	51
Fair value (gain)/loss on listed equity investments at fair value through profit or loss*	<b>(17)</b>	6,580
Interest income from bank deposits	<b>(2,992)</b>	(1,742)
Other interest income	<b>(272)</b>	(202)
Dividend income from listed equity investments at fair value through profit or loss	<b>(22)</b>	(40)
Dividend income from unlisted available-for-sale financial assets	<b>(14,447)</b>	(100)

# Depreciation charge of HK\$10,664,000 (Six months ended 31 January 2012: HK\$10,439,000) for property, plant and equipment is included in "other operating expenses, net" on the condensed consolidated income statement.

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

### 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings wholly repayable within five years	<b>32,243</b>	22,887
Interest on guaranteed notes wholly repayable within five years	<b>4,784</b>	—
Bank financing charges	<b>8,096</b>	4,466
	<b>45,123</b>	27,353
Less : Amount capitalised in properties under development for sale	<b>(5,904)</b>	(4,318)
	<b>39,219</b>	23,035

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

### 6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2012: 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.

	<b>Six months ended 31 January</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Current tax		
Hong Kong	<b>13,061</b>	7,644
Overseas	<b>7,772</b>	7,667
	<b>20,833</b>	15,311
Deferred tax	<b>2,030</b>	2,747
Tax charge for the period	<b>22,863</b>	18,058

### 7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	<b>Six months ended 31 January</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Earnings for the purpose of basic and diluted earnings per share	<b>1,964,744</b>	330,517
	<b>'000</b>	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>20,062,893</b>	16,609,379
Effect of dilutive potential ordinary shares arising from share options	<b>127,768</b>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>20,190,661</b>	

The weighted average number of shares in issue for the six months ended 31 January 2012 used in the basic earnings per share calculation has been adjusted to reflect the effect of the rights issue completed in December 2011 as set out in note 11.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

## 8. SHARE OF PROFITS AND LOSSES OF ASSOCIATES/INTERESTS IN ASSOCIATES SHARE OF PROFITS AND LOSSES OF JOINT VENTURES/INTERESTS IN JOINT VENTURES

### (a) Share of profits and losses of associates/Interests in associates

#### The eSun Group

Included in the Group's interests in associates as at 31 January 2013 and share of profits and losses of associates for the six months ended 31 January 2013 was the Group's share of net assets and loss of eSun Holdings Limited ("eSun") and its subsidiaries (the "eSun Group") of approximately HK\$3,279,558,000 (31 July 2012: HK\$3,033,604,000) and HK\$9,935,000 (Six months ended 31 January 2012: HK\$22,319,000), respectively.

- (i) In August 2011, the Group acquired 1.93% additional interest in eSun at a cost of approximately HK\$43,301,000 and the Group's interest in eSun was increased from 36.00% to 37.93%. A discount on acquisition of HK\$88,695,000 arose from this acquisition.
- (ii) On 27 February 2012, eSun and Lai Fung Holdings Limited ("Lai Fung") issued a joint announcement in respect of the proposed open offer of Lai Fung (the "Open Offer") and an underwriting arrangement between eSun and Lai Fung, pursuant to which eSun irrevocably undertook to Lai Fung to take up all shares offered in the Open Offer. The Open Offer became unconditional on 6 June 2012. eSun increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer on 11 June 2012. With early adoption of HKFRS 10 "Consolidated Financial Statements" during the year ended 31 July 2012, the directors of eSun concluded that eSun has had control over Lai Fung and Lai Fung has become a subsidiary of eSun since 11 June 2012. Subsequent to the Open Offer, eSun further acquired shares of Lai Fung from the public shareholders and increased its interest in Lai Fung to 47.87% in June 2012. eSun further acquired shares of Lai Fung from the public shareholders during the period under review and increased its interest to 49.39%.
- (iii) During the period from October to December 2012, the Group acquired 2% additional interest in eSun from the public shareholders at a cost of approximately HK\$29,336,000 and the Group's interest in eSun was increased from 37.93% to 39.93%. A discount on acquisition of HK\$134,930,000 arose from this acquisition.

### (b) Share of profits and losses of joint ventures/Interests in joint ventures

#### Diamond String Limited ("Diamond String")

Diamond String is a 50%-owned joint venture holding CCB Tower situated at 3 Connaught Road Central, Hong Kong for investment purpose. The Group's share of net assets as at 31 January 2013 and profit for the six months ended 31 January 2013 of Diamond String were approximately HK\$3,152,017,000 (31 July 2012: HK\$2,760,441,000) and HK\$391,576,000 (Six months ended 31 January 2012 (restated): HK\$125,846,000), respectively.

#### Best Value International Limited and its subsidiaries (the "Best Value Group")

The Best Value Group is a 50%-owned joint venture. The principal assets of the Best Value Group are properties, which include parcels of ground on Observatory Road, Kowloon, Hong Kong with the buildings erected thereon (now known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon, Hong Kong). The Group currently intends that the Best Value Group will re-develop the site into a multi-storey commercial complex.

The Group's share of net assets as at 31 January 2013 and profit for the six months ended 31 January 2013 of the Best Value Group were approximately HK\$964,733,000 (31 July 2012: HK\$872,454,000) and HK\$69,779,000 (Six months ended 31 January 2012 (restated): Nil), respectively.

#### Strongly Limited

Strongly Limited is a 50%-owned joint venture. It won in a tender by the Lands Department, Hong Kong on 28 November 2012 the land lot known as Tseung Kwan O Town Lot No.95 (the "Lot") at a premium of HK\$2,826 million.

The Lot has an area of approximately 229,000 square feet with a permitted total gross floor area of approximately 573,000 square feet split into approximately 458,000 square feet for residential use and approximately 115,000 square feet for non-industrial use. It is the current intention of Strongly Limited to develop the Lot primarily into a residential project for sale, comprising residential towers as well as houses. The project is expected to be completed in 2017, subject to the terms and conditions of the relevant sale by tender and the status of the Lot on delivery.

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

## 9. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/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 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Trade debtors:		
Not yet due or less than 30 days past due	10,827	4,881
31 — 60 days past due	2,281	1,282
61 — 90 days past due	458	347
Over 90 days past due	1,875	2,721
	<b>15,441</b>	9,231
Deposits paid, prepayments and other receivables	<b>129,243</b>	90,363
	<b>144,684</b>	99,594

- (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 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Trade creditors:		
Not yet due or less than 30 days past due	8,444	7,398
31 — 60 days past due	428	480
61 — 90 days past due	170	148
Over 90 days past due	573	486
	<b>9,615</b>	8,512
Deposits received, other payables and accruals	<b>258,022</b>	235,091
	<b>267,637</b>	243,603

## 10. GUARANTEED NOTES

On 18 January 2013, Lai Sun International Finance (2012) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US\$350,000,000 (the "Notes"). The Notes are guaranteed by the Company, have a maturity term of five years and bear a fixed interest rate of 5.7% per annum with interest payable semi-annually in arrears.

The net proceeds from the offering are approximately US\$347,000,000 and will be used for general corporate purposes.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

## 11. SHARE CAPITAL

	31 January 2013		31 July 2012	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK\$'000	Number of shares (Audited) '000	Nominal value (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<b>38,000,000</b>	<b>380,000</b>	27,000,000	270,000
Preference shares of HK\$1.00 each	<b>1,200,000</b>	<b>1,200,000</b>	1,200,000	1,200,000
		<b>1,580,000</b>		<b>1,470,000</b>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<b>20,062,893</b>	<b>200,629</b>	20,062,893	200,629

Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 18 December 2012, the authorised share capital of the Company was increased from HK\$1,470,000,000 divided into 27,000,000,000 ordinary shares of HK\$0.01 each and 1,200,000,000 preference shares of HK\$1.00 each to HK\$1,580,000,000 divided into 38,000,000,000 ordinary shares of HK\$0.01 each and 1,200,000,000 preference shares of HK\$1.00 each by the creation of 11,000,000,000 additional ordinary shares of HK\$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

In December 2011, the Company completed a rights issue of 5,900,850,966 ordinary shares of HK\$0.01 each on the basis of five rights shares for every twelve shares held of the Company at a subscription price of HK\$0.09 per rights share (the "Rights Issue"). The net proceeds from the Rights Issue was approximately HK\$513,640,000, after deduction of share issue expenses of approximately HK\$17,437,000.

Movements in the Company's issued capital during the period are summarised as follows:

	Number of ordinary shares '000	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 August 2011	14,162,042	141,620	6,974,701	7,116,321
Rights Issue	5,900,851	59,009	472,068	531,077
Share issue expenses	—	—	(17,437)	(17,437)
<b>At 31 January 2012, 1 August 2012 and 31 January 2013</b>	<b>20,062,893</b>	<b>200,629</b>	<b>7,429,332</b>	<b>7,629,961</b>

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.

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

## 11. SHARE CAPITAL *(CONTINUED)*

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

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 years, 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, 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.

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 Rights Issue with net cash proceeds of approximately HK\$513,640,000 as detailed above, the Company's issued share capital and share premium account was further increased by an aggregate amount of HK\$513,640,000. The entire remaining balance of the special capital reserve of HK\$126,264,000 was further transferred to the general reserve (a distributable reserve) of the Company 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 general reserve of the Company as at 31 January 2013 was HK\$630,400,000 (31 July 2012: HK\$630,400,000). There was no remaining balance in the special capital reserve as at 31 January 2013 and 31 July 2012.



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

## 12. SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 December 2006 for the purpose of providing incentives to, rewarding, remunerating, compensating and/or providing benefits to the eligible employees of the Group.

The table below discloses movement of the Company's share options held by the Group's employees:

	<b>Number of share options</b>
Outstanding as at 1 August 2012	200,628,932
Granted on 18 January 2013	508,194,971
Outstanding as at 31 January 2013	708,823,903

The closing price of the Company's shares immediately before 18 January 2013, the date of grant, was HK\$0.325.

The fair value of the share options granted during the period was HK\$50,413,000 (Six months ended 31 January 2012: Nil) of which the Group recognised the entire amount as expense during the period.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	—
Expected volatility (%)	68.971
Historical volatility (%)	68.971
Risk-free interest rate (%)	1.012
Expected life of options (years)	10
Closing share price (HK\$ per share)	0.335

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.

## 13. CAPITAL COMMITMENTS

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

	<b>31 January 2013 (Unaudited) HK\$'000</b>	31 July 2012 (Audited) HK\$'000
Contracted, but not provided for	<b>7,006</b>	2,453

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

## 14. CONTINGENT LIABILITIES

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

	31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to and utilised by a joint venture	—	465,287

- (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 Lai Fung Tax 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 2013 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\$1,345,265,000 (31 July 2012: HK\$1,345,265,000).

As at 31 January 2013, 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\$391,135,000 (31 July 2012: HK\$347,135,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, an additional provision for tax indemnity of HK\$44,000,000 (Six months ended 31 January 2012: a reversal of provision for tax indemnity of HK\$1,060,000) was recognised in the condensed consolidated income statement for the six months ended 31 January 2013.

## Interim Ordinary Dividend

As at 31 January 2013, the Company did not have any reserves available for distribution in accordance with 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 2013. No interim ordinary dividend was declared in respect of the last corresponding period.

## Management Discussion and Analysis

### OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2013, the Group recorded a turnover of HK\$429.2 million (2012: HK\$452.0 million) and a gross profit of HK\$282.2 million (2012: HK\$277.8 million), representing a decrease of 5% and an increase of 2%, respectively over the same period last year. Net profit attributable to owners of the Company was approximately HK\$1,964.7 million (2012 (restated): HK\$330.5 million), representing an increase of over 494%. Accordingly, basic earnings per share increased to HK\$0.098 (2012 (restated): HK\$0.020). The decrease in turnover was due to the absence of development projects for sale despite a sound performance by the rental property portfolio. The increase in profit was due to a significant increase in property revaluations and good rental performance from our rental property portfolio. Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$117.9 million (2012 (restated): HK\$143.9 million), representing a decrease of approximately 18%. Basic earnings per share excluding the property revaluation effect correspondingly decreased to HK\$0.006 (2012 (restated): HK\$0.009).

Equity attributable to owners of the Company as at 31 January 2013 amounted to HK\$18,496.2 million (As at 31 July 2012: HK\$16,357.6 million). Net asset value per share attributable to owners of the Company increased to HK\$0.922 (As at 31 July 2012: HK\$0.815).

The Hong Kong property market weathered the global economic challenges well as a whole. The chronic lack of supply, robust underlying demand and low interest rate environment have contributed to the rise in property prices during the period under review and prompted the government to take action. The recently introduced measures have slowed transaction volume across the board, particularly in the residential markets, which affected sales of Ocean One. The rental portfolio performed well due to positive rental reversions and tenant mix management. Against such a backdrop, the Group achieved a solid set of results.

As at 31 January 2013, the Group maintained a property portfolio comprising, in attributable gross floor area (“GFA”) (excluding car-parking spaces), completed rental properties with attributable GFA of approximately 1,297,000 square feet, properties under development with attributable GFA of approximately 238,000 square feet, and properties held for sale with attributable GFA of approximately 10,000 square feet. The Group will build on this sound asset base with a view to delivering long-term value to its shareholders.

### PROPERTY PORTFOLIO COMPOSITION

Approximate attributable GFA in '000 square feet and car-parking spaces, excluding attributable GFA in Lai Fung through eSun, as at 31 January 2013:

	Commercial/ Retail	Office	Industrial	Residential	Total	No. of car-parking spaces
Rental properties	433	853	11	—	1,297	962
Properties Under Development	103	—	—	135	238	46
Properties Held for Sale	8	—	—	2	10	10
<b>Total GFA</b>	<b>544</b>	<b>853</b>	<b>11</b>	<b>137</b>	<b>1,545</b>	<b>1,018</b>

The above table does not include GFA of properties held by Lai Fung.

# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT

### Rental Income

For the six months ended 31 January 2013, the Group's rental operations recorded a turnover of HK\$214.8 million (2012: HK\$195.9 million), representing a 10% increase over the same period last year. The increase is primarily due to sound management of tenant mix and rental reversion at its major rental properties.

The Group wholly owns three major rental properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. During the period under review, these properties had in aggregate a total GFA of approximately 1,087,000 square feet (excluding car-parking spaces). The CCB Tower has been completed and added to the rental portfolio during the period under review and it is expected to start contributing in the second half of the financial year 2013.

Breakdown of rental turnover by major rental properties is as follows:

	Six months ended			Period end occupancy (%)
	31 January		% Change	
	2013 HK\$ million	2012 HK\$ million		
Cheung Sha Wan Plaza (including car-parking spaces)	120.9	103.7	17	99.5
Causeway Bay Plaza 2 (including car-parking spaces)	65.8	57.6	14	95.6
Lai Sun Commercial Centre (including car-parking spaces)	25.1	23.2	8	99.0
Others	3.0	11.4	(74)	N/A
<b>Total</b>	<b>214.8</b>	<b>195.9</b>	<b>10</b>	

### Review of major rental properties

#### *Hong Kong Property Portfolio*

##### *Cheung Sha Wan Plaza*

The asset comprises of two 8-storey and 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of approximately 689,635 square feet (excluding car-parking spaces). The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.

##### *Causeway Bay Plaza 2*

The asset comprises of a 28-storey commercial/office building with car parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of approximately 208,432 square feet (excluding car-parking spaces). Key tenants include the HSBC's branch and commercial offices and major restaurants.

##### *Lai Sun Commercial Centre*

The asset comprises a 13-storey commercial/car park complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of approximately 188,537 square feet (excluding car-parking spaces).

# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT (CONTINUED)

### Review of major rental properties (Continued)

#### *Hong Kong Property Portfolio (Continued)*

##### *CCB Tower, 3 Connaught Road Central*

The Group has a 50:50 interest with China Construction Bank Corporation (“CCB”) in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. The redeveloped project is an office tower that is expected to become a landmark property in Central featuring underground access to the MTR station in Central. The total construction cost of the project is estimated to be approximately HK\$950 million with a total GFA of approximately 229,110 square feet (excluding car-parking spaces). The Occupation Permit was issued by Buildings Department in December 2012. Part of the redeveloped property will be mostly used by CCB as offices for its Hong Kong operations and leasing of the remaining space is in progress.

#### *Overseas Property Portfolio*

##### *36 Queen Street, London EC4 1HJ, United Kingdom*

In February 2011, the Group acquired an office building in the city in central London located at 36 Queen Street. Completed in 1986, it comprises 41,680 square feet of office accommodation extending over basement, ground and six upper floors. This rental property is currently undergoing refurbishment and is expected to be completed in the third quarter of 2013.

## PROPERTY DEVELOPMENT

For the six months ended 31 January 2013, recognised turnover from sales of properties was HK\$1.2 million (2012: HK\$57.9 million), representing a decrease of 98% over the same period last year. The decrease was due to the absence of development projects for sale and the HK\$1.2 million relates to the sale of a small piece of land sold to an independent third party. Ocean One pre-sales started in December 2012 and sales progress is in line with expectations given the launch coincided with the introduction of the new stamp duty requirement and other cooling measures subsequently. At the time of this report, the Group had sold a total of 12 units out of 124 residential units in this development at an average selling price of approximately HK\$10,000 per square foot.

### Review of major projects for sale

#### *Ocean One, Yau Tong, Kowloon*

The Group wholly owns this development project located at No. 6 Shung Shun Street, Yau Tong, Kowloon. The Group is developing the site into a residential-cum-commercial property with a total saleable GFA of about 122,449 square feet (excluding car-parking spaces) or 124 residential units and 2 commercial units. The estimated total development cost (including land cost and lease modification premium) is about HK\$700 million. Pre-sales commenced in December 2012.

### Review of major projects under development

#### *335-339 Tai Hang Road, Hong Kong*

The Group wholly owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group is developing the site into a luxury residential property with a total GFA of about 30,479 square feet (excluding car-parking spaces). The Group completed the lease modification of the site. The total development cost (including land cost and lease modification premium) is estimated to be about HK\$650 million. Completion is expected to be in the third quarter of 2013.

#### *2-12 Observatory Road*

The Group completed the acquisition of a 50% interest in a project at Observatory Road, Kowloon with the buildings previously erected there known as Nos. 2-12, Observatory Road, Kowloon in November 2011.

The Group is now in discussions with the joint venture partner, Henderson Land regarding the overall re-development plan including the designs, features and quality of the new building. The site is being planned to be redeveloped into a multi-storey commercial building with a total GFA of approximately 165,169 square feet (excluding car-parking spaces). Subject to the finalisation of the re-development plan with the joint venture partner, the total development cost is estimated to be approximately HK\$2.3 billion including an estimated land value of approximately HK\$1.7 billion. The new building is expected to be completed in the third quarter of 2015.

# ► Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### Review of major projects under development (Continued)

#### *Area 68A2, Tseung Kwan O*

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of approximately 229,000 square feet with a permitted total gross floor area of approximately 573,000 square feet split into approximately 458,000 square feet for residential use and approximately 115,000 square feet for non-industrial use. The current intention is to develop the lot primarily into a residential project for sale, comprising residential towers as well as houses. Completion is expected to be in the second quarter of 2017.

## HOTEL AND RESTAURANT OPERATIONS

The hotel and restaurant operations include the Group's interests in the historic Caravelle Hotel in Ho Chi Minh City, Vietnam and a number of acclaimed restaurants in Hong Kong including the only Michelin 3 star Italian restaurant 8½ Otto e Mezzo BOMBANA; Michelin 1 star Japanese restaurant Wagyu Kaiseki Den; as well as other high profile restaurants such as Island Tang, Kowloon Tang and Chiu Tang.

For the six months ended 31 January 2013, hotel and restaurant operations contributed HK\$202.8 million to the Group's turnover (2012: HK\$186.9 million), representing an increase of approximately 9% from the same period last year. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of the Caravelle Hotel.

The hotel and restaurant operations have extensive experience in providing consultancy and management services to hotels in China, Hong Kong and other Asian countries. The division's key strategy going forward will be continued to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou and Zhongshan. The division will provide technical advisory services to the service apartments in Shanghai May Flower Plaza, Guangzhou Paramount Centre and Zhongshan Palm Spring when the relevant developments are completed. All three properties are expected to complete in late 2013/early 2014.

## INTERESTS IN ASSOCIATES (eSUN GROUP)

For the six months ended 31 January 2013, loss from the eSun Group decreased to HK\$9.9 million (2012: HK\$22.3 million). General performance of the non-property businesses improved as well as the absence of any mark-to-market loss as a result of the convertible notes in Media Asia Group Holdings Limited. Despite the challenging operating environment characterised by stringent austerity measures in the property market in China, Lai Fung was able to deliver an encouraging performance against a difficult operating environment with a steady increase in net asset value.

eSun expects momentum in the non-property business to continue given an underlying schedule of new releases in movies, events and music albums in the pipeline. The rental properties portfolio in Lai Fung is expected to provide a strong foundation and, together with the HK\$3.55 billion syndicated loan facility arranged, position Lai Fung to capitalise on future growth opportunities.

The Group's interest in eSun increased from 37.93% to 39.93% since December 2012. This resulted in a gain from the discount on acquisition of the additional interest of HK\$134.9 million which is recorded in the consolidated income statement. The purchase of additional interest is within the permitted limit under the creeper provision in the Takeovers Code. Further purchases by the Group need to have regards to this creeper provision limit and may or may not occur in the future. As such this gain from the discount on acquisition of the additional interest may or may not be repeated.



# ► Management Discussion and Analysis (Continued)

## INTERESTS IN JOINT VENTURES

For the six months ended 31 January 2013, contribution from joint ventures, which represented our share of profits and losses in the CCB Tower, Observatory Road Project, The Oakhill Project and the Tseung Kwan O Project, increased to HK\$522.4 million (2012 (restated): HK\$160.5 million), representing an increase of over 225%, which was primarily due to the property revaluation gain from the CCB Tower.

## OUTLOOK

The monetary easing as a result of central banks around the world attempting to revive major economies around the world is expected to remain for some time which sustains a generally low interest rate environment for the foreseeable future. In Hong Kong, the low interest rate environment, together with the robust underlying demand and lack of near term supply, are expected to be countered by the fiscal policies implemented to cool the property market. While interest rates have arguably bottomed out and we have seen certain banks raised their reference rates, the rate of increase is likely to happen over a longer period of time given the peg with the United States dollar and the outlook of the United States economy mean a rapid increase in interest rates unlikely. As such, the Group believes the Hong Kong property market as a whole will remain stable.

The Group will continue its prudent yet flexible approach with the objective of preserving margin and optimising long-term value for shareholders. The HK\$2.2 billion syndicated loan raised by the Group in October 2012 and the US\$350 million guaranteed notes issued in January 2013 dovetails with the Group's strategy of building up its land bank. The Group believes that it is well-positioned to take advantage of the pent-up demand with its growing project pipelines. The Group's stated intention to expand the rental property portfolio through retaining any sizeable commercial and retail elements that it develops to improve recurring income which will form the bedrock for securing funding to develop other projects.

The Group's interest in eSun increased from 37.93% to 39.93% since December 2012. This resulted in a gain from the discount on acquisition of the additional interest of HK\$134.9 million which was recorded in the consolidated income statement. The purchase of additional interest is within the permitted limit under the creeper provision in the Takeovers Code. Further purchases by the Group need to have regards to this creeper provision limit and may or may not occur in the future. As such this gain from the discount on acquisition of the additional interest may or may not be repeated.

## GROWTH FROM A STABLE FINANCIAL POSITION

As at 31 January 2013, the Group had HK\$3,509.5 million of cash with a net debt to equity ratio of 14% and undrawn facilities of HK\$1,415.2 million. This was bolstered by the US\$350 million guaranteed notes issued in January 2013 which was heavily oversubscribed by ten times. The strong oversubscription was a testament of confidence from the investors in the Company and provided us with additional resources to secure landbank for future growth.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's sources of funding comprise mainly internal funds generated from the Group's business operations, loan facilities provided by banks and guaranteed notes issued to investors.

As at 31 January 2013, the Group had borrowings of approximately HK\$3,419.6 million and guaranteed notes of approximately HK\$2,693.0 million. The net debt to equity ratio expressed as a percentage of the total outstanding net debt (being the total outstanding borrowings and guaranteed notes less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company was approximately 14%. As at 31 January 2013, the maturity profile of the bank borrowings of HK\$3,419.6 million was spread over a period of less than 5 years with HK\$481.5 million repayable within 1 year, HK\$426.0 million repayable in the second year and HK\$2,512.1 million repayable in the third to fifth years. All the Group's borrowings carried interest on a floating rate basis except for the guaranteed notes issued in January 2013 which has a fixed rate.

## ► Management Discussion and Analysis *(Continued)*

### LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

As at 31 January 2013, certain rental properties with carrying amounts of approximately HK\$9,959.2 million, certain property, plant and equipment with carrying amounts of approximately HK\$230.3 million, prepaid land lease payments of approximately HK\$24.5 million, certain properties under development for sale of approximately HK\$1,398.4 million, and certain bank balances and time deposits with banks of approximately HK\$75.6 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 a joint venture held by the Group were pledged to a bank to secure a loan facility granted to a joint venture 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.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars and United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has an investment in United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK\$143.0 million which only accounted for an insignificant portion of the consolidated net assets of the Group as at 31 January 2013. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the need arise.

### CONTINGENT LIABILITIES

Details of contingent liabilities of the Group are set out in note 14 to the condensed consolidated interim financial statements.



# Particulars of Properties

## MAJOR RENTAL PROPERTIES

Location	Group interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
			Commercial/retail	Office	Total (excluding car-parking spaces)	
1. Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	216,978	472,657	689,635	355
2. Causeway Bay Plaza 2, 463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	111,077	97,355	208,432	57
3. Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	105,167	83,370	188,537	521
4. CCB Tower, 3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	50%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	114,555	114,555	19
5. AIA Central, (formerly known as AIG Tower) 1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot No. 278)	—	42,896	42,896	6
6. 36 Queen Street, London EC4 1HJ, United Kingdom	100%	The property is held freehold	—	41,680	41,680	—
<b>Subtotal of major rental properties:</b>			<b>433,222</b>	<b>852,513</b>	<b>1,285,735</b>	<b>958</b>

## Particulars of Properties (Continued)

### MAJOR PROPERTIES UNDER DEVELOPMENT

Location	Group interest	Stage of construction	Expected completion date	Site Area* (approximate square feet)	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
					Commercial	Residential	Total (excluding car-parking spaces)	
1. Ocean One, 6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	Superstructure in progress	Certificate of Compliance is expected to be issued in second quarter of 2013	17,760	17,749 <sup>#</sup>	104,700 <sup>#</sup>	122,449 <sup>#</sup>	33
2. 335-339 Tai Hang Road, Hong Kong	100%	Superstructure in progress	Third quarter of 2013	13,800	—	30,479	30,479	13
3. 2 - 12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong	50%	Foundation in progress	Third quarter of 2015	13,765	82,585	—	82,585	—
<b>Subtotal of major properties under development:</b>					<b>100,334</b>	<b>135,179</b>	<b>235,513</b>	<b>46</b>

\* On 100% project basis

# Approximate attributable saleable gross floor area (square feet)

## ► Disclosure Pursuant to Paragraph 13.21 of Chapter 13 of the Listing Rules

On 26 October 2012, the Company entered into a facility agreement (the “**Facility Agreement**”) relating to a term loan and revolving credit facility of up to HK\$2,200 million (the “**Facility**”) to be made available to the Company, as borrower, for a period of up to three years commencing on 26 October 2012 (the “**Facility Period**”).

Pursuant to the Facility Agreement, the Company has undertaken to procure that Dr. Lam Kin Ngok, Peter and his family, will, at all times during the Facility Period, remain as the single largest shareholder of the Company (directly or indirectly) and will maintain control over the management of the Group.

At 31 January 2013, the outstanding loan balance of the Facility amounted to approximately HK\$1,086,250,000.

# Disclosure Pursuant to Paragraph 13.22 of Chapter 13 of the Listing Rules

## Financial assistance and guarantees to affiliated companies

As at 31 January 2013, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded the assets ratio of 8% under the Listing Rules.

In compliance with paragraph 13.22 of Chapter 13 of the Listing Rules, the pro forma combined statement of financial position of the affiliated companies as at 31 January 2013 is disclosed as follows:

	HK\$'000
Property, plant and equipment	2,598,670
Properties under development	1,591,278
Investment property under construction	5,011,594
Investment properties	11,294,233
Film rights	45,921
Film products	114,852
Music catalogs	29,533
Goodwill	10,271
Other intangible assets	67,552
Interests in associates	37,843
Interests in joint ventures	1,119,187
Available-for-sale investments	189,545
Deposits, prepayments and other receivables	76,081
Deferred tax assets	3,846
Amount due from shareholders	41,887
Net current assets	4,080,108
<b>Total assets less current liabilities</b>	<b>26,312,401</b>
<b>NON-CURRENT LIABILITIES</b>	
Long term deposits received	(67,998)
Long term borrowings	(1,735,614)
Convertible notes	(239,151)
Fixed rate senior notes	(1,423,141)
Deferred tax liabilities	(2,363,624)
Deferred income	(49,222)
Amount due to shareholders	(3,680,200)
	<b>(9,558,950)</b>
	<b>16,753,451</b>
<b>CAPITAL AND RESERVES</b>	
Issued capital	644,040
Share premium account	4,230,797
Contributed surplus	891,289
Investment revaluation reserve	23,324
Share option reserve	15,071
Exchange reserve	74,964
Other reserve	368,140
Accumulated profits	2,702,980
	<b>8,950,605</b>
<b>Non-controlling interests</b>	<b>7,802,846</b>
	<b>16,753,451</b>

# ▶ Corporate Governance and Other Information

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**” and the “**Listing Rules**”, respectively) throughout the six months ended 31 January 2013 save for the deviations from code provisions A.4.1, A.5.1, A.6.7 and E.1.2.

*Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.*

None of the existing non-executive directors (“**NEDs**”, including the independent non-executive directors (“**INEDs**”)) of the Company is appointed for a specific term. However, all directors of the Company (the “**Directors**”) are subject to the retirement provisions of the Articles of Association of the Company (the “**Articles of Association**”), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company (the “**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company (“**AGM**”) and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy would/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

*Under code provision A.5.1, a nomination committee comprising a majority of independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.*

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**EDs**”). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

*Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.*

Due to other pre-arranged business commitments which must be attended to by Dr. Lam Kin Ming and Madam U Po Chu (both NEDs), they were not present at the AGM held on 18 December 2012.

*Under code provision E.1.2, the chairman of the board should attend the annual general meeting.*

Due to other pre-arranged business commitments which must be attended to by him, Dr. Lam Kin Ngok, Peter, the Chairman, was not present at the AGM held on 18 December 2012. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM was elected chairman of that AGM pursuant to the Articles of Association to ensure an effective communication with the Shareholders thereat.

## SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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 required standard set out in the Model Code for Securities Transactions 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 2013.

## Corporate Governance and Other Information (Continued)

### DIRECTORS' INTERESTS

The following Directors and the chief executive of the Company who held office on 31 January 2013 and their respective associates (as defined in the Listing Rules) were interested or were deemed to be interested in 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 of Directors and Chief Executive"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Securities Code or (d) as known by the Directors:

#### (1) The Company

##### Long positions in the ordinary shares of HK\$0.01 each of the Company (the "Shares") and the underlying Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	14,307,745	Nil	10,024,465,353 (Note 1)	20,062,893 (Note 3)	10,058,835,991	50.14%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 3)	200,628,932	1.00%
Lau Shu Yan, Julius	Beneficial owner	8,783,333	Nil	Nil	100,314,466 (Note 3)	109,097,799	0.544%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 3)	200,628,932	1.00%
U Po Chu (Note 2)	Beneficial owner	897,316	Nil	Nil	Nil	897,316	0.004%

##### Notes:

- (1) *Lai Sun Garment (International) Limited ("LSG") and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned a total of 10,024,465,353 Shares, representing approximately 49.97% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,024,465,353 Shares by virtue of, in aggregate, his approximate 38.16% personal and deemed interests in the issued share capital of LSG. LSG is approximately 8.17% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam Kin Ngok, Peter.*
- (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, representing approximately 0.99% of the issued share capital of the Company.*

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (1) The Company (Continued)

Notes: (Continued)

- (3) A share option scheme was adopted by the Company on 22 December 2006 and commenced with effect from 29 December 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester, particulars of which are set out below:

Registered Name	Date of grant	Number of underlying Shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	20,062,893	18/01/2013-17/01/2023	HK\$0.335 per Share
Chew Fook Aun	05/06/2012	200,628,932	05/06/2012-04/06/2022	HK\$0.112 per Share
Lau Shu Yan, Julius	18/01/2013	100,314,466	18/01/2013-17/01/2023	HK\$0.335 per Share
Lam Hau Yin, Lester	18/01/2013	200,628,932	18/01/2013-17/01/2023	HK\$0.335 per Share

### (2) Associated Corporations

- (i) Lai Sun Garment (International) Limited (“LSG”) — the ultimate holding company of the Company

#### Long positions in the ordinary shares of HK\$0.01 each and the underlying shares in LSG

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	130,544,319	Nil	484,991,750 (Note 1)	1,617,423 (Note 2)	617,153,492	38.16%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	16,174,234 (Note 2)	16,174,234	1.00%
Lam Hau Yin, Lester	Beneficial owner	60,623,968	Nil	Nil	16,174,234 (Note 2)	76,798,202	4.75%
Lam Kin Ming	Beneficial owner	5,008,263	Nil	Nil	Nil	5,008,263	0.31%
U Po Chu	Beneficial owner/ Owner of controlled corporations	4,127,625	Nil	484,991,750 (Note 1)	Nil	489,119,375	30.24%

## Corporate Governance and Other Information (Continued)

### DIRECTORS' INTERESTS (CONTINUED)

#### (2) Associated Corporations (Continued)

##### (i) Lai Sun Garment (International) Limited (“LSG”) — the ultimate holding company of the Company (Continued)

Notes:

- (1) Both Dr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares by virtue of their respective 50% interests in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in LSG.
- (2) A share option scheme was adopted by LSG on 22 December 2006 and commenced with effect from 29 December 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	1,617,423	18/01/2013-17/01/2023	HK\$1.41 per share
Chew Fook Aun	05/06/2012	16,174,234	05/06/2012-04/06/2022	HK\$0.582 per share
Lam Hau Yin, Lester	18/01/2013	16,174,234	18/01/2013-17/01/2023	HK\$1.41 per share

##### (ii) eSun Holdings Limited (“eSun”) — an associate of the Company

#### Long positions in the ordinary shares of HK\$0.50 each and the underlying shares in eSun

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	496,404,186 (Note 1)	1,243,212 (Note 2)	500,441,841	40.25%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 (Note 2)	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 (Note 2)	15,226,564	1.22%



## ► Corporate Governance and Other Information (Continued)

### DIRECTORS' INTERESTS (CONTINUED)

#### (2) Associated Corporations (Continued)

##### (ii) eSun Holdings Limited (“eSun”) — an associate of the Company (Continued)

Notes:

- (1) LSG was interested in 10,024,465,353 Shares in the Company, representing approximately 49.97% of the issued share capital of the Company. Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, was interested in 496,404,186 shares in eSun, representing approximately 39.93% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 496,404,186 shares in eSun (representing approximately 39.93% of eSun's issued share capital) by virtue of, in aggregate, his approximate 38.16% and 50.14% personal and deemed interests in the issued share capital of LSG and the Company respectively.
- (2) A share option scheme was adopted by eSun on 23 December 2005 and commenced with effect from 5 January 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	1,243,212	18/01/2013-17/01/2023	HK\$1.612 per share
Chew Fook Aun	05/06/2012	6,216,060	05/06/2012-04/06/2022	HK\$0.92 per share
Lam Hau Yin, Lester	18/01/2013	12,432,121	18/01/2013-17/01/2023	HK\$1.612 per share

##### (iii) Lai Fung Holdings Limited (“Lai Fung”) — a subsidiary of eSun (since 11 June 2012)

###### (a) Long positions in the ordinary shares of HK\$0.10 each and the underlying shares in Lai Fung

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	7,949,276,422 (Note 1)	16,095,912 (Note 2)	7,965,372,334	49.49%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 (Note 2)	80,479,564	0.50%
Lau Shu Yan, Julius	Beneficial owner	12,917,658	Nil	Nil	48,287,738 (Note 2)	61,205,396	0.38%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	160,959,129 (Note 2)	160,959,129	1.00%

## ► Corporate Governance and Other Information (Continued)

### DIRECTORS' INTERESTS (CONTINUED)

#### (2) Associated Corporations (Continued)

##### (iii) Lai Fung Holdings Limited (“Lai Fung”) — a subsidiary of eSun (Continued)

##### (b) Interests in the 9.125% Senior Notes due 2014 issued by Lai Fung (the “Senior Notes”)

Name of Director	Capacity	Nature of interests	Principal amount
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	US\$1,025,000 (Note 1)
Lau Shu Yan, Julius	Beneficial owner	Personal	US\$300,000

Notes:

- (1) eSun was interested in 7,949,276,422 shares in Lai Fung, representing approximately 49.39% of the issued share capital of Lai Fung and in the principal amount of US\$1,025,000 of the Senior Notes issued by Lai Fung. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 7,949,276,422 issued shares in Lai Fung and the same principal amount of US\$1,025,000 of the Senior Notes issued by Lai Fung by virtue of, in aggregate, his approximate 40.25% personal and deemed shareholding interests in eSun.

Dr. Lam Kin Ngok, Peter stepped down as the chairman of the board of directors and an ED of Lai Fung with effect from 1 November 2012.

- (2) A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003 (“**Old Scheme**”). A new share option scheme was adopted by Lai Fung on 18 December 2012 and commenced with effect from 20 December 2012 (“**New Scheme**”). A share option was granted to Mr. Chew Fook Aun under the Old Scheme and remains exercisable though the Old Scheme was terminated on 20 December 2012. A share option was also granted to each of Dr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester under the New Scheme, particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	16,095,912	18/01/2013-17/01/2023	HK\$0.228 per share
Chew Fook Aun	12/06/2012	80,479,564	12/06/2012-11/06/2020	HK\$0.133 per share
Lau Shu Yan, Julius	18/01/2013	48,287,738	18/01/2013-17/01/2023	HK\$0.228 per share
Lam Hau Yin, Lester	18/01/2013	160,959,129	18/01/2013-17/01/2023	HK\$0.228 per share

## ► Corporate Governance and Other Information *(Continued)*

### DIRECTORS' INTERESTS *(CONTINUED)*

#### (2) Associated Corporations *(Continued)*

##### (iv) Media Asia Group Holdings Limited (“MAGHL”) — a subsidiary of eSun

#### Long positions in the shares and underlying shares in MAGHL

Name of Director	Capacity	Number of ordinary shares of HK\$0.01 each held	Number of underlying shares (convertible notes)	Deemed interest pursuant to section 317 of the SFO (Note 2)	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	6,712,925,500 <i>(Note 1)</i>	14,132,500,000 <i>(Note 1)</i>	11,171,573,103	32,016,998,603	243.66%

Notes:

- (1) *Perfect Sky Holdings Limited (“Perfect Sky”), a wholly-subsiary of eSun, was interested in 6,712,925,500 shares and 14,132,500,000 underlying shares in MAGHL. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 20,845,425,500 shares and underlying shares in MAGHL by virtue of, in aggregate, his approximate 40.25% personal and deemed shareholding interests in eSun.*
- (2) *Dr. Lam Kin Ngok, Peter was deemed to be interested in the 11,171,573,103 shares and underlying shares in MAGHL pursuant to section 317 of the SFO since eSun was deemed to be interested in the shares and the underlying shares in MAGHL held by the parties (other than MAGHL) to a subscription agreement dated 23 March 2011 and entered into amongst Perfect Sky and such parties for the subscription of certain shares in and convertible notes of MAGHL, and their respective ultimate beneficial owners.*

Save as disclosed above, as at 31 January 2013, none of the Directors and the chief executive of the Company and their respective associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and/or 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 of Directors and Chief Executive as aforesaid, notified under the Securities Code or otherwise known by the Directors.

## Corporate Governance and Other Information *(Continued)*

### SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at 31 January 2013, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals, 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 (the "Register of Shareholders") 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 and the underlying Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate% of Shares in issue
<b>Substantial Shareholders</b>				
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	10,024,465,353	49.97%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporation	Personal and corporate	10,058,835,991	50.14% (Note)

Note:

*LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 10,024,465,353 Shares, representing approximately 49.97% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,024,465,353 Shares by virtue of, in aggregate, his approximate 38.16% personal and deemed interests in the issued share capital of LSG.*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 January 2013, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

## Corporate Governance and Other Information (Continued)

### 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.

During the six months ended 31 January 2013, a total of 508,194,971 options were granted and no options were exercised and cancelled and lapsed in accordance with the terms of the Scheme. Particulars of the outstanding options at the beginning and at the end of the financial period are as follows:

Name of Grantees	Balance as at 01/08/2012 (granted on 05/06/2012*)	No. of Options granted during the Period (granted on 18/01/2013**)	Exercisable period of the Options	Exercise price per Option Share HK\$	Balance as at 31/01/2013	Approximate % of shareholding
<b>(a) Directors</b>						
Lam Kin Ngok, Peter	—	20,062,893	18/01/2013 to 17/01/2023	0.335	20,062,893	0.10%
Chew Fook Aun	200,628,932	—	05/06/2012 to 04/06/2022	0.112	200,628,932	1.00%
Lau Shu Yan, Julius	—	100,314,466	18/01/2013 to 17/01/2023	0.335	100,314,466	0.50%
Lam Hau Yin, Lester	—	200,628,932	18/01/2013 to 17/01/2023	0.335	200,628,932	1.00%
<b>(b) Employees</b>						
	—	187,188,680	18/01/2013 to 17/01/2023	0.335	187,188,680	0.93%
<b>Total:</b>	200,628,932	508,194,971			708,823,903	3.53%

Notes:

The closing price of the Company's Shares immediately before the date of grant of the share options on (\*) 5 June 2012 was HK\$0.109 per Share and on (\*\*) 18 January 2013 was HK\$0.325 per Share.

## Corporate Governance and Other Information *(Continued)*

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2013, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

### UPDATE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2011-2012 are set out as follows:

- (1) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester were adjusted upward by 4.5% with effect from 1 January 2013. The director's fee for each of the NEDs (including the INEDs) was increased to HK\$250,000 with effect from 1 November 2012. On 18 January 2013, the Company granted share options to certain Directors under the share option scheme adopted by the Company on 22 December 2006 to subscribe for ordinary shares of HK\$0.01 each in the share capital of the Company. Directors' remuneration for the six months ended 31 January 2013 and 2012 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>For the six months ended 31 January 2013</b>					
EDs:					
Lam Kin Ngok, Peter ( <i>Chairman</i> )	—	4,888	1,990	8	6,886
Chew Fook Aun ( <i>Deputy Chairman</i> , appointed on 5 June 2012)	—	4,272	—	8	4,280
Lau Shu Yan, Julius ( <i>Chief Executive Officer</i> )	—	2,295	9,951	95	12,341
Lam Hau Yin, Lester (appointed on 1 November 2012)	—	827	19,903	4	20,734
Lui Siu Tsuen, Richard (resigned on 1 November 2012)	—	—	—	—	—
Cheung Sum, Sam (resigned on 1 September 2012)	—	507	—	1	508
	—	12,789	31,844	116	44,749
NEDs:					
Lam Kin Ming	63	—	—	—	63
U Po Chu	63	—	—	—	63
Wan Yee Hwa, Edward (retired on 18 December 2012)	70	—	—	—	70
	196	—	—	—	196
INEDs:					
Ip Shu Kwan, Stephen	100	—	—	—	100
Lam Bing Kwan	100	—	—	—	100
Leung Shu Yin, William	100	—	—	—	100
	300	—	—	—	300
<b>Total</b>	<b>496</b>	<b>12,789</b>	<b>31,844</b>	<b>116</b>	<b>45,245</b>

## ► Corporate Governance and Other Information *(Continued)*

### UPDATE OF DIRECTORS' INFORMATION *(CONTINUED)*

(1) *(Continued)*

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>For the six months ended 31 January 2012</b>					
EDs:					
Lam Kin Ngok, Peter <i>(Chairman)</i>	—	5,420	—	6	5,426
Lau Shu Yan, Julius <i>(Chief Executive Officer)</i>	—	2,102	—	87	2,189
Lui Siu Tsuen, Richard (resigned on 1 November 2012)	—	—	—	—	—
Cheung Sum, Sam (resigned on 1 September 2012)	—	895	—	6	901
Tam Kin Man, Kraven (retired on 1 May 2012)	—	1,741	—	72	1,813
Cheung Wing Sum, Ambrose (retired on 21 December 2011)	—	—	—	—	—
	—	10,158	—	171	10,329
NEDs:					
Lam Kin Ming	—	—	—	—	—
U Po Chu	—	—	—	—	—
Wan Yee Hwa, Edward (retired on 18 December 2012)	75	—	—	—	75
	75	—	—	—	75
INEDs:					
Ip Shu Kwan, Stephen	75	—	—	—	75
Lam Bing Kwan	75	—	—	—	75
Leung Shu Yin, William	75	—	—	—	75
	225	—	—	—	225
<b>Total</b>	<b>300</b>	<b>10,158</b>	<b>—</b>	<b>171</b>	<b>10,629</b>

## ► Corporate Governance and Other Information *(Continued)*

### UPDATE OF DIRECTORS' INFORMATION *(CONTINUED)*

- (2) Dr. Lam Kin Ngok, Peter
  - (a) stepped down as the chairman of the board of directors and an ED of Lai Fung with effect from 1 November 2012;
  - (b) was appointed a member of the 12th National Committee of the Chinese People's Political Consultative Conference on 1 February 2013 following completion of his previous term of membership; and
  - (c) has accepted the appointment as the chairman of The Hong Kong Tourism Board for 3 years from 1 April 2013 to 31 March 2016 and by virtue of such appointment will become an ex officio member of Hong Kong Trade Development Council for the same period.
- (3) Mr. Chew Fook Aun was elected chairman of the board of directors of Lai Fung with effect from 1 November 2012.
- (4) Madam U Po Chu was re-designated as an ED from a NED of LSG with effect from 27 November 2012.
- (5) Mr. Ip Shu Kwan, Stephen resigned as an INED of
  - (a) Yangtze China Investment Limited ("**Yangtze**") with effect from 31 December 2012;
  - (b) Milan Station Holdings Limited ("**Milan Station**") with effect from 15 March 2013;
  - (c) Viva China Holdings Limited ("**Viva China**") with effect from 15 March 2013; and
  - (d) Goldpoly New Energy Holdings Limited ("**Goldpoly New Energy**") with effect from 15 March 2013.

LSG, Lai Fung, Milan Station and Goldpoly New Energy are listed on the Main Board of the Stock Exchange, Viva China is listed on the Growth Enterprise Market of the Stock Exchange and Yangtze is listed in the United Kingdom.

### DIRECTORS, EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2013, the Group employed a total of approximately 1,200 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

The Group is delighted to welcome Mr. Lam Hau Yin, Lester who joined the Board as an ED. The Group would also like to thank Mr. Cheung Sum, Sam, Mr. Lui Siu Tsuen, Richard and Mr. Wan Yee Hwa, Edward, who left the Board during the period under review for their valuable contributions to the Company during their tenure.



## Corporate Governance and Other Information *(Continued)*

### INVESTOR RELATIONS

To ensure our investors have a better understanding of the Company, our management has begun engaging in a pro-active investor relations programme. Our EDs led by the Deputy Chairman of the Company and the Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and business strategy.

For the six months ended 31 January 2013, the Company has met with a number of research analysts and investors, as well as attended conferences and non-deal roadshows as follows:

Month	Event	Organizer	Location
September 2012	UBS Hong Kong/China Property Conference 2012	UBS	Hong Kong
September 2012	JP Morgan Hong Kong Property Corporate Access Days	JP Morgan	Hong Kong
October 2012	Post full year results non-deal roadshow	UBS	Hong Kong
November 2012	Post full year results non-deal roadshow	DBS	Singapore
November 2012	Post full year results non-deal roadshow/ HSBC Asia Corporate Day	HSBC	London
November 2012	Post full year results non-deal roadshow	JP Morgan	New York/ Philadelphia/ San Francisco
December 2012	Investors luncheon	Daiwa Securities	Hong Kong
January 2013	Investors luncheon	Bank of China International	Hong Kong
January 2013	Non-deal roadshow	UOB Kay Hian	Taipei

The Company is keen on promoting good investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Investor Relations Department by phone on (852) 2853 6116 during normal business hours, by fax at (852) 2853 6651 or by e-mail at [ir@laisun.com](mailto:ir@laisun.com).

### REVIEW OF INTERIM REPORT

The Audit Committee of the Company currently comprises two INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and a NED, Dr. Lam Kin Ming. The Audit Committee has reviewed the interim report (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2013.

By Order of the Board  
**Lam Kin Ngok, Peter**  
*Chairman*

Hong Kong, 28 March 2013