



LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Stock Code: 191)

Interim Report

For the six months ended 31 January 2015



Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Chew Fook Aun (*Deputy Chairman*)

Lam Hau Yin, Lester

(also alternate director to U Po Chu)

Lam Kin Hong, Matthew

U Po Chu

Independent Non-executive Directors

Chow Bing Chiu

Lam Bing Kwan

Leung Shu Yin, William

AUDIT COMMITTEE

Leung Shu Yin, William (*Chairman*)

Chow Bing Chiu

Lam Bing Kwan

REMUNERATION COMMITTEE

Lam Bing Kwan (*Chairman*)

Chew Fook Aun

Chow Bing Chiu

Leung Shu Yin, William

COMPANY SECRETARY

Tse Pik Ha

REGISTERED OFFICE / PRINCIPAL OFFICE

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Lai Sun Commercial Centre

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Kowloon, Hong Kong

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AUTHORISED REPRESENTATIVES

Lam Kin Ming

Chew Fook Aun

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

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

DBS Bank Ltd.

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Oversea-Chinese Banking Corporation Limited

SHARES INFORMATION

Place of Listing

The Main Board of The Stock Exchange

of Hong Kong Limited

Stock Code

191

Board Lot

1,000 shares

WEBSITE

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INVESTOR RELATIONS

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The board of directors (the “**Board**”) of Lai Sun Garment (International) 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 2015 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2015

	Notes	Six months ended	
		31 January 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
TURNOVER	3	826,399	1,271,768
Cost of sales		(342,025)	(666,143)
Gross profit		484,374	605,625
Other revenue		44,990	38,349
Selling and marketing expenses		(11,631)	(34,039)
Administrative expenses		(194,599)	(171,470)
Other operating expenses, net		(48,460)	(46,101)
Employee share option benefits	11	(684)	—
Fair value gains on investment properties		864,024	376,818
Provision for tax indemnity	13(b)	—	(139,017)
PROFIT FROM OPERATING ACTIVITIES	4	1,138,014	630,165
Finance costs	5	(129,417)	(134,081)
Share of profits and losses of associates		(7,765)	44,521
Share of profits and losses of joint ventures		103,305	49,151
Discount on acquisition of additional interest in an associate	6	—	99,382
PROFIT BEFORE TAX		1,104,137	689,138
Tax	7	(43,259)	(45,877)
PROFIT FOR THE PERIOD		1,060,878	643,261
Attributable to:			
Owners of the Company		614,253	338,555
Non-controlling interests		446,625	304,706
		1,060,878	643,261
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK\$0.327	HK\$0.209
Diluted		HK\$0.325	HK\$0.207

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2015

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	1,060,878	643,261
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:		
Change in fair values of available-for-sale financial assets	(15,349)	4,150
Exchange realignments	(58,614)	11,141
Share of other comprehensive income of an associate	18,675	59,380
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	(55,288)	74,671
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,005,590	717,932
Attributable to:		
Owners of the Company	585,326	375,885
Non-controlling interests	420,264	342,047
	1,005,590	717,932

Condensed Consolidated Statement of Financial Position

As at 31 January 2015

	Notes	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,573,257	873,004
Prepaid land lease payments		22,442	22,955
Investment properties		16,934,040	14,895,795
Properties under development for sale		686,999	184,461
Interests in associates		3,882,140	3,881,846
Interests in joint ventures		5,621,865	6,018,543
Available-for-sale financial assets		1,347,249	1,232,466
Pledged and restricted bank balances and time deposits		154,276	369,821
Deposits paid and other receivables		83,517	727,468
Total non-current assets		31,305,785	28,206,359
CURRENT ASSETS			
Completed properties for sale		751,925	867,329
Equity investments at fair value through profit or loss		5,220	2,159
Inventories		9,366	8,106
Debtors, deposits paid and other receivables	10(a)	175,077	137,628
Pledged and restricted bank balances and time deposits		275,384	62,813
Cash and cash equivalents		1,784,466	2,457,510
Total current assets		3,001,438	3,535,545
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10(b)	340,021	324,867
Tax payable		144,591	139,990
Bank borrowings		1,601,465	430,408
Total current liabilities		2,086,077	895,265
NET CURRENT ASSETS		915,361	2,640,280
TOTAL ASSETS LESS CURRENT LIABILITIES		32,221,146	30,846,639
NON-CURRENT LIABILITIES			
Bank borrowings		3,037,841	2,583,485
Guaranteed notes		3,488,516	3,496,144
Other borrowing, note payable and interest payable		355,997	350,282
Deferred tax		183,059	180,370
Provision for tax indemnity	13(b)	980,638	980,638
Long term rental deposits received		79,540	92,046
Deferred rental		4,375	4,366
Total non-current liabilities		8,129,966	7,687,331
		24,091,180	23,159,308
EQUITY			
Equity attributable to owners of the Company			
Issued capital		1,170,165	1,165,343
Investment revaluation reserve		157,920	166,012
Share option reserve		16,386	16,138
Hedging reserve		(527)	(527)
Capital reduction reserve		6,973	6,973
Asset revaluation reserve		55,494	55,494
Other reserve		672,085	692,153
Statutory reserve		10,378	—
Exchange fluctuation reserve		16,340	37,175
Retained profits		11,020,197	10,416,292
Proposed final dividend		—	20,638
Non-controlling interests		13,125,411	12,575,691
		10,965,769	10,583,617
		24,091,180	23,159,308

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2015

	Attributable to owners of the Company														Total HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Capital reduction reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
At 31 July 2014 and 1 August 2014 (Audited)	1,165,343	—	166,012	16,138	(527)	6,973	55,494	692,153	—	37,175	10,416,292	20,638	12,575,691	10,583,617	23,159,308
Profit for the period	—	—	—	—	—	—	—	—	—	—	614,253	—	614,253	446,625	1,060,878
Other comprehensive (expense)/ income for the period:															
Change in fair values of available-for-sale financial assets	—	—	(8,171)	—	—	—	—	—	—	—	—	—	(8,171)	(7,178)	(15,349)
Exchange realignments	—	—	—	—	—	—	—	—	—	(30,461)	—	—	(30,461)	(28,153)	(58,614)
Share of other comprehensive income of an associate	—	—	79	—	—	—	—	—	—	9,626	—	—	9,705	8,970	18,675
Total comprehensive (expense)/ income for the period	—	—	(8,092)	—	—	—	—	—	—	(20,835)	614,253	—	585,326	420,264	1,005,590
Share of reserve movements of an associate	—	—	—	92	—	—	—	(3,617)	10,378	—	(10,348)	—	(3,495)	(3,232)	(6,727)
Recognition of share-based payments	—	—	—	156	—	—	—	—	—	—	—	—	156	528	684
Capital contribution from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	8,100	8,100
Shares issued in lieu of cash dividend*	4,822	—	—	—	—	—	—	—	—	—	—	—	4,822	—	4,822
Shares issued by a subsidiary in lieu of cash dividend	—	—	—	—	—	—	—	(16,451)	—	—	—	—	(16,451)	22,051	5,600
Dividend paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(65,559)	(65,559)
Final 2014 dividend paid	—	—	—	—	—	—	—	—	—	—	—	(20,638)	(20,638)	—	(20,638)
At 31 January 2015 (Unaudited)	1,170,165	—	157,920	16,386	(527)	6,973	55,494	672,085	10,378	16,340	11,020,197	—	13,125,411	10,965,769	24,091,180
At 31 July 2013 and 1 August 2013 (Audited)	16,174	1,908,840	158,034	16,214	(5,889)	—	55,494	327,231	—	30,601	8,528,561	—	11,035,260	10,150,752	21,186,012
Profit for the period	—	—	—	—	—	—	—	—	—	—	338,555	—	338,555	304,706	643,261
Other comprehensive income for the period:															
Change in fair values of available-for-sale financial assets	—	—	2,074	—	—	—	—	—	—	—	—	—	2,074	2,076	4,150
Exchange realignments	—	—	—	—	—	—	—	—	—	5,584	—	—	5,584	5,557	11,141
Share of other comprehensive income of an associate	—	—	1,152	—	6,560	—	—	—	—	21,960	—	—	29,672	29,708	59,380
Total comprehensive income for the period	—	—	3,226	—	6,560	—	—	—	—	27,544	338,555	—	375,885	342,047	717,932
Share of reserve movements of an associate	—	—	—	—	—	—	—	58,074	—	—	52	—	58,126	60,658	118,784
Net proceeds from rights issue	—	—	—	—	—	—	—	210,329	—	—	—	—	210,329	—	210,329
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	4,780	4,780
Acquisition of additional interest in a subsidiary**	—	—	—	—	—	—	—	309,017	—	—	—	—	309,017	(397,854)	(88,837)
At 31 January 2014 (Unaudited)	16,174	1,908,840	161,260	16,214	671	—	55,494	904,651	—	58,145	8,867,168	—	11,988,617	10,160,383	22,149,000

* On 9 December 2014, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.011 per share payable in cash with a scrip dividend alternative (the "Scrip Dividend Scheme") for the year ended 31 July 2014 (the "2014 Final Dividend"). During the period, 4,802,260 new shares were issued by the Company at a deemed price of HK\$1.004 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the Scrip Dividend Scheme to settle HK\$4,822,000 of the 2014 Final Dividend. The remaining of the 2014 Final Dividend of HK\$15,816,000 was satisfied by cash.

Further details of the Scrip Dividend Scheme are set out in the Company's circular dated 30 December 2014.

** During the period from November 2013 to December 2013, the Group acquired 2% additional interest in a subsidiary, Lai Sun Development Company Limited ("LSD"), from the public shareholders at a cost of approximately HK\$88,837,000 and the Group's interest in LSD increased from 49.97% to 51.97%. A discount on acquisition of approximately HK\$309,017,000 was credited to other reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2015

	Six months ended	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	130,910	605,728
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment properties via an acquisition of a subsidiary	—	(123,145)
Acquisition of additional interest in a subsidiary	—	(88,837)
Acquisition of available-for-sale financial assets	(130,163)	—
Purchases of items of property, plant and equipment	(1,518,352)	(41,988)
Additions to investment properties	(1,359,456)	(711)
Acquisition of additional interest in an associate	—	(29,336)
Advances to associates	(2,877)	(13,203)
Advances to joint ventures	(60,017)	(92,005)
Repayment from a joint ventures	550,000	—
Dividend received from a joint venture	10,000	—
Dividends received from unlisted available-for-sale financial assets	22,149	23,000
Decrease/(increase) in pledged bank balances and time deposits	2,974	(85)
Others	6,729	(13,910)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,479,013)	(380,220)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	1,885,620	6,729
Repayment of bank borrowings	(113,252)	(103,250)
Bank financing charges	(28,958)	(3,385)
Dividend paid	(15,816)	—
Dividend paid to non-controlling shareholders of subsidiaries	(59,959)	—
Net proceeds from rights issue	—	6,019,464
Others	8,100	4,747
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,675,735	5,924,305
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(672,368)	6,149,813
Cash and cash equivalents at beginning of period	2,457,510	3,183,396
Effect of foreign exchange rate changes, net	(676)	689
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,784,466	9,333,898
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	760,684	7,564,620
Time deposits	1,023,782	1,769,278
	1,784,466	9,333,898

Notes to Condensed Consolidated Interim Financial Statements

31 January 2015

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2015 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

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 2014.

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.

3. SEGMENT INFORMATION

During the year ended 31 July 2014, management changed its reporting segments to (i) property development and sales; (ii) property investment; (iii) hotel operation; (iv) restaurant operation; and (v) others as a result of growing importance of the restaurant operation segment to the operation of the Group. The corresponding information for the six months ended 31 January 2014 has been re-presented accordingly.

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 operation		Restaurant operation		Others		Eliminations		Consolidated	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment revenue:														
Sales to external customers	177,644	722,742	348,878	284,305	186,481	183,488	102,293	69,565	11,103	11,668	—	—	826,399	1,271,768
Intersegment sales	—	—	6,856	8,070	180	—	—	—	11,614	14,447	(18,650)	(22,517)	—	—
Other revenue	2,037	1,331	1,169	672	25	2	507	654	2,313	1,669	—	—	6,051	4,328
Total	179,681	724,073	356,903	293,047	186,686	183,490	102,800	70,219	25,030	27,784	(18,650)	(22,517)	832,450	1,276,096
Segment results	49,342	222,310	281,692	227,178	31,945	35,025	2,078	(13,192)	(5,742)	1,512	—	—	359,315	472,833
Interest income from bank deposits — unallocated													13,406	10,402
Unallocated revenue													25,533	23,619
Fair value gains on investment properties	—	—	864,024	376,818	—	—	—	—	—	—	—	—	864,024	376,818
Employee share option benefits — unallocated													(684)	—
Unallocated expenses													(123,580)	(114,490)
Provision for tax indemnity													—	(139,017)
Profit from operating activities													1,138,014	630,165
Finance costs													(129,417)	(134,081)
Share of profits and losses of associates	221	15	2,171	1,195	—	—	(541)	(1,859)	—	—	—	—	1,851	(649)
Share of profits and losses of associates — unallocated													(9,616)	45,170
Share of profits and losses of joint ventures	(219)	6,106	103,524	43,045	—	—	—	—	—	—	—	—	103,305	49,151
Discount on acquisition of additional interest in an associate													—	99,382
Profit before tax													1,104,137	689,138
Tax													(43,259)	(45,877)
Profit for the period													1,060,878	643,261

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2015

3. SEGMENT INFORMATION (CONTINUED)

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

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Consolidated	
	31 January 2015	31 July 2014	31 January 2015	31 July 2014	31 January 2015	31 July 2014	31 January 2015	31 July 2014	31 January 2015	31 July 2014	31 January 2015	31 July 2014
	(Unaudited)	(Audited)	(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	HK\$'000	HK\$'000
Segment assets	1,677,233	1,605,841	17,028,660	14,959,163	2,633,451	1,093,554	331,739	288,581	107,245	46,726	21,778,328	17,993,865
Interests in associates	6,552	7,743	35,683	33,300	—	—	14,836	18,610	—	—	57,071	59,653
Interests in associates — unallocated	—	—	—	—	—	—	—	—	—	—	3,825,069	3,822,193
Interests in joint ventures	933,848	1,494,050	4,688,017	4,524,493	—	—	—	—	—	—	5,621,865	6,018,543
Unallocated assets	—	—	—	—	—	—	—	—	—	—	3,024,890	3,847,650
Total assets											34,307,223	31,741,904
Segment liabilities	46,461	70,333	195,604	178,450	80,346	61,587	15,159	17,180	6,967	6,537	344,537	334,087
Bank borrowings	—	—	—	—	—	—	—	—	—	—	4,639,306	3,013,893
Guaranteed notes	—	—	—	—	—	—	—	—	—	—	3,488,516	3,496,144
Other borrowing, note payable and interest payable	—	—	—	—	—	—	—	—	—	—	355,997	350,282
Other unallocated liabilities	—	—	—	—	—	—	—	—	—	—	1,387,687	1,388,190
Total liabilities											10,216,043	8,582,596

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January 2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation*	29,240	20,762
Amortisation of prepaid land lease payments*	513	514
Fair value (gain)/loss on a listed equity investment at fair value through profit or loss*	(3,061)	1,222
Interest income from bank deposits	(13,406)	(10,402)
Other interest income	(3,841)	(594)
Dividend income from listed equity investments at fair value through profit or loss	—	(25)
Dividend income from unlisted available-for-sale financial assets	(22,149)	(23,000)

* Depreciation charge of approximately HK\$27,251,000 (Six months ended 31 January 2014: HK\$19,508,000) 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.

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2015

5. FINANCE COSTS

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	42,154	38,481
Interest on guaranteed notes wholly repayable within five years	113,299	79,552
Interest on other borrowing and note payable wholly repayable within five years	5,715	5,714
Bank financing charges	9,451	11,561
	170,619	135,308
Less: Amount capitalised in a hotel development project (note 9)	(31,000)	—
Amount capitalised in properties under development for sale	(10,202)	(1,227)
	129,417	134,081

6. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the period from November 2013 to December 2013, LSD acquired 1.33% additional interest in eSun Holdings Limited ("eSun") from the public shareholders at a cost of approximately HK\$18,545,000 and LSD's interest in eSun was increased from 39.93% to 41.26%. A discount on acquisition of approximately HK\$99,382,000 arose from this acquisition.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax		
Hong Kong	25,470	37,976
Overseas	15,100	8,438
	40,570	46,414
Deferred tax	2,689	(537)
Tax charge for the period	43,259	45,877

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2015

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	614,253	338,555
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	(2,012)	(1,668)
Earnings for the purpose of diluted earnings per share	612,241	336,887
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,876,237	1,617,423
Effect of dilutive potential ordinary shares arising from share options	10,082	8,949
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,886,319	1,626,372

9. PROPERTY, PLANT AND EQUIPMENT

During the current period, increase in property, plant and equipment (net of depreciation and disposals) of approximately HK\$1,700 million mainly includes additions to a hotel development project as disclosed in the Company's circular dated 20 June 2014 amounting to HK\$1,730 million.

10. 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 a 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 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Trade debtors:		
Not yet due or less than 30 days past due	8,783	8,594
31-60 days past due	3,428	1,401
61-90 days past due	525	242
Over 90 days past due	4,230	1,402
	16,966	11,639
Other receivables	61,796	62,929
Deposits paid and prepayments	96,315	63,060
	175,077	137,628

Notes to Condensed Consolidated Interim Financial Statements

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31 January 2015

10. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS (CONTINUED)

- (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 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Trade creditors:		
Not yet due or less than 30 days past due	11,674	9,880
31-60 days past due	842	1,705
61-90 days past due	781	199
Over 90 days past due	933	174
	14,230	11,958
Other payables and accruals	153,777	175,722
Deposits received and other provisions	172,014	137,187
	340,021	324,867

11. SHARE OPTION SCHEME

Company

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 participants of the Group.

The table below discloses movement of the Company's share options held by the Group's directors, employees and other eligible participants during the period:

	Number of share options
Outstanding as at 1 August 2014	52,377,489
Granted on 21 January 2015	600,000
Outstanding as at 31 January 2015	52,977,489

The exercise price of the Company's share options granted on 21 January 2015 was HK\$1.05 per share. The closing price of the Company's shares immediately before 21 January 2015, the date of grant, was HK\$0.99.

The fair value of the share options granted during the period was approximately HK\$156,000 (Six months ended 31 January 2014: 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 (%)	0.9910
Expected volatility (%)	43.8890
Historical volatility (%)	43.8890
Risk-free interest rate (%)	1.4172
Expected life of options (years)	10
Closing share price (HK\$ per share)	1.05

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.

Notes to Condensed Consolidated Interim Financial Statements

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11. SHARE OPTION SCHEME (CONTINUED)

LSD

LSD 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 participants of LSD.

The table below discloses movement of LSD's share options held by LSD's directors, employees and other eligible participants during the period:

	Number of share options
Outstanding as at 1 August 2014	702,823,903
Granted on 21 January 2015	11,000,000
Outstanding as at 31 January 2015	713,823,903

The exercise price of LSD's share options granted on 21 January 2015 was HK\$0.174 per share. The closing price of LSD's shares immediately before 21 January 2015, the date of grant, was HK\$0.171.

The fair value of the share options granted during the period was approximately HK\$528,000 (Six months ended 31 January 2014: 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 (%)	1.3021
Expected volatility (%)	53.6130
Historical volatility (%)	53.6130
Risk-free interest rate (%)	1.4172
Expected life of options (years)	10
Closing share price (HK\$ per share)	0.172

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.

12. CAPITAL COMMITMENTS

The Group had the following commitments not provided for in the condensed consolidated interim financial statements at the end of the reporting period:

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Contracted, but not provided for		
Purchase of property, plant and equipment	4,434	3,308
Development and operation of a hotel project	89,870	1,560,502
Addition of investment properties	10,786	12,820
	105,090	1,576,630
Authorised, but not contracted for		
Development of a hotel project	2,398,687	2,427,632
	2,503,777	4,004,262

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

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12. CAPITAL COMMITMENTS (CONTINUED)

In addition, the Group's share of a joint venture's own capital commitments, in respect of future development expenditure of its investment properties, is as follows:

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Contracted, but not provided for	98,169	170,763

13. 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 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to and utilised by a joint venture	653,500	—

- (b) Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between LSD and Lai Fung Holdings Limited ("**Lai Fung**"), LSD has undertaken to indemnify Lai Fung in respect of certain potential income tax and land appreciation tax ("**LAT**") of the People's Republic of China (the "**PRC**") 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 LSD 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 LSD 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 plans and the status of the Property Interests held by Lai Fung as at 31 January 2015 and 31 July 2014 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group recorded an aggregate provision for tax indemnity of HK\$980,638,000. During the six months ended 31 January 2014, the Group recognised an additional provision for tax indemnity of HK\$139,017,000 in the condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Statements

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14. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following material transactions with related parties during the period:

(a) Transactions with related parties

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Rental income and building management fee received from eSun and its subsidiaries (collectively the "eSun Group"), an associate (Note)	5,757	4,744
Sharing of corporate salaries on a cost basis allocated to the eSun Group	24,517	16,762
Sharing of administrative expenses on a cost basis allocated to the eSun Group	4,607	8,703
Rental expenses and building management fees to an associate (Note)	976	936
Sharing of corporate salaries on a cost basis allocated from the eSun Group	3,786	2,764
Sharing of administrative expenses on a cost basis allocated from the eSun Group	245	595
Purchase of properties for sale from a joint venture (Note)	—	1,790

Note: These transactions were entered into based on terms stated in the respective agreements or contracts and were charged on bases mutually agreed by the respective parties.

(b) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term employee benefits	19,725	17,051
Post-employment benefits	54	46
Total compensation paid to key management personnel	19,779	17,097

Notes to Condensed Consolidated Interim Financial Statements

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15. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments measured at amortised cost

Except for the guaranteed notes with fair values in aggregate of approximately HK\$3,545,818,000 (31 July 2014: HK\$3,579,789,000), the directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximate to their fair values as at the end of the reporting period.

Financial instruments measured at fair value

As at 31 January 2015

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Available-for-sale financial assets, at fair value	—	221,584	1,112,413	1,333,997
Equity investments at fair value through profit or loss	5,220	—	—	5,220
	5,220	221,584	1,112,413	1,339,217

As at 31 July 2014

	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	Total (Audited) HK\$'000
Available-for-sale financial assets, at fair value	—	103,434	1,115,780	1,219,214
Equity investments at fair value through profit or loss	2,159	—	—	2,159
	2,159	103,434	1,115,780	1,221,373

The movements in fair value measurements in Level 3 during the period are as follows:

	(Unaudited) HK\$'000
Available-for-sale financial assets, at fair value	
At 1 August 2014	1,115,780
Total losses recognised in other comprehensive income	(3,367)
At 31 January 2015	1,112,413

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2015

15. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques

Fair value measurement using significant unobservable inputs (Level 3)

Fair value of the equity interest in an investee company has been estimated using the fair value of investment properties held by an investee company, which is determined by the direct comparison and the income capitalisation methods detailed below.

The properties are valued by the direct comparison method on the assumption that each property can be sold in its existing state subject to existing tenancies or otherwise with the benefit of vacant possession and making references to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

The properties are also valued by the income capitalisation approach taking into account the rents passing of the properties and the reversionary potential of the tenancies, and reconciling the two approaches, if applicable.

Information about fair value measurement as at 31 January 2015 using significant unobservable inputs (Level 3)

Unobservable inputs		Relationship of unobservable inputs to fair value
Average monthly market rent per square foot	HK\$107	The higher the market rent, the higher the fair value
Capitalisation rate	3%	The higher the capitalisation rate, the lower the fair value

16. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

Interim Dividend

The Board of the Company has resolved not to declare the payment of an interim dividend for the financial year ending 31 July 2015. No interim dividend was declared in respect of the last corresponding period.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The global economies remain on a delicate recovery path, despite continuous support from central banks around the world. Major economies such as the United States, the Euro Zone and Japan continue to struggle against a backdrop of geopolitical uncertainties around the world such as those in the Middle East and between Russia and Ukraine. As a global financial centre, Hong Kong's economic performance is clearly not immune from the challenges faced by the major economies around the world.

The property sector in Hong Kong continues to perform steadily notwithstanding the challenging conditions. The retail market is supported by low unemployment with steady visitors arrivals and the office leasing market is gradually improving. The residential market continues to be slow generally since the introduction of control measures in late 2012 and early 2013 but new launches reported robust prices being achieved. The Hong Kong Government implemented a new round of policy measures since the period end to cool down price increases particularly for smaller units, all of which suggests that underlying demand remains strong. It is very likely that these control measures, barring any unforeseen circumstances, are here to stay until land supply has caught up; which is likely to take some years despite the government's emphasis and effort. Labour supply shortage in the construction industry is driving wage inflation and continues to pose a challenge on the cost management side.

The Group weathered the challenging conditions well. The rental portfolio of approximately 1.2 million square feet generated steady rental income at high occupancy rates. Rental income increased through tenant mix adjustments and rental reversion. With the sale of the residential units in Ocean One being completed and before the completion of the Tseung Kwan O project and the Ma Tau Kok project, sales revenue for the current and coming financial years will be driven by the sale of the 339 Tai Hang Road project.

The management believes it is paramount to prepare the Group for the challenges and opportunities ahead. The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider Lai Sun Group. Further to securing the Tseung Kwan O site, the Ma Tau Kok project in April 2014 and the Hong Kong Ocean Park Marriott Hotel ("**Ocean Hotel**") in May 2014, the Group continued to participate in government tenders to grow the pipeline. The completion of the Observatory Road project in 2015 will add an attributable rental gross floor area ("**GFA**") of approximately 42,800 square feet in the prime Tsim Sha Tsui area of Hong Kong when it is completed in the third quarter of 2015. Pre-leasing of this property is going well.

The acquisition of 107 and 100 Leadenhall Street in London bolstered our portfolio in the United Kingdom. Both properties are freehold commercial properties located in the heart of the city of London. These properties added 141,700 square feet to our rental portfolio and each generated historical gross yields net of management fees of between 5.5% to approximately 6.0% and is expected to generate good rental income as well as redevelopment potential to the Group in the long run. The renovation work for 36 Queen Street has been completed and is now leased and a meaningful contribution is expected in this financial year.

The Group's strong cash position of HK\$2,214.1 million of cash on hand with a net debt to equity ratio of 47.8% as at 31 January 2015 provides the Group full confidence and the means to review opportunities more actively. Excluding LSD, the cash and bank balances held by the Group as at 31 January 2015 was HK\$907.1 million with a net debt to equity ratio of 28.1%. The Group's gearing excluding the London portfolio all of which have a positive carry net of financing costs is 34.8%. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

Management Discussion and Analysis (Continued)

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2015, the Group recorded turnover of HK\$826.4 million (2014: HK\$1,271.8 million) and a gross profit of HK\$484.4 million (2014: HK\$605.6 million), representing a decrease of approximately 35.0% and 20.0%, respectively over the same period last year. The decrease in turnover and gross profit was primarily due to fewer available stocks of properties for sale after the completion of the sale of the residential units of Ocean One during the period under review. Turnover from rental income, sales of properties, restaurants and hotel and other operations during the period was HK\$348.9 million (2014: HK\$284.3 million), HK\$177.6 million (2014: HK\$722.7 million), HK\$102.3 million (2014: HK\$69.6 million) and HK\$197.6 million (2014: HK\$195.2 million), respectively.

For the six months ended 31 January 2015, net profit attributable to owners of the Company was approximately HK\$614.3 million (2014: HK\$338.6 million), representing an increase of approximately 81.4% over the same period last year. The substantial increase is a mix of lower profit before revaluation of the Group's investment properties and a substantial increase in revaluation of the Group's investment properties during the period under review. Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$34.1 million (2014: HK\$79.3 million). Basic earnings per share including and excluding the effect of property revaluations was HK\$0.327 (2014: HK\$0.209) and HK\$0.018 (2014: HK\$0.049), respectively.

Profit attributable to owners of the Company (HK\$ million)	Six months ended	
	2015	2014
Reported	614.3	338.6
Adjustments in respect of revaluation gains of investment properties held by		
— the Company and subsidiaries	(523.1)	(206.6)
— associates and joint ventures	(57.1)	(52.7)
Net profit after tax excluding revaluation gains of investment properties	34.1	79.3

Equity attributable to owners of the Company as at 31 January 2015 amounted to HK\$13,125.4 million, up from HK\$12,575.7 million as at 31 July 2014. Net asset value per share attributable to owners of the Company increased by 4.1% to HK\$6.978 per share as at 31 January 2015 from HK\$6.703 per share as at 31 July 2014.

Management Discussion and Analysis (Continued)

PROPERTY PORTFOLIO COMPOSITION

As at 31 January 2015, the Group maintained a property portfolio with attributable GFA of approximately 1.6 million square feet. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces is as follows:

	Commercial/ Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental ¹	323	594	199	—	—	1,116	547
Completed Hotel Properties	—	—	—	—	51	51	—
Properties Under Development ²	81	—	—	169	190	440	110
Completed Properties Held for Sale ³	9	—	—	14	—	23	10
Total GFA of major properties of the Group	413	594	199	183	241	1,630	667

1. Completed and rental generating properties

2. All properties under construction

3. Completed properties held for sale

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

PROPERTY INVESTMENT

Rental Income

During the period under review, the Group's rental operations recorded a turnover of HK\$348.9 million (2014: HK\$284.3 million), representing a 22.7% increase over the same period last year. The increase is primarily due to contributions from newly acquired rental properties in London, as well as continued management of tenant mix and rental reversion at major investment properties during the period under review.

The Group wholly owns five major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Lai Sun Commercial Centre, commercial podium of Crocodile Center and Por Yen Building.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

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

	Six months ended 31 January		%	Period end occupancy (%)
	2015 HK\$ million	2014 HK\$ million		
Hong Kong				
Cheung Sha Wan Plaza (including car-parking spaces)	146.2	134.6	8.6	98.5
Causeway Bay Plaza 2 (including car-parking spaces)	81.7	73.0	11.9	99.9
Lai Sun Commercial Centre (including car-parking spaces)	27.0	24.1	12.0	97.2
Crocodile Center (commercial podium)	41.6	39.3	5.9	100.0
Por Yen Building	6.4	6.9	-7.2	85.9
Others	7.5	6.4	17.2	N/A
Subtotal:	310.4	284.3	9.2	
London, United Kingdom				
36 Queen Street	11.2	—	N/A	85.4
107-112 Leadenhall Street	24.1	N/A	N/A	100.0
100 Leadenhall Street	3.2	N/A	N/A	100.0
Subtotal:	38.5	—	N/A	
Total:	348.9	284.3	22.7	
Rental proceeds from joint venture project				
Hong Kong				
CCB Tower* (50% basis)	57.1	50.5	13.1	94.4

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

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

		Six months ended 31 January 2015			Six months ended 31 January 2014		
		Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)
Hong Kong							
Cheung Sha Wan Plaza		51.88%			51.97%		
	Commercial		78.7	112,523		74.1	112,556
	Office		58.7	244,990		52.7	245,802
	Car-parking spaces		8.8	N/A		7.8	N/A
			146.2	357,513		134.6	358,358
Causeway Bay Plaza 2		51.88%			51.97%		
	Commercial		53.0	57,676		47.2	57,776
	Office		26.4	50,508		23.5	50,595
	Car-parking spaces		2.3	N/A		2.3	N/A
			81.7	108,184		73.0	108,371
Lai Sun Commercial Centre		51.88%			51.97%		
	Commercial		16.8	54,561		14.8	54,655
	Office		3.0	43,252		3.0	43,327
	Car-parking spaces		7.2	N/A		6.3	N/A
			27.0	97,813		24.1	97,982
Crocodile Center		100%			100%		
	Commercial		41.6	97,800		39.3	97,800
Por Yen Building		100%			100%		
	Industrial		6.3	116,736		6.8	123,207
	Car-parking spaces		0.1	N/A		0.1	N/A
			6.4	116,736		6.9	123,207
Others			7.5	77,695**		6.4	77,751**
Subtotal:			310.4	855,741**		284.3	863,469**
London, United Kingdom							
36 Queen Street London		51.88%			51.97%		
	Office		11.2	31,551		—	31,606
107-112 Leadenhall Street		51.88%			N/A		
	Office		24.1	76,059		N/A	N/A
100 Leadenhall Street		51.88%			N/A		
	Office		3.2	65,648		N/A	N/A
Subtotal:			38.5	173,258		—	31,606
Total:			348.9	1,028,999**		284.3	895,075**
Joint Venture Project							
Hong Kong							
CCB Tower* (50% basis)		25.94%			25.99%		
	Office		57.1	59,431		50.5	59,534

* CCB Tower is a joint venture project with China Construction Bank Corporation ("CCB") in which each of LSD and CCB has an effective 50% interest. For the six months ended 31 January 2015, the rental proceeds recorded by the joint venture is HK\$114.1 million.

** Excluding 5.19% interest in AIA Central and 44.65% interest in Metropolitan Factory and Warehouse Building (Units A and B on 7/F)

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza

The asset comprises of a 8-storey and a 7-storey office tower 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 689,100 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 208,500 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/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of approximately 188,500 square feet (excluding car-parking spaces).

CCB Tower, 3 Connaught Road Central

LSD has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This office tower is a landmark property in Central featuring underground access to the MTR station in Central. The property has a total GFA of approximately 229,000 square feet (excluding car-parking spaces). CCB Tower added approximately 59,500 square feet of attributable gross floor area to our portfolio. CCB Tower is now fully leased out with 15 floors of the office floors, 2 banking hall floors and certain area on ground floor and the first floor leased by CCB for its Hong Kong operations.

Crocodile Center

Crocodile Center is a 25-storey commercial/office building which was completed in 2009 and located near the Kwun Tong MTR station. The Group owns the retail podium which has a total GFA of approximately 97,800 square feet (excluding car-parking spaces). Tenants dominated by local restaurant groups.

Por Yen Building

The Por Yen Building, being a 14-storey industrial building with total GFA of approximately 116,700 square feet excluding car-parking spaces, is located at the hub of Cheung Sha Wan Business Area and is near to the Lai Chi Kok MTR station.

Overseas Properties

36 Queen Street, London EC4 1HJ, United Kingdom

In February 2011, LSD acquired an office building in the city in central London located at 36 Queen Street. Completed in 1986, it comprises approximately 60,800 square feet gross internal area of office accommodation extending over basement, ground and six upper floors. Comprehensive refurbishment and renovation work has been completed and the building is being leased out during the period.

107-112 Leadenhall Street, London EC3A 4AF, United Kingdom

In April 2014, LSD acquired a property located at the core of the insurance district in central London, surrounded by 30 St Mary Axe (commonly known as the Gherkin), Lloyd's of London and Willis Building at 51 Lime Street. It is a freehold commercial property housing both retail and offices. The building comprises approximately 146,600 square feet gross internal area of office accommodation extending over basement, lower ground floor, ground floor, mezzanine floor and seven upper floors. The building is currently fully leased out.

100 Leadenhall Street, London EC3A 3BP, United Kingdom

Following the acquisition of 107-112 Leadenhall in April 2014, the Group announced the acquisition of 100 Leadenhall in November 2014 which was completed in January 2015. This property comprises a basement, a lower ground floor, ground floor and nine upper floors and provides approximately 126,500 square feet net internal area of offices and ancillary accommodation. The property is currently let to ACE Global Markets Limited for a term of 16 years expiring on 17 January 2018.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT

For the six months ended 31 January 2015, recognised turnover from sales of properties was HK\$177.6 million (2014: HK\$722.7 million), representing a decrease of 75.4% over the same period last year. The significant decrease was due to the completion of the sale of residential units in Ocean One.

Review of major projects for sale

Ocean One, 6 Shung Shun Street, Yau Tong

LSD wholly owns this development project, namely "Ocean One" located at No. 6 Shung Shun Street, Yau Tong, Kowloon. This property is a residential-cum-commercial property with a total GFA of about 122,000 square feet (excluding car-parking spaces) or 124 residential units and 2 commercial units. The total development cost (including land cost and lease modification premium) is about HK\$730 million. Pre-sales commenced in December 2012.

During the period under review, we have completed the sale of 7 residential units and 14 car-parking spaces with total sales proceeds of HK\$81.3 million recognised during the period under review and the average selling price based on saleable area is approximately HK\$13,700 per square foot as at 31 January 2015. All units have been sold other than two shops and several car-parking spaces.

335-339 Tai Hang Road, Hong Kong

LSD wholly owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group has developed the site into a luxury residential property with a total GFA of about 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is about HK\$670 million.

The property is now open for sale. As at 31 January 2015, we have completed the sale of 1 residential unit with total sales proceeds of HK\$96.4 million recognised during the period under review and the average selling price based on saleable area is approximately HK\$40,000 per square foot as at 31 January 2015.

Review of major projects under development

2-12 Observatory Road

LSD 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 joint venture partner is Henderson Land.

The site is to be redeveloped into a multi-storey commercial building with a total GFA of approximately 165,000 square feet (excluding car-parking spaces). The total development cost is estimated to be approximately HK\$2.3 billion including land value of approximately HK\$1.8 billion. The new building is expected to be completed in the third quarter of 2015.

Area 68A2, Tseung Kwan O

In November 2012, LSD 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 459,000 square feet for residential use and approximately 114,000 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 fourth quarter of 2017.

Ocean Hotel project

LSD was named the most preferred proponent by Ocean Park for the Ocean Hotel project in October 2013 and was officially awarded the project in May 2014. The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and approximately 189,800 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.2 million square feet. The total development cost is estimated to be approximately HK\$4.4 billion. Completion is expected to be in the fourth quarter of 2017.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

Review of major projects under development (Continued)

Ma Tau Kok project

Since securing the Tseung Kwan O site in November 2012, LSD participated in a number of government tenders. Other than the Ocean Hotel project, LSD was successful in April 2014 in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority, Hong Kong in Ma Tau Kok, Kowloon, Hong Kong. The lot has an area of approximately 12,600 square feet with a permitted total gross floor area of approximately 113,400 square feet split into approximately 94,500 square feet for residential use and approximately 18,900 square feet for non-industrial use. The total development cost is estimated to be approximately HK\$1.0 billion and the completion is expected to be in the first quarter of 2018.

RESTAURANT OPERATION

For the six months ended 31 January 2015, the restaurant operation contributed HK\$102.3 million to the Group's turnover (2014: HK\$69.6 million), representing an increase of approximately 47.0% from the same period last year. The contribution from the restaurants segment was boosted by the new restaurants added, including CIAK-In The Kitchen and China Tang Hong Kong at Landmark in Central, Hong Kong which were opened in December 2013.

The restaurant operation includes the Group's interests in 12 restaurants in Hong Kong and Mainland China, including the Michelin 3-star Italian restaurant 8^½ Otto e Mezzo BOMBANA Hong Kong, Michelin 2-star Japanese restaurant Wagyu Takumi, Michelin 1-star Italian restaurant CIAK-In The Kitchen at Landmark, Michelin 1-star Japanese restaurant Wagyu Kaiseki Den, 8^½ Otto e Mezzo BOMBANA Shanghai, Opera BOMBANA in Beijing, Gin Sai, Rozan, Kowloon Tang, Island Tang, Chiu Tang and China Tang Hong Kong at Landmark in Central, Hong Kong.

HOTEL OPERATION

Turnover from hotel operation was derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam. For the six months ended 31 January 2015, the hotel operation contributed HK\$186.5 million to the Group's turnover (2014: HK\$183.5 million).

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Vietnam. It is an elegant 24-storey tower with a mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and a specially equipped room for the disabled. Total GFA attributable to the Group is approximately 51,100 square feet.

LSD was awarded the hotel tender at Ocean Park in May 2014 and the Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms upon its completion in 2017. The Group is optimistic about the prospects of the Ocean Hotel project given the strong popularity of Ocean Park, which is underpinned by robust growth in visitor numbers to Hong Kong coinciding with its expansion.

The hotel operation has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou, Zhongshan and Hengqin. The hotel division will manage Lai Fung's serviced apartments in Shanghai and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks with 90 fully furnished serviced apartment units located in the Palm Lifestyle complex in Zhongshan Western district at Cui Sha Road, opposite to the new Zhongshan traditional Chinese medical centre. STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel with 287 fully furnished and equipped hotel units with kitchenette located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways.

Management Discussion and Analysis (Continued)

INTERESTS IN ASSOCIATES (eSun)

Film production and distribution and media and entertainment divisions demonstrated improvements across the board. Lai Fung's results were encouraging given the challenging operating environment in the property sector in Mainland China.

The steady fundamental performance was offset by the incremental interest expense related to the guaranteed notes issued in June 2014 and other non-cash items in Lai Fung such as lower revaluation gains and fair value loss on the cross currency swap and led to a decrease in share of profit of HK\$45.3 million to share of loss of HK\$9.3 million.

INTERESTS IN JOINT VENTURES

During the period under review, contribution from joint ventures increased to HK\$103.3 million (2014: HK\$49.2 million), representing an increase of 110.0%. This is primarily due to stronger revaluation gain of the Observatory Road project.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2015, cash and bank balances and undrawn facilities held by the Group amounted to HK\$2,214.1 million and HK\$2,056.4 million, respectively. Cash and bank balances held by the Group excluding LSD as at 31 January 2015 was HK\$907.1 million.

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

As at 31 January 2015, the Group had bank borrowings of approximately HK\$4,639.3 million, guaranteed notes of approximately HK\$3,488.5 million, a note of HK\$195.0 million and a loan of HK\$31.7 million payable to the late Mr. Lim Por Yen ("**Mr. Lim**"), accrued interest of HK\$129.3 million in relation to the above-mentioned note and loan payable to the late Mr. Lim. The net debt to equity ratio expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings, guaranteed notes and note and loan and related accrued interest payable to the late Mr. Lim less the pledged and restricted and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company was approximately 47.8%. Excluding LSD, the net debt to equity ratio was approximately 28.1%. The Group's gearing excluding the London portfolio all of which had a positive carry net of financing costs was approximately 34.8%. As at 31 January 2015, the maturity profile of the bank borrowings of HK\$4,639.3 million was spread over a period of less than 5 years with HK\$1,601.5 million repayable within 1 year, HK\$1,317.9 million repayable in the second year and HK\$1,719.9 million repayable in the third to fifth years. All the Group's borrowings carried interest on a floating rate basis except for the United States dollar and Renminbi guaranteed notes issued in January 2013 and July 2014 and which has a fixed rate of 5.7% and 7.7% per annum, respectively.

As at 31 January 2015, certain investment properties with carrying amounts of approximately HK\$14,904.3 million, certain properties under development for sale of approximately HK\$502.5 million and certain bank balances and time deposits with banks of approximately HK\$429.7 million were pledged to banks to secure banking facilities granted to and guaranteed notes issued by the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to and guaranteed notes issued by the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure loan facilities granted to joint ventures of the Group. Certain shares of an investee company held by the Group were pledged to a bank to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

Management Discussion and Analysis *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

The Group's 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 investments in United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investments were partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. 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 13 to the condensed consolidated interim financial statements.

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR RENTAL

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)					No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Industrial	Total (excluding car-parking spaces & ancillary facilities)		
Hong Kong properties									
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	51.88%	The property is held for a term expiring on 30 June 2047	112,523	244,990	—	357,513	184	
Por Yen Building	478 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 2081)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	116,736	116,736	7	
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)	51.88%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	57,676	50,508	—	108,184	30	
Crocodile Center (commercial podium)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	97,800	—	—	97,800	—	
Crocodile Center (car-parking spaces)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	50%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	—	—	27	
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	51.88%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	54,561	43,252	—	97,813	270	
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	25.94%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	59,431	—	59,431	10	
Wylar Centre Phase II (20/F and 27/F and car-parking spaces nos. 17, 18 and 59 on 2/F)	192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	51.88%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	26,581	26,581	2	

Particulars of Major Properties (Continued)

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)					No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial	Total (excluding car-parking spaces & ancillary facilities)		
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	5.19%	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)	—	22,255	—	22,255	3	
Por Mee Factory Building (Units A,B,C and D on 3/F)	500 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	20,087	20,087	—	
Forda Industrial Building (6/F and car-parking spaces nos. 10, 22 and 27 on G/F)	16 Wan Chau Road, Yuen Long, New Territories, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	19,300	19,300	3	
Metropolitan Factory and Warehouse Building (Units A and B on 7/F and car-parking spaces nos. 11 and 12 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	44.65%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,077	5,077	1	
Victorious Factory Building (Unit B on 5/F)	33A-37A Tseuk Luk Street and 16-20 Sam Chuk Street, San Po Kong, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,828	5,828	—	
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking spaces nos. 1,2,13 and 14 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	51.88%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,899	5,899	2	
Subtotal of Hong Kong properties held for rental:				322,560	420,436	199,508	942,504	539	
Overseas properties									
107-112 Leadenhall Street London (Note 1)	107-112 Leadenhall Street, London EC3A 4AF, United Kingdom	51.88%	The property is held freehold	—	76,059	—	76,059	—	
100 Leadenhall Street London (Note 2)	100 Leadenhall Street, London EC3A 3BP, United Kingdom	51.88%	The property is held freehold	—	65,648	—	65,648	8	
36 Queen Street London (Note 1)	36 Queen Street, London, EC4 1HJ, United Kingdom	51.88%	The property is held freehold	—	31,551	—	31,551	—	
Subtotal of overseas properties held for rental:				—	173,258	—	173,258	8	
Subtotal of completed properties held for rental:				322,560	593,694	199,508	1,115,762	547	

Note 1: Referring to gross internal area

Note 2: Referring to net internal area

Particulars of Major Properties (Continued)

COMPLETED HOTEL PROPERTY

Hotel Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)	No. of car-parking spaces attributable to the Group
				Hotel	
Caravelle Hotel	19-23 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	13.49%	The property is held under a land use right due to expire on 8 October 2040	51,037	—

PROPERTIES UNDER DEVELOPMENT

Location	Stage of construction	Group interest	Site Area (approximate square feet) (Note)	Expected completion date	Approximate Attributable Gross Floor Area (square feet)				No. of car-parking spaces attributable to the Group
					Commercial/ Retail	Hotel	Residential	Total (excluding car-parking spaces & ancillary facilities)	
2-12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong	Superstructure works in progress	25.94%	13,765	Q3 2015	42,845	—	—	42,845	13
Area 68A2, Tseung Kwan O, New Territories, Hong Kong	Foundation works in progress	25.94%	229,338	Q4 2017	29,743	—	118,951	148,694	77
The Hong Kong Ocean Park Marriott Hotel at Ocean Park, Hong Kong	Foundation works in progress	51.88%	183,460	Q4 2017	—	189,881	—	189,881	8
San Shan Road/Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	Foundation works in progress	51.88%	12,599	Q1 2018	8,814	—	49,792	58,606	12
Subtotal of properties under development:					81,402	189,881	168,743	440,026	110

Note: On project basis

COMPLETED PROPERTIES HELD FOR SALE

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
			Commercial/ Retail	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	51.88%	9,208	—	9,208	4
339 Tai Hang Road	335-339 Tai Hang Road, Hong Kong	51.88%	—	14,215	14,215	6
Subtotal of completed properties held for sale:			9,208	14,215	23,423	10

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

The Company

On 21 December 2012, the Company entered into a facility agreement ("**LSG Facility Agreement**") related to a term loan and revolving credit facility of up to HK\$800 million ("**LSG Facility**") to be made available to the Company, as borrower, for a period of up to three years commencing 21 December 2012 ("**LSG Facility Period**").

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

At 31 January 2015, the outstanding loan balance of the LSG Facility amounted to approximately HK\$318,000,000.

LSD

On 26 October 2012, LSD entered into a facility agreement related to a term loan and revolving credit facility of up to HK\$2,200 million to be made available to LSD, as borrower, for a period of up to three years commencing 26 October 2012.

In August 2014, LSD entered into another facility agreement related to a term loan facility of GBP48,480,000 to be made available to a wholly-owned subsidiary of LSD, as borrower, for a period of five years up to 6 August 2019.

Pursuant to the above agreements, LSD has undertaken to procure that Dr. Lam Kin Ngok, Peter and his family, will, at all times during the relevant facility periods, remain as the single largest shareholder of LSD (directly or indirectly) and will maintain control over the management of LSD.

At 31 January 2015, the outstanding loan balances of the above facilities of LSD amounted to approximately HK\$1,521,494,000.

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

Financial assistance and guarantees to affiliated companies

As at 31 January 2015, the aggregate amount of financial assistance and guarantee 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 2015 is disclosed as follows:

	HK\$'000
Property, plant and equipment	2,877,661
Properties under development	1,119,067
Investment property under construction	5,638,361
Investment properties	16,383,255
Film rights	31,642
Film products	81,957
Music catalogs	14,325
Goodwill	137,859
Interests in associates	52,132
Interests in joint ventures	1,236,438
Available-for-sale investments	152,634
Deposits, prepayments and other receivables	789,449
Deferred tax assets	9,020
Deferred rental benefits	77,741
Pledged bank balances	383,620
Amounts due from shareholders	9,285
Net current assets	3,590,594
Total assets less current liabilities	32,585,040
NON-CURRENT LIABILITIES	
Long term deposits received	(152,017)
Long term borrowings	(3,978,402)
Guaranteed notes, secured	(784,555)
Fixed rate senior notes	(2,247,948)
Derivative financial instruments	(137,883)
Deferred tax liabilities	(2,733,613)
Deferred income	(44,976)
Amounts due to shareholders	(4,783,045)
	(14,862,439)
	17,722,601
CAPITAL AND RESERVES	
Issued capital	646,875
Share premium account	4,230,797
Contributed surplus	891,289
Investment revaluation reserve	14,918
Share option reserve	15,293
Hedging reserve	(2,225)
Exchange reserve	237,994
Statutory reserve	50,391
Other reserve	645,771
Accumulated profits	3,321,427
	10,052,530
Non-controlling interests	7,670,071
	17,722,601

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**” and “**Listing Rules**”, respectively) throughout the six months ended 31 January 2015 save for the deviations from code provisions A.4.1 and A.5.1.

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 (“**Directors**”) are subject to the retirement provisions of the Articles of Association of the Company, which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company (“**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 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.

Board

The board oversees the overall management of the Company’s business and affairs. The Board’s primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of its Shareholders as a whole while taking into account the interests of other stakeholders.

The Board has delegated the day-to-day management of the Company’s business to the management and the Executive Committee and focuses its attention on matters affecting the Company’s long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Company and its subsidiaries (“**Group**”) as well as overall policies and guidelines.

The Board currently comprises nine members, of whom six are EDs and three are INEDs. The current composition of the Board is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills.

Corporate Governance and Other Information *(Continued)*

CORPORATE GOVERNANCE *(CONTINUED)*

Board *(Continued)*

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

Chairman and Chief Executive Officer

During the six months ended 31 January 2015 and up to the date of this Report, Dr. Lam Kin Ming (an ED) was the Chairman of the Company and Mr. Yip Chai Tuck was the Chief Executive Officer. The segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is defined.

SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**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 of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2015.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS

The following Directors and the chief executive of the Company who held office on 31 January 2015 and their respective close 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 ("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 ("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:

(a) The Company

Long positions in the ordinary shares of the Company ("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 corporation	237,464,979	Nil	562,590,430 (Note 1)	1,876,211 (Notes 2 and 5)	801,931,620	42.63%
Lam Kin Ming	Beneficial owner	5,008,263	Nil	Nil	Nil	5,008,263	0.27%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	18,762,111 (Notes 3 and 5)	18,762,111	1.00%
U Po Chu	Beneficial owner	4,127,625	Nil	Nil	Nil	4,127,625	0.22%
Lam Hau Yin, Lester	Beneficial owner	60,623,968	Nil	Nil	18,762,111 (Notes 4 and 5)	79,386,079	4.22%

Notes:

1. Dr. Lam Kin Ngok, Peter was deemed to be interested in 562,590,430 Shares (representing approximately 29.91% of the Company's issued share capital) by virtue of his 100% interest in the issued share capital of Wisdoman Limited which directly owned 562,590,430 Shares in the Company.
2. A share option comprising a total of 1,617,423 underlying Shares in the Company had been granted to Dr. Lam Kin Ngok, Peter at an exercise price of HK\$1.41 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
3. A share option comprising a total of 16,174,234 underlying Shares in the Company had been granted to Mr. Chew Fook Aun at an exercise price of HK\$0.582 per Share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.
4. A share option comprising a total of 16,174,234 underlying Shares in the Company had been granted to Mr. Lam Hau Yin, Lester at an exercise price of HK\$1.41 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(a) The Company (Continued)

Notes: (Continued)

5. On 7 February 2014, the exercise price of and the number of Shares entitled to be subscribed for under the outstanding share options of the following Directors have been adjusted in the following manner following the completion of Rights Issue of the Company:

Name of Director	Number of share options before the Rights Issue	Exercise price per Share prior to the Rights Issue HK\$	Adjusted number of share options after the Rights Issue	Adjusted exercise price per Share after the Rights Issue HK\$
Lam Kin Ngok, Peter	1,617,423	1.41	1,876,211	1.21
Chew Fook Aun	16,174,234	0.582	18,762,111	0.501
Lam Hau Yin, Lester	16,174,234	1.41	18,762,111	1.21

(b) Associated Corporations

- (i) Lai Sun Development Company Limited (“LSD”) — a subsidiary of the Company (since 30 September 2010)

Long positions in the ordinary shares and the underlying shares in LSD

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	10,425,699,353 (Note 1)	20,062,893 (Note 2)	10,460,069,991	52.05%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 3)	200,628,932	1.00%
U Po Chu (Note 5)	Beneficial owner	897,316	Nil	Nil	Nil	897,316	0.004%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 4)	200,628,932	1.00%

Notes:

1. The Company and two of its wholly-owned subsidiaries, namely Joy Mind Limited and Zimba International Limited, beneficially owned in aggregate 10,425,699,353 shares in LSD, representing approximately 51.88% of the issued share capital of LSD. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,425,699,353 shares in LSD (representing approximately 51.88% of LSD's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.63% in the issued share capital of the Company.

The 10,425,699,353 shares in LSD (51.88%) were pledged as security by the Company pursuant to its 7.70% secured guaranteed notes due 2018 under a share charge dated 24 July 2014.

2. A share option comprising a total of 20,062,893 underlying shares in LSD had been granted to Dr. Lam Kin Ngok, Peter at an exercise price of HK\$0.335 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (Continued)

(i) Lai Sun Development Company Limited ("LSD") — a subsidiary of the Company (since 30 September 2010) (Continued)

Notes: (Continued)

- A share option comprising a total of 200,628,932 underlying shares in LSD had been granted to Mr. Chew Fook Aun at an exercise price of HK\$0.112 per share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.
- A share option comprising a total of 200,628,932 underlying shares in LSD had been granted to Mr. Lam Hau Yin, Lester at an exercise price of HK\$0.335 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
- Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 shares in LSD, representing approximately 0.98% of the issued share capital of LSD.

(ii) eSun Holdings Limited ("eSun") — an associate of LSD

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 (Note 5)	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	521,204,186 (Note 1)	1,243,212 (Note 2)	525,241,841	42.25%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 (Note 3)	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 (Note 4)	15,226,564	1.22%

Notes:

- The Company was interested in 10,425,699,353 shares in LSD, representing approximately 51.88% of the issued share capital of LSD. Transtrend Holdings Limited, a wholly-owned subsidiary of LSD, was interested in 521,204,186 shares in eSun, representing approximately 41.92% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 521,204,186 shares in eSun (representing approximately 41.92% of eSun's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.63% and 52.05% in the issued share capital of the Company and LSD, respectively.
- A share option comprising a total of 1,243,212 underlying shares in eSun had been granted to Dr. Lam Kin Ngok, Peter at an exercise price of HK\$1.612 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
- A share option comprising a total of 6,216,060 underlying shares in eSun had been granted to Mr. Chew Fook Aun at an exercise price of HK\$0.92 per share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.
- A share option comprising a total of 12,432,121 underlying shares in eSun had been granted to Mr. Lam Hau Yin, Lester at an exercise price of HK\$1.612 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
- Dr. Lam Kin Ngok, Peter resigned as an executive director of eSun with effect from 14 February 2014.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (Continued)

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

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 (Note 6)	Beneficial owner/ Owner of controlled corporations	Nil	Nil	8,274,270,422 (Note 1)	16,095,912 (Note 3)	8,290,366,334	51.40%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 (Note 4)	80,479,564	0.50%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	160,959,129 (Note 5)	160,959,129	1.00%

Notes:

1. These interests in Lai Fung were the shares beneficially owned by Merit Worth Limited (4,385,231,724 shares) and Silver Glory Securities Limited (3,889,038,698 shares), the latter two companies being wholly-owned subsidiaries of eSun, representing approximately 51.30% of the issued share capital of Lai Fung. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 51.88% by the Company. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 shares in Lai Fung (representing approximately 51.30% of Lai Fung's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.25% in eSun.

The 8,274,270,422 shares in Lai Fung (51.30%) were pledged as security by eSun pursuant to its 8.375% secured guaranteed notes due 2018 under a share charge dated 24 June 2014.

2. A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003 and remains in force for a period of 10 years (“**Old Scheme**”). A new share option scheme was adopted by Lai Fung on 18 December 2012 and commenced with effect from 20 December 2012 and remains in force for a period of 10 years (“**New Scheme**”).
3. A share option comprising a total of 16,095,912 underlying shares in Lai Fung had been granted to Dr. Lam Kin Ngok, Peter under the New Scheme at an exercise price of HK\$0.228 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
4. A share option comprising a total of 80,479,564 underlying shares in Lai Fung had been granted to Mr. Chew Fook Aun under the Old Scheme at an exercise price of HK\$0.133 per share on 12 June 2012 and is exercisable during the period from 12 June 2012 to 11 June 2020.
5. A share option comprising a total of 160,959,129 underlying shares in Lai Fung had been granted to Mr. Lam Hau Yin, Lester under the New Scheme at an exercise price of HK\$0.228 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
6. Dr. Lam Kin Ngok, Peter stepped down as the chairman of the board of directors and an executive director of Lai Fung with effect from 1 November 2012.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (Continued)

(iii) Lai Fung Holdings Limited ("Lai Fung") — a subsidiary of eSun (since 11 June 2012) (Continued)

Long positions in the 6.875% Senior Notes due 2018 issued by Lai Fung ("6.875% Senior Notes")

Name of Director	Capacity	Nature of Interests	Principal Amount
Lam Kin Hong, Matthew	Owner of controlled corporations	Corporate (Note)	CNY23,600,000

Note:

The 6.875% Senior Notes are held by Tai Fu Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Lam Kin Hong, Matthew and his spouse.

(iv) Media Asia Group Holdings Limited ("MAGH") — a subsidiary of eSun (since 9 June 2011)

Long position in the ordinary shares of HK\$0.01 each and underlying shares in MAGH

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total number of issued shares and underlying shares	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	842,675,225 (Note 1)	79,596,050 (Note 2)	922,271,275	68.83%

Notes:

- As at 31 January 2015, these interests in MAGH represented the shares beneficially owned by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun, representing approximately 62.89% of the issued share capital of MAGH. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 51.88% by the Company. As the Company is approximately 12.72% owned by Dr. Lam Kin Ngok, Peter and approximately 29.91% owned by Wisdoman Limited which is in turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 842,675,225 shares in MAGH.

The 842,675,225 shares in MAGH (62.89%) held by Perfect Sky were pledged as security by eSun pursuant to its 8.375% secured guaranteed notes due 2018 under a share charge dated 24 June 2014.

- By virtue of Dr. Lam Kin Ngok, Peter's interests through the controlled corporations described in Note (1) above, he was also deemed to be interested in the 79,596,050 underlying shares of MAGH comprised in the convertible notes issued to Perfect Sky by MAGH on 9 June 2012.

Save as disclosed above, as at 31 January 2015, none of the Directors and chief executive of the Company and their respective close 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 under the SFO, recorded in the Register of Directors and Chief Executive, or 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 2015, 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 Director of the Company, who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO ("**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 ("**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
Substantial Shareholders				
Lam Kin Ngok, Peter <i>(Note 1)</i>	Beneficial owner/ Owner of controlled corporations	Personal and corporate	801,931,620 <i>(Note 2)</i>	42.63%
Wisdoman Limited <i>(Note 1)</i>	Beneficial owner	Corporate	562,590,430 <i>(Notes 1 & 2)</i>	29.91%
Third Avenue Management LLC	Investment manager	Corporate	243,355,958 <i>(Note 3)</i>	12.97%
Other Persons				
Yu Cheuk Yi	Beneficial owner	Personal	175,515,360 <i>(Note 4)</i>	9.35%
Yu Siu Yuk	Beneficial owner	Personal	175,515,360 <i>(Note 4)</i>	9.35%
Third Avenue Management LLC, on behalf of the Third Avenue Value Fund	Beneficial owner	Corporate	150,319,880 <i>(Note 3)</i>	7.99%
Dalton Investments LLC	Investment manager	Corporate	101,190,247 <i>(Note 5)</i>	5.39%

Corporate Governance and Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (CONTINUED)

Notes:

1. *Dr. Lam Kin Ngok, Peter, Director of the Company, is also director of Wisdoman Limited.*
2. *Dr. Lam Kin Ngok, Peter was deemed to be interested in 562,590,430 Shares owned by Wisdoman Limited by virtue of his 100% interests in the issued share capital of Wisdoman Limited.*
3. *Third Avenue Management LLC held 243,355,958 Shares, of which Third Avenue Management LLC, on behalf of the Third Avenue Value Fund, held 150,319,880 Shares. Subsequent to 31 January 2015 and as at the date of this Report, the shareholding of Third Avenue Management LLC has decreased to 224,784,391 Shares (representing approximately 11.95% of the issued share capital of the Company), of which Third Avenue Management LLC, on behalf of the Third Avenue Value Fund held 138,974,880 Shares (representing approximately 7.39% of the issued share capital of the Company).*
4. *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 175,515,360 Shares, which were held jointly by them. Subsequent to 31 January 2015 and as at the date of this Report, the shareholding of Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk has increased to 211,756,129 Shares (representing approximately 11.26% of the issued share capital of the Company).*
5. *Subsequent to 31 January 2015 and as at the date of this Report, the shareholding of Dalton Investments LLC has decreased to 92,790,247 Shares (representing approximately 4.93% of the issued share capital of the Company).*

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 2015, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company as recorded in the Register of Shareholders.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME

(1) The Company

The Company operates a share option scheme (“**Share Option Scheme**”) for the purpose of providing incentives or rewards to eligible participants for their contribution or would be contribution to the Group, and/or to enable the Group to recruit and retain high-calibre employees and to attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors (including executive, non-executive and independent non-executive directors), employees, agents or consultants of the Group, and employees of the shareholder or any member of the Group or holders of any securities issued by any member of the Group. The Share Option Scheme which was adopted by the Company on 22 December 2006 and became effective on 29 December 2006 and unless otherwise terminated or amended, it will remain in force for a period of 10 years from the latter date.

Information on movements of share options under the Share Option Scheme during the six months ended 31 January 2015 is set out below:

Name and category of participant	Date of grant of share options (Note 1)	Number of underlying Shares comprised in share options				Outstanding at 31/01/2015	Exercise period of share options	Exercise price per share of share options HK\$ per share (Note 2)
		Outstanding at 01/08/2014	Granted during the period	Lapsed during the period				
Directors								
Lam Kin Ngok, Peter	18/01/2013	1,876,211 (Note 3)	—	—	1,876,211	18/01/2013 to 17/01/2023	1.21 (Note 3)	
Chew Fook Aun	05/06/2012	18,762,111 (Note 3)	—	—	18,762,111	05/06/2012 to 04/06/2022	0.501 (Note 3)	
Lam Hau Yin, Lester	18/01/2013	18,762,111 (Note 3)	—	—	18,762,111	18/01/2013 to 17/01/2023	1.21 (Note 3)	
		39,400,433	—	—	39,400,433			
Other employees, in aggregate	18/01/2013	12,397,056 (Note 3)	—	—	12,397,056	18/01/2013 to 17/01/2023	1.21 (Note 3)	
Other employees, in aggregate	26/07/2013	580,000 (Note 3)	—	—	580,000	26/07/2013 to 25/07/2023	1.28 (Note 3)	
Other employees, in aggregate	21/01/2015	—	600,000	—	600,000	21/01/2015 to 20/01/2025	1.05	
Grand Total		52,377,489	600,000	—	52,977,489			

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

(1) The Company (Continued)

Notes:

1. The share options were vested on the date of grant.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.
3. On 7 February 2014, the exercise price of and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of Rights Issue of the Company:

Name and Category of participant	Number of share options before the Rights Issue	Exercise price per Share prior to the Rights Issue HK\$	Adjusted number of share options after the Rights Issue	Adjusted exercise price per Share after the Rights Issue HK\$
Directors				
Lam Kin Ngok, Peter	1,617,423	1.41	1,876,211	1.21
Chew Fook Aun	16,174,234	0.582	18,762,111	0.501
Lam Hau Yin, Lester	16,174,234	1.41	18,762,111	1.21
Other employees, in aggregate	10,687,117	1.41	12,397,056	1.21
Other employees, in aggregate	500,000	1.49	580,000	1.28
Total	45,153,008		52,377,489	

During the period under review, there were 600,000 share options granted to eligible employees. Apart from that, no share options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme.

At 31 January 2015 and the date of this Report, the Company had 52,977,489 share options outstanding under the Share Option Scheme, which represented approximately 2.82% of the Company's Shares in issue as at those dates.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

(2) LSD

LSD adopted a share option scheme (“**LSD Share Option Scheme**”) on 22 December 2006 and the LSD Share Option Scheme became effective on 29 December 2006 (“**Commencement Date**”). The purpose of the LSD Share Option Scheme is to provide incentives or rewards to any eligible employee and director of LSD or any of its subsidiaries (“**LSD Group**”), any agent or consultant of any member of the LSD Group or any employee of the shareholder of any member of the LSD Group or any holder of any securities issued by any member of LSD Group for their contribution or would be contribution to LSD Group and/or to enable LSD Group to recruit and retain high-calibre employees and attract human resources that are valuable to LSD Group. Unless otherwise altered or terminated, the LSD Share Option Scheme will be valid and effective for a period of 10 years commencing on the Commencement Date.

Information on movements of share options under the LSD Share Option Scheme (“**LSD Share Options**”) during the six months ended 31 January 2015 is set out below:

Name and category of participant	Date of grant of LSD Share Options (Note 1)	Number of underlying shares comprised in LSD Share Options				Exercise price of LSD Share Options	Exercise price of LSD Share Options HK\$ per share (Note 2)
		Outstanding at 01/08/2014	Granted during the period	Lapsed during the period	Outstanding at 31/01/2015		
Director							
Lam Kin Ngok, Peter	18/01/2013	20,062,893	—	—	20,062,893	18/01/2013 to 17/01/2023	0.335
Chew Fook Aun	05/06/2012	200,628,932	—	—	200,628,932	05/06/2012 to 04/06/2022	0.112
Lam Hau Yin, Lester	18/01/2013	200,628,932	—	—	200,628,932	18/01/2013 to 17/01/2023	0.335
Lau Shu Yan, Julius	18/01/2013	100,314,466	—	—	100,314,466	18/01/2013 to 17/01/2023	0.335
		521,635,223	—	—	521,635,223		
Other employees, in aggregate	18/01/2013	177,188,680	—	—	177,188,680	18/01/2013 to 17/01/2023	0.335
Other employees, in aggregate	26/07/2013	4,000,000	—	—	4,000,000	26/07/2013 to 25/07/2023	0.235
Other employees, in aggregate	21/01/2015	—	11,000,000	—	11,000,000	21/01/2015 to 20/01/2025	0.174
Grand Total		702,823,903	11,000,000	—	713,823,903		

Notes:

- The share options were vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in LSD's share capital.

During the period under review, there were 11,000,000 LSD Share Options granted to eligible employees. Apart from that, no LSD Share Options were granted, exercised, cancelled or lapsed in accordance with the terms of the LSD Share Option Scheme.

At 31 January 2015 and the date of this Report, LSD had 713,823,903 LSD Share Options outstanding under the LSD Share Option Scheme, which represented approximately 3.55% of LSD's shares in issue as at those dates.

Corporate Governance and Other Information (Continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2015, 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 Directors' information since the disclosure made in the Company's annual report 2013-2014 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 and Mr. Lam Hau Yin, Lester were adjusted upward by 4.5% with effect from 1 January 2015. Directors' remuneration for the six months ended 31 January 2015 and 2014 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total Remuneration HK\$'000
For the six months ended 31 January 2015				
EDs:				
Lam Kin Ming (<i>Chairman</i>) (<i>note a</i>)	149	405	—	554
Lam Kin Ngok, Peter (<i>Deputy Chairman</i>) (<i>note b</i>)	24	9,989	18	10,031
Chew Fook Aun (<i>Deputy Chairman</i>) (<i>note c</i>)	—	5,443	18	5,461
Lam Hau Yin, Lester (also alternate to U Po Chu) (<i>note d</i>)	—	925	9	934
Lam Kin Hong, Matthew	24	192	9	225
U Po Chu (<i>note a</i>)	149	1,800	—	1,949
	346	18,754	54	19,154
INEDs:				
Chow Bing Chiu	125	—	—	125
Lam Bing Kwan (<i>note a</i>)	250	—	—	250
Leung Shu Yin, William (<i>note a</i>)	250	—	—	250
	625	—	—	625
Total	971	18,754	54	19,779

Corporate Governance and Other Information (Continued)

UPDATE OF DIRECTORS' INFORMATION (CONTINUED)

(1) (Continued)

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total Remuneration HK\$'000
For the six months ended 31 January 2014				
EDs:				
Lam Kin Ming (Chairman) (note a)	149	405	—	554
Lam Kin Ngok, Peter (Deputy Chairman) (note b)	24	7,237	15	7,276
Chew Fook Aun (Deputy Chairman) (note c)	—	5,209	15	5,224
Lam Hau Yin, Lester (also alternate to U Po Chu) (note d)	—	1,237	8	1,245
Lam Kin Hong, Matthew	24	192	8	224
U Po Chu (note a)	149	1,800	—	1,949
	346	16,080	46	16,472
INEDs:				
Chow Bing Chiu	125	—	—	125
Lam Bing Kwan (note a)	250	—	—	250
Leung Shu Yin, William (note a)	250	—	—	250
	625	—	—	625
Total	971	16,080	46	17,097

Notes:

- The amount for each of these directors included fees paid by LSD of HK\$125,000 (2014: HK\$125,000).
- The amounts included salaries and pension scheme contributions paid by LSD of HK\$8,185,000 (2014: HK\$6,916,000).
- The amounts included salaries and pension scheme contributions paid by LSD of HK\$4,675,000 (2014: HK\$4,472,000).
- The amounts were paid by LSD.

(2) Mr. Chew Fook Aun:

- ceased to be a member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption ("ICAC") on 1 January 2015;
- ceased to be a member of the Standing Committee on Company Law Reform of the Companies Registry on 1 February 2015; and
- was appointed a member of the Operations Review Committee of the ICAC with effect from 1 January 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2015, the Group employed a total of approximately 1,300 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.

Corporate Governance and Other Information (Continued)

INVESTOR RELATIONS

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our Executive Directors and 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 global business strategy.

During the six months ended 31 January 2015, the Company has met with a number of research analysts and investors, attended conferences as well as non-deal roadshows as follows:

Month	Event	Organiser	Location
August 2014	Investors luncheon	RHB-OSK Securities	Hong Kong
October 2014	Post full year results non-deal roadshow	BNP	Hong Kong
October 2014	Post full year results non-deal roadshow	DBS	New York/Boston/ Washington DC/ Denver/ Los Angeles/ San Francisco
October 2014	Post full year results non-deal roadshow	Daiwa	Paris/Zurich/ London
November 2014	Post full year results non-deal roadshow	BNP	Singapore
November 2014	Post full year results non-deal roadshow	DBS	Sydney
December 2014	Post full year results non-deal roadshow	BNP	Shanghai
December 2014	Great China Emerging Market Trends Forum 2015 (2015年大中華暨新興產業趨勢論壇)	SinoPac Securities	Taipei
January 2015	BNP Paribas Asia Pacific Property & Financial Conference	BNP	Hong Kong
January 2015	The Fifth Daiwa Hong Kong Corporate Summit	Daiwa	Hong Kong

The Company is keen on promoting 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.

REVIEW OF INTERIM REPORT

The audit committee of the Company ("**Audit Committee**") currently comprises three INEDs, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu. The Audit Committee has reviewed the interim report (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2015.

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 25 March 2015