



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

Lai Sun Development Company Limited
(Stock Code: 488)

Interim Report

For the six months ended 31 January 2017



Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Lam Kin Ming
U Po Chu

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Chow Kwok Wor

REGISTERED OFFICE / PRINCIPAL OFFICE

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

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AUTHORISED REPRESENTATIVES

Chew Fook Aun
Chow Kwok Wor

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

Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Co., Ltd.,
Hong Kong Branch
United Overseas Bank Limited

SHARES INFORMATION

Place of Listing

The Main Board of The Stock Exchange
of Hong Kong Limited

Stock Code / Board Lot

488 / 15,000 Shares

American Depositary Receipt

CUSIP Number:	50731V102
Trading Symbol:	LSNVY
ADR to Ordinary Share Ratio:	1:400
Depository Bank:	The Bank of New York Mellon

WEBSITE

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INVESTOR RELATIONS

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The board of directors (the “**Board**”) of Lai Sun Development Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 January 2017 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2017

	Notes	Six months ended	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
TURNOVER	3	818,436	1,082,924
Cost of sales		(333,965)	(511,720)
Gross profit		484,471	571,204
Other revenue		21,776	27,810
Selling and marketing expenses		(20,212)	(22,510)
Administrative expenses		(136,132)	(126,445)
Other operating expenses		(132,907)	(115,575)
Fair value gains on investment properties, net		502,876	78,503
PROFIT FROM OPERATING ACTIVITIES	4	719,872	412,987
Finance costs	5	(84,488)	(95,739)
Share of profits and losses of associates		6,960	8,564
Share of profits and losses of joint ventures		333,817	739,899
PROFIT BEFORE TAX		976,161	1,065,711
Tax	6	(43,653)	(37,818)
PROFIT FOR THE PERIOD		932,508	1,027,893
Attributable to:			
Owners of the Company		913,135	1,013,125
Non-controlling interests		19,373	14,768
		932,508	1,027,893
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic		HK\$0.030	HK\$0.049
Diluted		HK\$0.030	HK\$0.049

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2017

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	932,508	1,027,893
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Changes in fair values of available-for-sale financial assets	52,177	(15,414)
Exchange realignments	(50,324)	(92,519)
Share of other comprehensive expense of associates	(135,542)	(230,839)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD	(133,689)	(338,772)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	798,819	689,121
Attributable to:		
Owners of the Company	779,318	674,353
Non-controlling interests	19,501	14,768
	798,819	689,121

Condensed Consolidated Statement of Financial Position

As at 31 January 2017

	Notes	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,375,081	2,983,985
Prepaid land lease payments		20,387	20,901
Investment properties		15,532,814	15,147,376
Properties under development for sale		1,418,604	1,322,403
Goodwill		5,161	5,161
Interests in associates		3,614,794	3,660,835
Interests in joint ventures		6,475,079	6,754,353
Available-for-sale financial assets		1,430,794	1,382,026
Pledged bank balances and time deposits		85,065	216,241
Deposits paid and other receivables		174,547	181,062
Total non-current assets		32,132,326	31,674,343
CURRENT ASSETS			
Completed properties for sale		321,509	321,509
Inventories		27,924	25,899
Debtors, deposits paid and other receivables	8	251,983	177,008
Pledged bank balances and time deposits		203,738	—
Cash and cash equivalents		2,568,181	2,354,682
Total current assets		3,373,335	2,879,098
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9	379,704	460,588
Tax payable		103,447	132,282
Guaranteed notes		2,711,304	—
Bank borrowings		137,627	126,709
Total current liabilities		3,332,082	719,579
NET CURRENT ASSETS		41,253	2,159,519
TOTAL ASSETS LESS CURRENT LIABILITIES		32,173,579	33,833,862
NON-CURRENT LIABILITIES			
Bank borrowings		5,468,505	5,275,720
Guaranteed notes		—	2,709,227
Deferred tax		135,105	127,891
Provision for tax indemnity		729,387	729,387
Long term deposits received and other payables		241,491	90,063
Deferred rental		8,920	9,724
Total non-current liabilities		6,583,408	8,942,012
		25,590,171	24,891,850
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,062,941	4,050,252
Investment revaluation reserve		1,297,420	1,241,566
Share option reserve		64,735	65,633
Hedging reserve		2,222	9,114
Capital reduction reserve		4,692	4,692
General reserve		646,700	646,700
Other reserve		216,003	233,252
Statutory reserve		35,692	28,996
Exchange fluctuation reserve		(581,918)	(399,139)
Retained profits		19,325,804	18,476,669
		25,074,291	24,357,735
Non-controlling interests		515,880	534,115
		25,590,171	24,891,850

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2017

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Investment revaluation reserve	Share option reserve	Hedging reserve	Capital reduction reserve	General reserve	Other reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 31 July 2016													
and 1 August 2016 (Audited)	4,050,252	1,241,566	65,633	9,114	4,692	646,700	233,252	28,996	(399,139)	18,476,669	24,357,735	534,115	24,891,850
Profit for the period	—	—	—	—	—	—	—	—	—	913,135	913,135	19,373	932,508
Other comprehensive income for the period:													
Change in fair values of available-for-sale financial assets	—	52,177	—	—	—	—	—	—	—	—	52,177	—	52,177
Exchange realignments	—	—	—	—	—	—	—	—	(50,324)	—	(50,324)	—	(50,324)
Share of other comprehensive income/(expense) of associates	—	3,677	—	(6,892)	—	—	—	—	(132,455)	—	(135,670)	128	(135,542)
Total comprehensive income/ (expense) for the period	—	55,854	—	(6,892)	—	—	—	—	(182,779)	913,135	779,318	19,501	798,819
Final 2016 dividend declared	—	—	—	—	—	—	—	—	—	(57,340)	(57,340)	—	(57,340)
Share of reserve movements of an associate	—	—	—	—	—	—	(17,249)	6,696	—	(6,660)	(17,213)	—	(17,213)
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	484	484
Shares issued in lieu of cash dividend*	9,651	—	—	—	—	—	—	—	—	—	9,651	—	9,651
Dividend paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(38,220)	(38,220)
Share options exercised ^f	3,038	—	(898)	—	—	—	—	—	—	—	2,140	—	2,140
At 31 January 2017 (Unaudited)	4,062,941	1,297,420	64,735	2,222	4,692	646,700	216,003	35,692	(581,918)	19,325,804	25,074,291	515,880	25,590,171

* On 16 December 2016, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.0019 per share payable in cash with a scrip dividend alternative (the "2016 Scrip Dividend Scheme") for the year ended 31 July 2016 (the "2016 Final Dividend"). During the six months ended 31 January 2017, 66,196,277 new shares were issued by the Company at a deemed price of HK\$0.1458 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2016 Scrip Dividend Scheme to settle HK\$9,651,000 of the 2016 Final Dividend. The remaining of the 2016 Final Dividend of HK\$47,689,000 was satisfied by cash.

Further details of the 2016 Scrip Dividend Scheme are set out in the Company's circular dated 4 January 2017.

During the period ended 31 January 2017, 20,000,000 ordinary shares were issued in respect of a share option exercised under the Company's share option scheme at an exercise price of HK\$0.107 per share and total cash consideration of HK\$2,140,000 was received. The share option reserve of HK\$898,000 was released to the share capital.

Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 31 January 2017

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital	Investment revaluation reserve	Share option reserve	Hedging reserve	Capital reduction reserve	General reserve	Other reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 31 July 2015 and 1 August 2015 (Audited)	3,135,561	1,117,849	65,172	(963)	4,692	646,700	263,684	24,518	22,373	17,382,957	22,662,543	441,031	23,103,574	
Profit for the period	—	—	—	—	—	—	—	—	—	1,013,125	1,013,125	14,768	1,027,893	
Other comprehensive income for the period:														
Change in fair values of available-for-sale financial assets	—	(15,414)	—	—	—	—	—	—	—	—	(15,414)	—	(15,414)	
Exchange realignments	—	—	—	—	—	—	—	—	(92,519)	—	(92,519)	—	(92,519)	
Share of other comprehensive (expense)/income of associates	—	(10,440)	—	65	—	—	—	—	(220,464)	—	(230,839)	—	(230,839)	
Total comprehensive (expense)/income for the period	—	(25,854)	—	65	—	—	—	—	(312,983)	1,013,125	674,353	14,768	689,121	
Final 2015 dividend declared	—	—	—	—	—	—	—	—	—	(50,236)	(50,236)	—	(50,236)	
Share of reserve movements of an associate	—	—	—	—	—	—	(10,939)	2,887	—	(2,850)	(10,902)	—	(10,902)	
Net proceeds from rights issue (note 10)	—	—	—	—	—	—	378,408	—	—	—	378,408	—	378,408	
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	35,060	35,060	
Shares issued in lieu of cash dividend*	2,008	—	—	—	—	—	—	—	—	—	2,008	—	2,008	
Dividend paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(61,005)	(61,005)	
At 31 January 2016 (Unaudited)	3,137,569	1,091,995	65,172	(898)	4,692	646,700	631,153	27,405	(290,610)	18,342,996	23,656,174	429,854	24,086,028	

* On 11 December 2015, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.0025 per share payable in cash with a scrip dividend alternative (the "2015 Scrip Dividend Scheme") for the year ended 31 July 2015 (the "2015 Final Dividend"). During the six months ended 31 January 2016, 17,308,363 new shares were issued by the Company at a deemed price of HK\$0.116 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2015 Scrip Dividend Scheme to settle HK\$2,008,000 of the 2015 Final Dividend. The remaining of the 2015 Final Dividend of HK\$48,228,000 was satisfied by cash.

Further details of the 2015 Scrip Dividend Scheme are set out in the Company's circular dated 30 December 2015.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2017

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(54,146)	(337,819)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(367,109)	(210,895)
Additions to investment properties	(9,418)	(285,243)
Deposits paid for additions to investment properties	(6,577)	—
Acquisition of unlisted available-for-sale financial assets	(2,270)	(24,408)
Acquisition of an associate	(89,102)	—
Advances to associates	(4,519)	(15,171)
Advances to joint ventures	(24,000)	(15,000)
Repayment from a joint venture	637,091	75
Dividends received from unlisted available-for-sale financial assets	36,215	97,149
(Increase)/decrease in pledged bank balances and time deposits	(72,562)	23,703
Others	5,517	(4,462)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	103,266	(434,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	354,500	2,096,500
Repayment of bank borrowings	(91,758)	(1,032,642)
Bank financing charges	(10,562)	(71,910)
Dividend paid	(47,689)	(48,228)
Dividend paid to a non-controlling shareholder of a subsidiary	(38,220)	(61,005)
Net proceeds from rights issue	—	378,408
Capital contribution from non-controlling shareholders of subsidiaries	484	35,060
Others	2,140	—
NET CASH FLOWS FROM FINANCING ACTIVITIES	168,895	1,296,183
NET INCREASE IN CASH AND CASH EQUIVALENTS	218,015	524,112
Cash and cash equivalents at beginning of period	2,354,682	1,068,038
Effect of foreign exchange rate changes, net	(4,516)	(5,277)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,568,181	1,586,873
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged cash and bank balances	857,363	1,005,465
Non-pledged time deposits	1,710,818	581,408
	2,568,181	1,586,873

Notes to Condensed Consolidated Interim Financial Statements

31 January 2017

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2017 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 and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the year ended 31 July 2016 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditors have reported on those financial statements. The auditors’ report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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 2016.

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

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	
	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000
Segment revenue:														
Sales to external customers	—	384,301	345,839	350,279	209,081	201,431	248,653	134,683	14,863	12,230	—	—	818,436	1,082,924
Intersegment sales	—	—	7,955	7,511	90	180	—	—	12,547	11,872	(20,592)	(19,563)	—	—
Other revenue	3,637	2,157	757	278	16	9	180	142	4,683	3,698	—	—	9,273	6,284
Total	3,637	386,458	354,551	358,068	209,187	201,620	248,833	134,825	32,093	27,800	(20,592)	(19,563)	827,709	1,089,208
Segment results	(18,751)	109,498	283,832	285,014	37,777	39,619	(7,800)	(6,581)	(6,927)	(4,557)	—	—	288,131	422,993
Interest income from bank deposits — unallocated													5,487	1,260
Unallocated revenue													7,016	20,266
Fair value gains on investment properties, net	—	—	502,876	78,503	—	—	—	—	—	—	—	—	502,876	78,503
Unallocated expenses													(83,638)	(110,035)
Profit from operating activities													719,872	412,987
Finance costs													(84,488)	(95,739)
Share of profits and losses of associates	16	1,060	—	—	—	—	(2,147)	(1,159)	1,749	—	—	—	(382)	(99)
Share of profits and losses of associates — unallocated													7,342	8,663
Share of profits and losses of joint ventures	(26,026)	(971)	359,843	740,870	—	—	—	—	—	—	—	—	333,817	739,899
Profit before tax													976,161	1,065,711
Tax													(43,653)	(37,818)
Profit for the period													932,508	1,027,893

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2017

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	31 July	31 January	31 July	31 January	31 July	31 January	31 July	31 January	31 July	31 January	31 July
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(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	1,819,658	1,690,614	15,733,862	15,312,609	3,478,480	3,070,692	613,662	626,357	152,466	152,583	21,798,128	20,852,855
Interests in associates	5,873	7,343	—	—	—	—	(7,771)	(1,061)	115,981	—	114,083	6,282
Interests in associates — unallocated											3,500,711	3,654,553
Interests in joint ventures	988,358	990,385	5,486,721	5,763,968	—	—	—	—	—	—	6,475,079	6,754,353
Unallocated assets											3,617,660	3,285,398
Total assets											35,505,661	34,553,441
Segment liabilities	126,810	62,467	181,545	187,129	231,745	195,510	42,357	47,472	7,487	6,163	589,944	498,741
Bank borrowings											5,606,132	5,402,429
Guaranteed notes											2,711,304	2,709,227
Other unallocated liabilities											1,008,110	1,051,194
Total liabilities											9,915,490	9,661,591

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January	2016
	2017	(Unaudited)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation [#]	37,005	26,944
Amortisation of prepaid land lease payments*	514	514
Interest income from bank deposits	(5,487)	(1,260)
Other interest income	(3,872)	(3,314)
Dividend income from unlisted available-for-sale financial assets	(7,740)	(16,055)

[#] Depreciation charge of approximately HK\$34,884,000 (Six months ended 31 January 2016: HK\$24,816,000) for property, plant and equipment is included in "other operating expenses" on the condensed consolidated income statement.

* Amortisation of prepaid land lease payments is included in "other operating expenses" on the condensed consolidated income statement.

(b) Other than those mentioned in note 4(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operation in Vietnam of approximately HK\$31,994,000 (Six months ended 31 January 2016: HK\$33,484,000).

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2017

5. FINANCE COSTS

	Six months ended	
	31 January	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	57,356	54,213
Interest on guaranteed notes	79,490	79,608
Bank financing charges	24,256	20,523
	161,102	154,344
Less: Amount capitalised in a hotel development project	(48,441)	(47,182)
Amount capitalised in properties under development for sale	(28,173)	(11,423)
	84,488	95,739

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2016: 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong	21,999	19,352
Overseas	14,041	14,347
	36,040	33,699
Deferred tax	7,800	2,772
Prior years' (overprovision)/underprovision		
Hong Kong	(85)	(20)
Overseas	(102)	1,367
	(187)	1,347
Tax charge for the period	43,653	37,818

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2017

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 31 January 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	913,135	1,013,125
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share	(47)	(4)
Earnings for the purpose of diluted earnings per share	913,088	1,013,121
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	30,166,342	20,709,955
Effect of dilutive potential ordinary shares arising from share options	61,345	19,274
Weighted average number of ordinary shares for the purpose of diluted earnings per share	30,227,687	20,729,229

8. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

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 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Trade debtors:		
Not yet due or less than 30 days past due	14,606	15,653
31 - 60 days past due	4,074	2,102
61 - 90 days past due	569	853
Over 90 days past due	2,842	3,492
	22,091	22,100
Other receivables	150,818	78,776
Deposits paid and prepayments	79,074	76,132
	251,983	177,008

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2017

9. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Trade creditors:		
Not yet due or less than 30 days past due	17,639	19,288
31 - 60 days past due	524	1,176
61 - 90 days past due	270	143
Over 90 days past due	81	1,148
	18,514	21,755
Other payables and accruals	216,675	285,696
Deposits received and other provisions	144,515	153,137
	379,704	460,588

10. OTHER RESERVE

Pursuant to the prospectus dated 18 January 2016, the Company proposed a rights issue of 10,047,266,781 shares on the basis of one rights share for every two existing shares of the Company at a subscription price of HK\$0.092 each. The rights issue was subsequently completed in February 2016 (the "Completion"). The net proceeds from the rights issue, after deduction of rights issue expenses, of approximately HK\$378,408,000 were recorded as other reserve as at 31 January 2016. Following the Completion, such amount was be credited to share capital.

The Company's ultimate holding company, Lai Sun Garment (International) Limited ("LSG"), was the underwriter of the rights issue. In addition to the provisional allotment to LSG of 5,212,849,676 rights shares, LSG has underwritten 3,038,279,753 rights shares which resulted in a total subscription of approximately HK\$759 million. Following the Completion, LSG's shareholding in the Company increased from 51.84% to 61.93%.

11. 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 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Contracted, but not provided for		
Purchase of items of property, plant and equipment	1,820	7,550
Development and operation of a hotel project	1,796,755	2,124,016
Additions to investment properties	36,955	43,739
	1,835,530	2,175,305

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2017

12. CONTINGENT LIABILITIES

Saved as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following contingent liabilities at the end of the reporting period:

- (a) Contingent liabilities not provided for in the condensed consolidated interim financial statements:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to and utilised by joint ventures	1,597,000	897,000

- (b) Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between the Company and Lai Fung Holdings Limited ("**Lai Fung**"), the Company has undertaken to indemnify Lai Fung in respect of certain potential 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 the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as "**Knight Frank Petty Limited**"), independent chartered surveyors, as at 31 October 1997 (the "**Valuation**"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax Indemnity Deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung (the "**Listing**") on The Stock Exchange of Hong Kong Limited; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 January 2017 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be approximately HK\$1,350,000,000 (31 July 2016: HK\$1,350,000,000).

After taking into account the plan and status of the Property Interests held by Lai Fung as at 31 January 2017 and 31 July 2016 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 approximately HK\$729,387,000.

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2017

13. 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Rental income and building management fee received or receivable from eSun Holdings Limited ("eSun") and its subsidiaries (collectively the "eSun Group"), an associate (Note)	6,488	5,711
Sharing of corporate salaries on a cost basis allocated to:		
— LSG	4,275	4,612
— the eSun Group	24,787	25,573
Sharing of administrative expenses on a cost basis allocated to:		
— LSG	644	959
— the eSun Group	2,186	3,149
Rental expenses and building management fees paid or payable to:		
— a fellow subsidiary (Note)	2,905	—
— an associate of LSG (Note)	1,082	1,047
— the eSun Group (Note)	32	35
Sharing of corporate salaries on a cost basis allocated from:		
— LSG	3,137	2,972
— the eSun Group	3,402	2,870
Sharing of administrative expenses on a cost basis allocated from:		
— LSG	11	1
— the eSun Group	269	337

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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	16,945	17,852
Post-employment benefits	134	131
Total compensation paid to key management personnel	17,079	17,983

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2017

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments for which fair value is disclosed

Except for the guaranteed notes with a fair value in aggregate of approximately HK\$2,769,800,000 (31 July 2016: HK\$2,820,200,000), of which the fair value was determined by reference to the closing price of the guaranteed notes published by a leading global financial market data provider as at 31 January 2017, 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

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 31 January 2017				
Available-for-sale financial assets, at fair value	—	165,394	1,252,148	1,417,542
	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	Total (Audited) HK\$'000
As at 31 July 2016				
Available-for-sale financial assets, at fair value	—	164,081	1,204,693	1,368,774

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

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Available-for-sale financial assets, at fair value		
At beginning of period	1,204,693	1,051,018
Total gains recognised in other comprehensive income	47,455	10,032
At end of period	1,252,148	1,061,050

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2017

14. 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 the investee company has been estimated using the fair value of investment property 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 by referring 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 using significant unobservable inputs (Level 3)

31 January 2017

Valuation technique	Unobservable inputs		Relationship of unobservable inputs to fair value
Income capitalisation method	Average monthly market rent per square foot	HK\$126	The higher the market rent, the higher the fair value
	Capitalisation rate	3.0%	The higher the capitalisation rate, the lower the fair value

31 July 2016

Valuation technique	Unobservable inputs		Relationship of unobservable inputs to fair value
Income capitalisation method	Average monthly market rent per square foot	HK\$122	The higher the market rent, the higher the fair value
	Capitalisation rate	3.0%	The higher the capitalisation rate, the lower the fair value

15. EVENTS AFTER THE REPORTING PERIOD

On 9 February 2017, the Group's associate, eSun, completed a share placement which resulted in a dilution in the Group's interest in eSun from 41.92% to 34.94%. Further details are set out in the eSun's announcement dated 9 February 2017.

In February 2017, the Group acquired 2% additional interest in eSun from the public shareholders for a consideration of approximately HK\$25 million and the Group's interest in eSun increased from 34.94% to 36.94%.

Due to the timing of the transactions, the Group is still assessing the financial impact on the Group. Accordingly, certain disclosures in relation to the above transactions have not been presented.

Interim Ordinary Dividend

The Board of the Company has resolved not to declare the payment of an interim ordinary dividend for the financial year ending 31 July 2017. No interim ordinary dividend was declared in respect of the last corresponding period.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Major economies around the world continue to tread cautiously during the period under review. The conclusion of the US presidential election and the passing of the initial shock from Brexit seem to have renewed optimism as suggested by the capital markets. However, it is far from clear how such optimism will be sustained by the fundamentals. The new US president and his officials are still attempting to establish themselves whilst the exit terms for Brexit remain unclear. The impending leadership elections in Europe and the protracted conflicts in the Middle East still cast a shadow on the growth outlook.

The property sector in Hong Kong as a whole has shown resilience and recovered from an extended period of softening. During the period under review, the slowdown in the luxury end of the retail market has been most pronounced due to reduced visitor numbers. The office leasing market continued to stabilise due to tight supply but a slight softening of rent in areas outside Central area was observed. The residential market was rejuvenated, underpinned by a lack of supply with record prices being achieved in recent land tenders, as well as a sustained period of low interest rates. The effect of the recent rate hike just prior to this interim results has yet to be seen, however, interest rates remain low relative to recent history. Labour supply shortages in the construction industry continues to drive wage inflation and pose a challenge on the cost management side.

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 since refocusing the strategy in 2012. Set out below are the projects the Group secured after the implementation of the new rental focused strategy:

Date	Secured Projects	Total Gross Floor Area ("GFA") (square feet)	Use	Expected Completion Date
Hong Kong				
Development Properties				
November 2012	Alto Residences	573,346	Commercial/Residential	Q1 2018
April 2014	93 Pau Chung Street	111,354	Commercial/Residential	Q1 2018
May 2014	The Hong Kong Ocean Park Marriott Hotel (" Ocean Hotel ")	366,000	Hotel	Q4 2017
September 2015	Sai Wan Ho Street Project	61,140	Residential	Q4 2019
May 2016	Ki Lung Street Project	42,878	Commercial/Residential	Q1 2020
London, United Kingdom				
Investment Properties				
April 2014	107 Leadenhall Street	146,606*	Office	N/A
November 2014	100 Leadenhall Street	177,700*	Office	N/A
December 2015	106 Leadenhall Street	12,687**	Office	N/A

* Gross internal area

** Net internal area

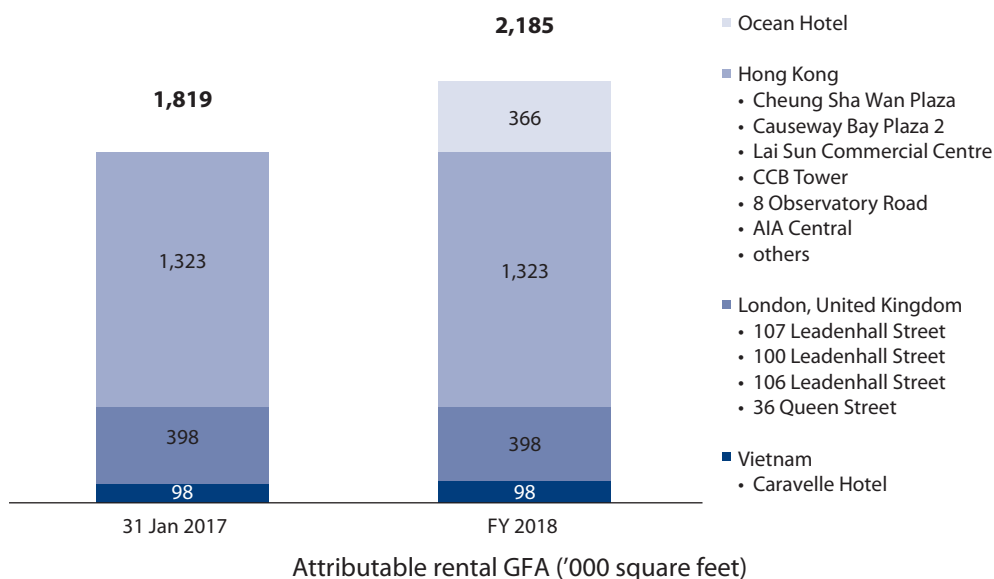
Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

The Group as a whole performed steadily against this challenging environment. The rental portfolio comprises of approximately 1.8 million square feet of which about 1.3 million square feet is located in Hong Kong. Despite the softened economic sentiment and weakened retail activity, the Group's Hong Kong properties performed steadily at nearly full occupancy levels with most of the major lease renewals completed in the previous period.

The London properties weathered the uncertainties of Brexit well during the period under review if the currency translation effect of a depreciated Sterling was excluded. As at the date of this Report, over 70% floor area of 106 Leadenhall Street in London has been leased out. This multi-tenanted property located adjacent to our other two wholly-owned properties, namely 100 and 107 Leadenhall Street, is expected to enhance and enlarge the Group's strategic property investment portfolio in the City of London. The Group has appointed DP9, one of the leading professional consultancies in planning, development and regeneration in the United Kingdom to advise on the redevelopment of the site comprising 100, 106 and 107 Leadenhall. Skidmore, Owings & Merrill LLP has also been engaged as architect for this project. The Group is encouraged that the adjacent building situated at 122 Leadenhall Street, commonly known as the "The Cheesegrater" was sold for a record price of £1.135 billion recently.

The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and approximately 366,000 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.8 million square feet. Its completion is expected to be in the fourth quarter of 2017. Set out below is the expected growth of the rental portfolio of the Group:

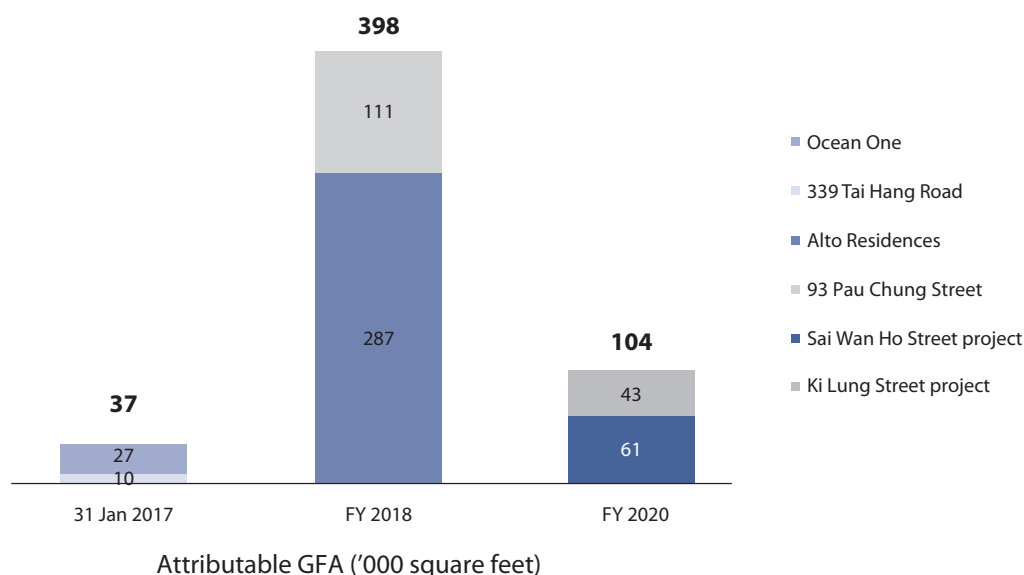


The Urban Renewal Authority project in Ma Tau Kok, Kowloon, "93 Pau Chung Street" ("**93 Pau Chung Street**") and the joint venture project in Tseung Kwan O named "Alto Residences" ("**Alto Residences**") were launched for pre-sale in September 2016 and October 2016, respectively. The 93 Pau Chung Street project offers 209 flats in total, including studios, one and two-bedroom units. Up to 19 March 2017, the Group has pre-sold 168 units in 93 Pau Chung Street with saleable area of approximately 58,000 square feet at an average selling price of approximately HK\$15,900 per square foot. The Alto Residences project provides 605 flats, including 23 detached houses. Up to 19 March 2017, the Group has pre-sold 472 units in Alto Residences with saleable area of approximately 259,100 square feet at an average selling price of approximately HK\$14,700 per square foot.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

The Group has continued to participate in government tenders to grow the pipeline. The Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong is planned to provide about 144 residential units upon completion with a total GFA of 61,140 square feet. The Ki Lung Street project in Sham Shui Po, Kowloon, which comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet is expected to be developed primarily into a commercial/residential development for sale with a total GFA of 42,878 square feet. Set out below is the pipeline for development projects for sale of the Group:



In September 2016, the Group acquired an approximately 49.96% interest in Camper & Nicholsons International SA (“CNI”), a long established and internationally recognised brand for luxury yachts. The Group believed that the acquisition of CNI in partnership with Fincantieri S.p.A., one of the major shipbuilding companies in the world, will bolster its offering of high-end food and beverage and hospitality services.

The Group’s strong cash position of HK\$2,857.0 million of cash on hand and HK\$5,673.4 million of undrawn facilities with a net debt to equity ratio of 21.8% as at 31 January 2017 provides the Group with full confidence and the means to review opportunities more actively. The Group’s gearing excluding the net debt of the London portfolio all of which have a positive carry net of financing costs is 15.8%. The Group completed a rights issue in February 2016 and raised a total of HK\$912.7 million after expenses. This has been and will continue to be deployed for general working capital purposes. 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 2017, the Group recorded turnover of HK\$818.4 million (2016: HK\$1,082.9 million) and a gross profit of HK\$484.5 million (2016: HK\$571.2 million), representing a decrease of approximately 24.4% and 15.2%, respectively over the same period last year. The decrease is primarily due to absence of turnover from sales of properties during the period under review. Set out below is the turnover by segment:

	Six months ended 31 January			
	2017 (HK\$ million)	2016 (HK\$ million)	Difference (HK\$ million)	% change
Property investment	345.8	350.3	-4.5	-1.3%
Property development and sales	—	384.3	-384.3	-100.0%
Restaurant operation	248.7	134.7	114.0	84.6%
Hotel operation and others	223.9	213.6	10.3	4.8%
Total	818.4	1,082.9	-264.5	-24.4%

For the six months ended 31 January 2017, net profit attributable to owners of the Company was approximately HK\$913.1 million (2016: HK\$1,013.1 million), representing a decrease of approximately 9.9% over the same period last year. The decrease is primarily due to absence of sales of projects compared to the same period last year. Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$80.0 million (2016: HK\$199.7 million), representing a decrease of approximately 59.9% over the same period last year. Basic earnings per share including and excluding the effect of property revaluations was HK\$0.030 (2016: HK\$0.049) and HK\$0.003 (2016: HK\$0.010), respectively.

Profit attributable to owners of the Company (HK\$ million)	Six months ended 31 January	
	2017	2016
Reported	913.1	1,013.1
Less: Adjustments in respect of revaluation gains of investment properties held by		
— the Company and subsidiaries	(502.9)	(78.5)
— associates and joint ventures	(330.2)	(734.9)
Net profit after tax excluding revaluation gains of investment properties	80.0	199.7

Equity attributable to owners of the Company as at 31 January 2017 amounted to HK\$25,074.3 million, up from HK\$24,357.7 million as at 31 July 2016. Net asset value per share attributable to owners of the Company increased by 2.6% to HK\$0.829 per share as at 31 January 2017 from HK\$0.808 per share as at 31 July 2016.

Management Discussion and Analysis (Continued)

PROPERTY PORTFOLIO COMPOSITION

As at 31 January 2017, the Group maintained a property portfolio with attributable GFA of approximately 2.7 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	485	1,172	64	—	—	1,721	1,027
Completed Hotel Properties	—	—	—	—	98	98	—
Properties Under Development ²	79	—	—	423	366	868	196
Completed Properties Held for Sale	27	—	—	10	—	37	11
Total GFA of major properties of the Group	591	1,172	64	433	464	2,724	1,234

1. Completed and rental generating properties

2. All properties under construction

The above table does not include GFA of properties held by Lai Fung Holdings Limited ("Lai Fung").

PROPERTY INVESTMENT

Rental Income

During the period under review, the Group's rental operations recorded a turnover of HK\$345.8 million (2016: HK\$350.3 million), representing a 1.3% decrease over the same period last year. The decrease is primarily attributable to the lower contributions from London properties due to Sterling depreciation post Brexit in June 2016. The average Sterling exchange rate for the period under review depreciated by over 13% compared with the same period last year. Excluding the effect of currency translation against a depreciating Sterling, the change in the turnover from London properties went from a decrease of 10.6% to an increase of 3.6%.

The Group wholly owns three major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. The 50:50 joint venture with Henderson Land Development Company Limited ("Henderson Land") at 8 Observatory Road, Kowloon is now fully leased. This is recognised as a component of "Share of profits and losses of joint ventures" in the condensed consolidated income statement.

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 (%)
	2017 HK\$ million	2016 HK\$ million	% Change	
Hong Kong				
Cheung Sha Wan Plaza (including car-parking spaces)	151.5	150.1	0.9	93.0
Causeway Bay Plaza 2 (including car-parking spaces)	90.2	88.3	2.2	99.1
Lai Sun Commercial Centre (including car-parking spaces)	29.3	29.6	-1.0	92.7
Others	6.2	5.6	10.7	
Subtotal:	277.2	273.6	1.3	
London, United Kingdom				
36 Queen Street	11.5	13.4	-14.2	100.0
107 Leadenhall Street	22.8	26.2	-13.0	100.0
100 Leadenhall Street	31.6	36.5	-13.4	100.0
106 Leadenhall Street	2.7	0.6	350.0	73.4
Subtotal:	68.6	76.7	-10.6	
Total:	345.8	350.3	-1.3	
Rental proceeds from joint venture projects				
Hong Kong				
CCB Tower [#] (50% basis)	60.4	55.0	9.8	100.0
8 Observatory Road ^{##} (50% basis)	26.3	8.6	205.8	100.0
Total:	86.7	63.6	36.3	

[#] CCB Tower is a joint venture project with China Construction Bank Corporation ("CCB") in which each of the Group and CCB has an effective 50% interest. For the six months ended 31 January 2017, the rental proceeds recorded by the joint venture is HK\$120.7 million (2016: HK\$110.0 million).

^{##} 8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the six months ended 31 January 2017, the rental proceeds recorded by the joint venture is HK\$52.6 million (2016: HK\$17.2 million).

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

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

	Six months ended 31 January 2017			Six months ended 31 January 2016		
	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)
Hong Kong						
Cheung Sha Wan Plaza	100%			100%		
Commercial		79.1	233,807		81.8	233,807
Office		63.8	409,896		59.9	409,896
Car-parking spaces		8.6	N/A		8.4	N/A
Subtotal:		151.5	643,703		150.1	643,703
Causeway Bay Plaza 2	100%			100%		
Commercial		61.5	109,770		59.8	109,770
Office		26.2	96,268		26.1	96,268
Car-parking spaces		2.5	N/A		2.4	N/A
Subtotal:		90.2	206,038		88.3	206,038
Lai Sun Commercial Centre	100%			100%		
Commercial		15.6	95,063		17.3	95,063
Office		5.0	74,181		4.0	74,181
Car-parking spaces		8.7	N/A		8.3	N/A
Subtotal:		29.3	169,244		29.6	169,244
Others		6.2	63,592*		5.6	63,592*
Subtotal:		277.2	1,082,577*		273.6	1,082,577*
London, United Kingdom						
36 Queen Street	100%			100%		
Office		11.5	60,816		13.4	60,816
107 Leadenhall Street	100%			100%		
Office		22.8	146,606		26.2	146,606
100 Leadenhall Street	100%			100%		
Office		31.6	177,700		36.5	177,700
106 Leadenhall Street	100%			100%		
Office		2.7	12,687		0.6	12,687
Subtotal:		68.6	397,809		76.7	397,809
Total:		345.8	1,480,386*		350.3	1,480,386*

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

	Six months ended 31 January 2017			Six months ended 31 January 2016		
	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)
Joint Venture Projects						
Hong Kong						
CCB Tower# (50% basis)	50%			50%		
Office		60.1	114,555**		55.0	114,555**
Car-parking spaces		0.3	N/A		—	N/A
Subtotal:		60.4	114,555**		55.0	114,555**
8 Observatory Road## (50% basis)	50%			50%		
Commercial		21.1	46,064***		5.0	46,064***
Office		4.0	36,521***		2.8	36,521***
Car-parking spaces		1.2	N/A		0.8	N/A
Subtotal:		26.3	82,585***		8.6	82,585***
Total:		86.7	197,140		63.6	197,140

* Excluding 10% interest in AIA Central.

** Referring to GFA attributable to the Group. The total GFA of CCB Tower is 229,110 square feet.

*** Referring to GFA attributable to the Group. The total GFA of 8 Observatory Road is 165,170 square feet.

CCB Tower is a joint venture project with CCB in which each of the Group and CCB has an effective 50% interest. For the six months ended 31 January 2017, the rental proceeds recorded by the joint venture is HK\$120.7 million (2016: HK\$110.0 million).

8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the six months ended 31 January 2017, the rental proceeds recorded by the joint venture is HK\$52.6 million (2016: HK\$17.2 million).

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza

The asset comprises of a 8-storey and a 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of 643,703 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 206,038 square feet (excluding car-parking spaces). Key tenants include a HSBC 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 169,244 square feet (excluding car-parking spaces).

Management Discussion and Analysis *(Continued)*

PROPERTY INVESTMENT *(CONTINUED)*

Review of major investment properties *(Continued)*

Hong Kong Properties (Continued)

CCB Tower, 3 Connaught Road Central

The Group has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This 27-storey office tower is a landmark property in Central featuring underground access to the Central MTR station. The property has a total GFA of 229,110 square feet (excluding car-parking spaces). CCB Tower was completed in 2012 and added 114,555 square feet of attributable GFA to the rental portfolio of the Group. CCB Tower is now fully leased out with 18 floors of the office floors and 2 banking hall floors leased to CCB for its Hong Kong operations.

8 Observatory Road

The Group has a 50:50 interest with Henderson Land in this joint development project at Observatory Road, Kowloon. The property is a 19-storey commercial building with a total GFA of 165,170 square feet (excluding car-parking spaces). The property is now fully leased out.

AIA Central

The Group has 10% interest in AIA Central which is situated in the central business district of Hong Kong and commands spectacular views over Victoria Harbour, to Kowloon Peninsula to the north, and across Charter Garden and The Peak to the south. This 39-storey office tower provides prime office space with a total GFA of approximately 428,962 square feet (excluding car-parking spaces).

Overseas Properties

36 Queen Street, London EC4, United Kingdom

In February 2011, the Group acquired an office building in the City in central London located at 36 Queen Street. Completed in 1986, it comprises 60,816 square feet gross internal area of office accommodation extending over basement, ground and six upper floors. The building is currently fully leased out.

107 Leadenhall Street, London EC3, United Kingdom

In April 2014, the Group acquired a property located at the core of the insurance district in the City of London, surrounded by 30 St Mary Axe (commonly known as the Gherkin), Lloyd's of London and the Willis Building at 51 Lime Street. It is a freehold commercial property housing commercial, offices and retail space. The building comprises 146,606 square feet gross internal area of office accommodation extending over basement, ground, mezzanine and seven upper floors. The building is currently fully leased out.

100 Leadenhall Street, London EC3, United Kingdom

Following the acquisition of 107 Leadenhall Street in April 2014, the Group announced the acquisition of 100 Leadenhall Street 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 177,700 square feet gross internal area of offices and ancillary accommodation. The property is currently fully let to Chubb Market Company Limited (formerly known as ACE Global Markets Limited).

106 Leadenhall Street, London EC3, United Kingdom

In December 2015, the Group acquired the property located adjacent to 100 and 107 Leadenhall Street, namely 106 Leadenhall Street, which is a multi-tenanted asset with approximately 12,687 square feet of offices including ancillary space. Up to the date of this Report, over 70% floor area of the property has been leased out.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT

No turnover from sales of properties was recognised for the six months ended 31 January 2017 (2016: HK\$384.3 million).

Review of major projects for sale

339 Tai Hang Road, Hong Kong

The Group wholly owns the development project located at 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of approximately 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is approximately HK\$670 million. The property is now open for sale. Up to the date of this Report, 7 out of 9 units of this project have been sold.

Ocean One, 6 Shung Shun Street, Yau Tong

The Group 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. All units have been sold other than 2 shops and 7 car-parking spaces.

Review of major projects under development

Alto Residences

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has a site area of 229,338 square feet with a total GFA of 573,346 square feet split into 458,676 square feet for residential use and 114,670 square feet for commercial use. Completion is expected to be in the first quarter of 2018.

This project providing 605 flats, including 23 detached houses was named "Alto Residences" and was launched for pre-sale in October 2016. Up to 19 March 2017, the Group has pre-sold 472 units in Alto Residences with saleable area of approximately 259,100 square feet at an average selling price of approximately HK\$14,700 per square foot.

Ocean Hotel project

The Group 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 add 366,000 square feet of attributable rental space to the existing rental portfolio of the Group of approximately 1.8 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.

93 Pau Chung Street

In April 2014, the Group was successful in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority in Ma Tau Kok, Kowloon, Hong Kong. The lot has a site area of 12,599 square feet with a total GFA of 111,354 square feet split into 94,486 square feet for residential use and 16,868 square feet for commercial use. The total development cost is estimated to be approximately HK\$1 billion and completion is expected to be in the first quarter of 2018.

This project was named "93 Pau Chung Street" and launched for pre-sale in September 2016, offering 209 flats in total, including studios, one and two-bedroom units. Up to 19 March 2017, the Group has pre-sold 168 units in this project with saleable area of approximately 58,000 square feet at an average selling price of HK\$15,900 per square foot.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

Review of major projects under development (Continued)

Sai Wan Ho Street project

The Group was successful in September 2015 in its bid for the development rights to the Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. The project site covers a site area of 7,642 square feet. Upon completion, it is planned to provide about 144 residential units with a total GFA of 61,140 square feet. The total development cost is estimated to be approximately HK\$0.9 billion and completion is expected to be in the fourth quarter of 2019.

Ki Lung Street project

On 16 May 2016, the Group completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon. The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet. It is planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,878 square feet. The total development cost is expected to be approximately HK\$0.4 billion and construction is expected to be completed in the first quarter of 2020.

RESTAURANT OPERATION

For the six months ended 31 January 2017, the restaurant operation contributed HK\$248.7 million (2016: HK\$134.7 million) to the Group's turnover, representing an increase of approximately 84.6% from the same period last year. The turnover from the restaurants segment was boosted by contributions from the newly opened restaurants, including China Tang Harbour City in Hong Kong, Howard's Gourmet in CCB Tower, Hong Kong, CIAK – All Day Italian in Cityplaza, Hong Kong, Operetta in Pacific Place, Hong Kong and Beefbar in Central, Hong Kong.

Up to the date of this Report, the restaurant operation includes the Group's interests in 17 restaurants in Hong Kong and mainland China.

Cuisine	Restaurant	Location	Award
Western Cuisine	8 ^½ Otto e Mezzo BOMBANA Hong Kong	Hong Kong	Three Michelin stars (2012-2017)
	Otto e Mezzo BOMBANA Shanghai	Shanghai	Two Michelin stars (2017)
	Opera BOMBANA	Beijing	
	CIAK - In The Kitchen	Hong Kong	One Michelin star (2015-2017)
	CIAK - All Day Italian	Hong Kong	Michelin Bib Gourmand (2017)
	Beefbar	Hong Kong	One Michelin star (2017)
	Operetta	Hong Kong	
Chinese Cuisine	China Tang Landmark	Hong Kong	
	China Tang Harbour City	Hong Kong	
	Howard's Gourmet	Hong Kong	
	Chiu Tang Central	Hong Kong	
	Chiu Tang Wanchai	Hong Kong	
	Tang ²	Hong Kong	
	Old Bazaar Kitchen	Hong Kong	
Japanese Cuisine	Wagyu Takumi	Hong Kong	One Michelin star (2017)
	Wagyu Kaiseki Den	Hong Kong	One Michelin star (2010-2017)
	Rozan	Hong Kong	

Management Discussion and Analysis (Continued)

HOTEL OPERATION

Turnover from hotel operation was mainly derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam. For the six months ended 31 January 2017, the hotel operation contributed HK\$209.1 million (2016: HK\$201.4 million) to the Group's turnover.

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 98,376 square feet.

The Group 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 manages 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 239 fully furnished and equipped hotel units with kitchenette in Jing'an district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways.

INTEREST IN ASSOCIATES (eSUN)

As at 31 January 2017, the Group's interest in eSun Holdings Limited ("eSun") is 41.92%. Post the period end, the Group's interest in eSun was diluted to 34.94% immediately after the completion of eSun's placing of shares on 9 February 2017 and as of the date of this Report, the Group's interest in eSun is 36.94%.

During the period under review, share of profits of eSun amounting to HK\$11.6 million (2016: HK\$13.6 million). The decrease is primarily due to the weaker performance of the media and entertainment and cinema operations of eSun for the six months ended 31 January 2017 as compared to the same period last year.

INTERESTS IN JOINT VENTURES

During the period under review, contribution from joint ventures amounted to HK\$333.8 million (2016: HK\$739.9 million), representing a decrease of 54.9%. This is primarily due to stronger revaluation gains of CCB Tower and 8 Observatory Road being recognised in the six months ended 31 January 2016 as compared to the current period under review.

	Six months ended 31 January	
	2017	2016
	(HK\$ million)	(HK\$ million)
Revaluation gains	303.0	699.6
Operating profits	30.8	40.3
Contribution from joint ventures	333.8	739.9

Management Discussion and Analysis *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2017, cash and bank balances and undrawn facilities held by the Group amounted to HK\$2,857.0 million and HK\$5,673.4 million, respectively.

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 2017, the Group had bank borrowings of approximately HK\$5,606.1 million and guaranteed notes of approximately HK\$2,711.3 million. The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings and guaranteed notes less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company, was approximately 21.8%. The Group's gearing excluding the net debt of the London portfolio all of which had a positive carry net of financing costs was approximately 15.8%. As at 31 January 2017, the maturity profile of the bank borrowings of HK\$5,606.1 million was spread over a period of less than 5 years with HK\$137.6 million repayable within 1 year, HK\$471.8 million repayable in the second year and HK\$4,996.7 million repayable in the third to fifth years.

All the Group's borrowings carried interest on a floating rate basis except for the guaranteed notes issued in January 2013 which has a fixed rate of 5.7% per annum.

As at 31 January 2017, certain investment properties with carrying amounts of approximately HK\$15,297.2 million, certain property, plant and equipment with carrying amounts of approximately HK\$2,777.1 million, certain properties under development for sale of approximately HK\$703.1 million and certain bank balances and time deposits with banks of approximately HK\$288.8 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars and United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has investments in United Kingdom with the assets and liabilities denominated in Pounds Sterling. Majority of 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 12 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)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
Hong Kong Properties								
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	233,807	409,896	—	643,703	355
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D,E,G,H,K,L,M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	109,770	96,268	—	206,038	57
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	95,063	74,181	—	169,244	538
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	50%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	114,555	—	114,555	19
8 Observatory Road	2,4,6,8,10 and 12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong (Inland Lot No. 11231)	50%	The property is held for a term of 50 years commencing on 10 January 2014	46,064	36,521	—	82,585	30
Wyler 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	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	47,932	47,932	3
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	—	42,896	—	42,896	6
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking space nos. 1, 2, 13 and 14 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	11,370	11,370	4
Luen Fat Loong Factory Building (4/F)	19 Cheung Lee Street, Chai Wan, Hong Kong	100%	The property is held for a term of 75 years commencing on 4 November 1963 and renewable for a further term of 75 years	—	—	4,290	4,290	—
Subtotal of Hong Kong properties held for rental:				484,704	774,317	63,592	1,322,613	1,012

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 carpark & ancillary facilities)	
Overseas Properties								
107 Leadenhall Street London (Note 1)	107 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	—	146,606	—	146,606	—
100 Leadenhall Street London (Note 1)	100 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	—	177,700	—	177,700	15
36 Queen Street London (Note 1)	36 Queen Street, London, EC4, United Kingdom	100%	The property is held freehold	—	60,816	—	60,816	—
106 Leadenhall Street London (Note 2)	106 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	—	12,687	—	12,687	—
Subtotal of overseas properties held for rental:				—	397,809	—	397,809	15
Total of completed properties held for rental:				484,704	1,172,126	63,592	1,720,422	1,027

Note 1: Gross internal area

Note 2: Net internal area

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 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	26.01%	The property is held under a land use right due to expire on 8 October 2040	98,376	—

Particulars of Major Properties (Continued)

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)			Total (excluding carpark & ancillary facilities)	No. of Car-parking spaces attributable to the Group
					Commercial/Retail	Hotel	Residential		
The Hong Kong Ocean Park Marriott Hotel, Hong Kong	Superstructure works in progress	100%	183,460	Q4 2017	—	366,000	—	366,000	16
Alto Residences Area 68A2, Tseung Kwan O, New Territories, Hong Kong	Superstructure works in progress	50%	229,338	Q1 2018	57,335	—	229,338	286,673	150
93 Pau Chung Street 20-32 San Shan Road and 93 Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	Superstructure works in progress	100%	12,599	Q1 2018	16,868	—	94,486	111,354	22
9-11 and 15 Sai Wan Ho Street, Shau Kei Wan, Hong Kong	Foundation works in progress	100%	7,642	Q4 2019	—	—	61,140	61,140	8
48-56 Ki Lung Street, Kowloon, Hong Kong	Foundation works in progress	100%	5,054	Q1 2020	5,250	—	37,628	42,878	—
Total of properties under development:					79,453	366,000	422,592	868,045	196

Note: On project basis

COMPLETED PROPERTIES HELD FOR SALE

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Residential			
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	27,306	—		27,306	7
339 Tai Hang Road	335-339 Tai Hang Road, Hong Kong	100%	—	9,571		9,571	4
Total of completed properties held for sale:			27,306	9,571		36,877	11

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

In August 2014, the Group entered into a facility agreement related to a term loan facility of GBP48,480,000 to be made available to a wholly-owned subsidiary of the Company, as borrower, for a period of five years up to 6 August 2019. Pursuant to the facility agreement, the Company has undertaken to procure that Dr. Lam Kin Ngok, Peter and his family, will, at all times during the facility period, remain as the controlling shareholder of the Company (directly or indirectly) and will maintain control over the management of the Company.

At 31 January 2017, the outstanding loan balance was approximately HK\$442,386,000.

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

Financial assistance and guarantees to affiliated companies

As at 31 January 2017, 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 2017 is disclosed as follows:

	HK\$'000
Property, plant and equipment	3,093,551
Properties under development	5,683,927
Investment properties	20,113,263
Film rights	21,667
Film products	134,051
Music catalogs	12,962
Goodwill	123,440
Other intangible assets	22,298
Interests in associates	46,189
Interests in joint ventures	1,255,614
Available-for-sale investments	144,725
Deposits, prepayments and other receivables	119,152
Deferred tax assets	9,395
Deferred rental benefits	104,569
Net current assets	2,943,459
Total assets less current liabilities	33,828,262
NON-CURRENT LIABILITIES	
Long term deposits received and other payables	689,493
Long term borrowings	6,237,309
Convertible notes	174,193
Fixed rate senior notes	2,027,122
Guaranteed notes	634,481
Derivative financial instruments	319,880
Deferred tax liabilities	2,837,334
Amounts due to shareholders	3,747,095
	16,666,907
	17,161,355
CAPITAL AND RESERVES	
Issued capital	661,013
Share premium account	4,230,797
Contributed surplus	891,289
Investment revaluation reserve	33,823
Share option reserve	15,293
Hedging reserve	5,373
Exchange reserve	(806,703)
Statutory reserve	86,707
Other reserve	574,964
Retained profits	4,002,376
	9,694,932
Non-controlling interests	7,466,423
	17,161,355

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 (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) throughout the six months ended 31 January 2017 save for the deviation from code provisions A.4.1, A.5.1 and E.1.2.

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

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

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

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

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

Due to other pre-arranged business commitments which must be attended to by Dr. Lam Kin Ngok, Peter, the Chairman, Dr. Lam was not present at the AGM held on 16 December 2016. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

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 four are EDs, two are NEDs 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 2017 and up to the date of this Report, Dr. Lam Kin Ngok, Peter (an ED) was the Chairman of the Company while Mr. Chew Fook Aun (an ED) and Mr. Lau Shu Yan, Julius (an ED) was the Deputy Chairman and Chief Executive Officer of the Company, respectively. 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 businesses. 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 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 2017.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS

The following Directors and the chief executive of the Company who held office on 31 January 2017 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:

(1) 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 corporations	21,461,617	Nil	18,676,828,782 (Note 1)	20,865,408 (Note 3)	18,719,155,807	61.89%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	20,000,000 (Note 5)	188,654,089 (Note 3&4)	208,654,089	0.69%
Lau Shu Yan, Julius	Beneficial owner	13,175,000	Nil	Nil	104,327,044 (Note 3)	117,502,044	0.39%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	208,654,089 (Note 3)	208,654,089	0.69%
U Po Chu (Note 2)	Beneficial owner	1,345,974	Nil	Nil	Nil	1,345,974	0.01%

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(1) The Company (Continued)

Notes:

- (1) *Lai Sun Garment (International) Limited ("LSG") and two of its wholly-owned subsidiaries, namely Zimba International Limited ("Zimba International") and Joy Mind Limited ("Joy Mind"), beneficially owned 18,676,828,782 Shares, representing approximately 61.75% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 18,676,828,782 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.07% in the issued share capital of LSG. LSG is approximately 12.62% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.45% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Lam Kin Ngok, Peter.*

LSG pledged 10,425,699,353 Shares held by LSG, Zimba International and Joy Mind as security pursuant to its 7.70% secured guaranteed notes due 2018 under a Share Charge dated 24 July 2014.

- (2) *Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 Shares, representing approximately 0.65% of the issued share capital of the Company.*
- (3) *A share option scheme was adopted by the Company on 22 December 2006 and commenced with effect from 29 December 2006 ("Old Scheme"). A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester under the Old Scheme, particulars of which are set out below, and remained exercisable though the Old Scheme was terminated on 23 December 2015 when a new share option scheme became effective after adoption by the shareholders of the Company at the annual general meeting held on 11 December 2015. (On 17 February 2016, the subscription price and the number of underlying shares comprised in the option granted under the Old Scheme have been adjusted following the completion of the rights issue of the Company ("Rights Issue")):*

<u>Registered Name</u>	<u>Date of grant</u>	<u>Number of underlying Shares comprised in the option before the Rights Issue</u>	<u>Number of underlying Shares comprised in the option after the Rights Issue</u>	<u>Option period</u>	<u>Subscription price before the Rights Issue</u>	<u>Subscription price after the Rights Issue</u>
Lam Kin Ngok, Peter	18/01/2013	20,062,893	20,865,408	18/01/2013-17/01/2023	HK\$0.335 per Share	HK\$0.322 per Share
Chew Fook Aun	05/06/2012	200,628,932	208,654,089	05/06/2012-04/06/2022	HK\$0.112 per Share	HK\$0.107 per Share
Lau Shu Yan, Julius	18/01/2013	100,314,466	104,327,044	18/01/2013-17/01/2023	HK\$0.335 per Share	HK\$0.322 per Share
Lam Hau Yin, Lester	18/01/2013	200,628,932	208,654,089	18/01/2013-17/01/2023	HK\$0.335 per Share	HK\$0.322 per Share

- (4) *A share option comprising a total of 20,000,000 underlying Shares in the Company had been exercised by Mr. Chew Fook Aun on 13 December 2016, thus, the total number of share options of Mr. Chew Fook Aun has been decreased to 188,654,089 underlying Shares.*
- (5) *Mr. Chew Fook Aun was deemed to be interested in 20,000,000 Shares (representing approximately 0.07% of the issued share capital of the Company) by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 20,000,000 Shares in the Company.*

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations

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

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	239,286,305	Nil	562,590,430 (Note 1)	1,876,211 (Note 3)	803,752,946	42.07%
Chew Fook Aun	Owner of controlled corporations	Nil	Nil	1,012,111 (Note 2)	Nil (Note 3)	1,012,111	0.05%
Lam Hau Yin, Lester	Beneficial owner	61,088,946	Nil	Nil	18,762,111 (Note 3)	79,851,057	4.18%
Lam Kin Ming	Beneficial owner	5,008,263	Nil	Nil	Nil	5,008,263	0.26%
U Po Chu	Beneficial owner	4,127,625	Nil	Nil	Nil	4,127,625	0.22%

Notes:

- (1) Dr. Lam Kin Ngok, Peter was deemed to be interested in 562,590,430 shares (representing approximately 29.45% of LSG's issued share capital) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.
- (2) These shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun.
- (3) A share option scheme was adopted by LSG on 22 December 2006 and commenced with effect from 29 December 2006 (“Old Scheme”). A share option was granted by LSG to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester under the Old Scheme, particulars of which are set out below, and remained exercisable though the Old Scheme was terminated on 23 December 2015 when a new share option scheme became effective after adoption by the shareholders of LSG at the annual general meeting held on 11 December 2015 (On 7 February 2014, the subscription price and the number of underlying shares comprised in the option have been adjusted following the completion of rights issue of LSG (“Rights Issue”)):

Registered Name	Date of grant	Number of underlying Shares comprised in the option before the Rights Issue	Number of underlying Shares comprised in the option after the Rights Issue	Option period	Subscription price before the Rights Issue	Subscription price after the Rights Issue
Lam Kin Ngok, Peter	18/01/2013	1,617,423	1,876,211	18/01/2013-17/01/2023	HK\$1.41 per share	HK\$1.21 per share
Lam Hau Yin, Lester	18/01/2013	16,174,234	18,762,111	18/01/2013-17/01/2023	HK\$1.41 per share	HK\$1.21 per share

A share option comprising 8,012,111 underlying shares in LSG had been exercised by Mr. Chew Fook Aun on 1 November 2016.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(ii) eSun Holdings Limited ("eSun") — an associate of the Company

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	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 2)	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 (Note 2)	15,226,564	1.22%

Notes:

- (1) LSG was interested in 18,676,828,782 Shares in the Company, representing approximately 61.75% of the issued share capital of the Company. Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, 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 42.07% and 61.89% in the issued share capital of LSG and the Company, respectively.
- (2) A share option scheme was adopted by eSun on 23 December 2005 and commenced with effect from 5 January 2006 ("Old Scheme"). A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester under the Old Scheme, particulars of which are set out below, and remained exercisable though the Old Scheme was terminated on 23 December 2015 when a new share option scheme became effective after adoption by the shareholders of eSun at the annual general meeting held on 11 December 2015:

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

Corporate Governance and Other Information *(Continued)*

DIRECTORS' INTERESTS *(CONTINUED)*

(2) Associated Corporations *(Continued)*

(iii) Lai Fung Holdings Limited (“Lai Fung”) – a subsidiary of eSun

Long positions in the ordinary shares and the underlying shares in Lai Fung

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	8,274,270,422 <i>(Note 1)</i>	16,095,912 <i>(Note 2)</i>	8,290,366,334	50.91%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	30,000,000 <i>(Note 3)</i>	50,479,564 <i>(Note 2)</i>	80,479,564	0.49%
Lau Shu Yan, Julius	Beneficial owner	11,772	Nil	Nil	48,287,738 <i>(Note 2)</i>	48,299,510	0.30%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	160,959,129 <i>(Note 2)</i>	160,959,129	0.99%

Notes:

- (1) eSun was interested in 8,274,270,422 shares in Lai Fung, representing approximately 50.81% of the issued share capital of Lai Fung. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 issued shares in Lai Fung by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 42.25% in the issued share capital of eSun.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

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

Notes: (Continued)

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

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

* A share option comprising a total of 10,000,000 underlying shares and a share option comprising a total of 20,000,000 underlying shares in Lai Fung had been exercised by Mr. Chew Fook Aun on 1 November and 13 December 2016, respectively, thus, the total number of share options of Mr. Chew Fook Aun has decreased to 50,479,564 underlying shares as of 31 January 2017.

- (3) These shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(iv) Media Asia Group Holdings Limited ("MAGHL") — a subsidiary of eSun

Long positions in the shares and underlying shares in MAGHL

Name of Director	Capacity	Number of ordinary shares 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	1,443,156,837 (Note 1)	218,340,611 (Note 2)	1,661,497,448	77.78%

Notes:

- (1) As at 31 January 2017, these interests in MAGHL represented the shares beneficially owned by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun, representing approximately 67.56% of the issued share capital of MAGHL. eSun is owned as to approximately 41.92% by the Company which in turn is owned as to approximately 61.75% by LSG. As LSG is approximately 12.62% owned by Dr. Lam Kin Ngok, Peter and approximately 29.45% owned by Wisdoman Limited which is turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 1,443,156,837 shares in MAGHL.
- (2) 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 218,340,611 underlying shares of MAGHL comprised in the convertible notes issued to Perfect Sky by MAGHL pursuant to a subscription agreement dated 17 April 2015.

Save as disclosed above, as at 31 January 2017, none of the Directors and the 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, or recorded in the Register of Directors and Chief Executive as aforesaid, notified under the Securities Code or otherwise known by the Directors.

Corporate Governance and Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at 31 January 2017, so far as was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (are being a Director), 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, or which were 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				
Lai Sun Garment (International) Limited (Note 1)	Beneficial owner	Corporate	18,676,828,782	61.75%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporation	Personal and corporate	18,719,155,807	61.89%
Yu Cheuk Yi (Note 2)	Beneficial owner	Personal	2,124,941,191	7.03%
Yu Siu Yuk (Note 2)	Beneficial owner	Personal	2,124,941,191	7.03%

Note:

1. LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 18,676,828,782 Shares, representing approximately 61.75% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 18,676,828,782 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 42.07% in the issued share capital of LSG. Dr. Lam Kin Ngok, Peter is the deputy chairman and an ED of LSG.
2. Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 2,124,941,191 Shares, which were held jointly by them.

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 2017, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 11 December 2015, the shareholders of the Company approved the adoption of a new share option scheme ("**New Scheme**"). The share option scheme adopted by the Company on 22 December 2006 ("**Old Scheme**") terminated when the New Scheme became effective on 23 December 2015 ("**Effective Date**"). No more options will be granted under the Old Scheme but the subsisting options granted prior to its termination will continue to be valid and exercisable in accordance with the terms of the Old Scheme.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

The purpose of the New Share Option Scheme is to recognize the contribution or future contribution of the Eligible Participant (as defined in the Scheme) including any employee, any director, officer or consultant and any other group or classes of participants for their contribution to the Group by granting Options to them as incentives or rewards and to attract, retain or motivate Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the Scheme) including any member of the Group or of an affiliated group with the Company. Unless otherwise altered or terminated, the New Scheme will be valid and effective for a period of 10 years commencing on the Effective Date.

During the six-month period ended 31 January 2017, there were 3,000,000 options granted to eligible employees under the New Scheme and 20,000,000 options were exercised by Mr. Chew Fook Aun on 13 December 2016. Apart from that, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the schemes during the six-month period ended 31 January 2017. Particulars of the outstanding options at the beginning and at the end of the financial period are as follows:

Name and category of participant	Date of grant of options	Number of underlying Shares comprised in share options			Exercise price of share options HK\$ per share	Outstanding at 01/08/2016*	Adjusted exercise price of share options per share after the Rights Issue HK\$	Exercised during the period	Outstanding at 31/01/2017	Exercisable period of share options
		Number of underlying Shares comprised on share options	Granted during the period							
Directors										
Lam Kin Ngok, Peter	18/01/2013	20,062,893	—	0.335	20,865,408	0.322	—	20,865,408	18/01/2013 - 17/01/2023	
Chew Fook Aun	05/06/2012	200,628,932	—	0.112	208,654,089	0.107	20,000,000	188,654,089	05/06/2012 - 04/06/2022	
Lau Shu Yan, Julius	18/01/2013	100,314,466	—	0.335	104,327,044	0.322	—	104,327,044	18/01/2013 - 17/01/2023	
Lam Hau Yin, Lester	18/01/2013	200,628,932	—	0.335	208,654,089	0.322	—	208,654,089	18/01/2013 - 17/01/2023	
Other employees	18/01/2013	177,188,680	—	0.335	184,276,227	0.322	—	184,276,227	18/01/2013 - 17/01/2023	
Other employees	26/07/2013	4,000,000	—	0.235	4,160,000	0.225	—	4,160,000	26/07/2013 - 25/07/2023	
Other employees	21/01/2015	11,000,000	—	0.174	11,440,000	0.167	—	11,440,000	21/01/2015 - 20/01/2025	
Other employees	22/01/2016	12,000,000	—	0.094	—	—	—	12,000,000	22/01/2016 - 21/01/2026	
Other employees	20/01/2017	—	3,000,000	0.163	—	—	—	3,000,000	20/01/2017 - 19/01/2027	
Total:		725,823,903	3,000,000	—	742,376,857	—	20,000,000	737,376,857		

* Adjusted number of underlying Shares comprised in share options after the Rights Issue.

Corporate Governance and Other Information (Continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2017, 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' and Chief Executive Officer's information since the disclosure made in the Company's annual report 2015-2016 are set out as follows:

- (1) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester were adjusted upward with effect from 1 January 2017 (within the range from 3% to 4%). Directors' remuneration for the six months ended 31 January 2017 and 2016 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 2017				
EDs:				
Lam Kin Ngok, Peter (<i>Chairman</i>)	—	7,850	9	7,859
Chew Fook Aun (<i>Deputy Chairman</i>)	—	4,794	9	4,803
Lau Shu Yan, Julius (<i>Chief Executive Officer</i>)	—	2,664	107	2,771
Lam Hau Yin, Lester	—	937	9	946
	—	16,245	134	16,379
NEDs:				
Lam Kin Ming	125	—	—	125
U Po Chu	125	—	—	125
	250	—	—	250
INEDs:				
Ip Shu Kwan, Stephen	150	—	—	150
Lam Bing Kwan	150	—	—	150
Leung Shu Yin, William	150	—	—	150
	450	—	—	450
	700	16,245	134	17,079

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 2016				
EDs:				
Lam Kin Ngok, Peter (Chairman)	—	9,541	9	9,550
Chew Fook Aun (Deputy Chairman)	—	4,305	9	4,314
Lau Shu Yan, Julius (Chief Executive Officer)	—	2,415	104	2,519
Lam Hau Yin, Lester	—	966	9	975
	—	17,227	131	17,358
NEDs:				
Lam Kin Ming	125	—	—	125
U Po Chu	125	—	—	125
	250	—	—	250
INEDs:				
Ip Shu Kwan, Stephen	125	—	—	125
Lam Bing Kwan	125	—	—	125
Leung Shu Yin, William	125	—	—	125
	375	—	—	375
	625	17,227	131	17,983

(2) Dr. Lam Kin Ngok, Peter was appointed as the President of Hong Kong Association of Cultural Industries for a five-year term with effect from 7 July 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2017, the Group employed a total of approximately 1,600 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 2017, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
October 2016	Post results non-deal roadshow	DBS	Hong Kong
November 2016	Post results non-deal roadshow	DBS	Singapore
November 2016	Post results non-deal roadshow	Daiwa	New York/ Philadelphia/ Los Angeles/ San Francisco
November 2016	Post results non-deal roadshow	Daiwa	London/ Amsterdam/ Zurich

During the period under review, the Company also had research reports published as follows:

Firm	Analyst	Publication Date
HSBC	Keith CHAN	24 October 2016

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 two INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and a NED, Dr. Lam Kin Ming. The Audit Committee has reviewed the interim report (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2017.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 23 March 2017