



LAI FUNG HOLDINGS

## PLACE OF INCORPORATION

Cayman Islands

## BOARD OF DIRECTORS

Lam Kin Ngok, Peter (*Chairman*)

Lam Kin Ming (*Deputy Chairman*)

Lam Kin Hong, Matthew (*Executive Deputy Chairman*)

Lam Hau Yin, Lester (*Chief Executive Officer*)

U Po Chu

Lau Shu Yan, Julius

Tam Kin Man, Kraven

Leung Churk Yin, Jeanny

Cheung Sum, Sam

Cheng Shin How

Lim Ming Yan

Leow Juan Thong, Jason

(appointed on 5 November 2008)

(*Alternate director to Lim Ming Yan*)

Lam Bing Kwan \*

Ku Moon Lun \*

Law Kin Ho \*

(appointed on 20 March 2009)

Wong Yee Sui, Andrew

(retired on 23 December 2008)

\* *independent non-executive directors*

1

## COMPANY SECRETARY

Yeung Kam Hoi

### **Lai Fung Holdings Limited**

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*Stock code on Hong Kong Stock Exchange: 1125*

## RESULTS

The board of directors (the “Board”) of Lai Fung Holdings Limited (the “Company”) presents herein the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 January 2009:

### Condensed Consolidated Income Statement

For the six months ended 31 January 2009

	Notes	For the six months ended	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
TURNOVER	3	148,092	128,685
Cost of sales		(38,604)	(27,995)
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Gross profit		109,488	100,690
Other income and gains		54,103	64,662
Selling expenses		(11,113)	(5,570)
Administrative expenses		(77,197)	(66,110)
Other operating expense, net		(63,925)	(51,379)
Fair value gain/(loss) on investment properties		(64,278)	229,773
Gain on termination of cross currency swaps	4	256,311	—
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PROFIT FROM OPERATING ACTIVITIES	5	203,389	272,066
Finance costs	6	(66,539)	(94,991)
Share of profits of associates		179	1,607
Write-back of provision for amounts due from associates		—	14,132
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PROFIT BEFORE TAX		137,029	192,814
Tax	7	2,719	(82,527)
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PROFIT FOR THE PERIOD		139,748	110,287
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ATTRIBUTABLE TO:			
Equity holders of the Company		140,716	85,276
Minority interests		(968)	25,011
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		139,748	110,287
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EARNINGS PER SHARE			
Basic	8	1.75 cents	1.06 cents
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Diluted		N/A	N/A
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## Condensed Consolidated Balance Sheet

As at 31 January 2009

	Notes	31 January 2009 (Unaudited) HK\$'000	31 July 2008 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		669,814	675,325
Properties under development		3,316,956	3,265,072
Investment properties		5,060,800	5,136,200
Prepaid land lease payments		5,807	5,928
Goodwill		4,561	4,561
Interests in associates		325,954	328,149
<b>Total non-current assets</b>		<b>9,383,892</b>	<b>9,415,235</b>
<b>CURRENT ASSETS</b>			
Properties under development		286,320	163,265
Completed properties for sale		493,997	507,385
Debtors, deposits and prepayments	9	89,097	221,756
Tax recoverable		9,225	—
Pledged and restricted time deposits and bank balances		327,514	381,075
Cash and cash equivalents		1,456,629	1,670,969
<b>Total current assets</b>		<b>2,662,782</b>	<b>2,944,450</b>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	10	444,837	540,122
Deposits received and deferred income		181,971	45,779
Rental deposits received		22,009	30,500
Interest-bearing bank loans, secured		395,118	509,417
Tax payable		418,407	454,275
<b>Total current liabilities</b>		<b>1,462,342</b>	<b>1,580,093</b>
<b>NET CURRENT ASSETS</b>		<b>1,200,440</b>	<b>1,364,357</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,584,332</b>	<b>10,779,592</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term rental deposits received		19,700	22,059
Interest-bearing bank loans, secured		625,065	624,430
Promissory note		167,000	167,000
Advances from a substantial shareholder		52,994	53,284
Fixed rate senior notes		1,500,197	1,518,319
Derivative financial instruments		—	185,462
Deferred tax liabilities		876,918	892,360
<b>Total non-current liabilities</b>		<b>3,241,874</b>	<b>3,462,914</b>
		<b>7,342,458</b>	<b>7,316,678</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the Company:			
Issued capital		804,796	804,796
Share premium account		3,876,668	3,876,668
Asset revaluation reserve		36,834	68,959
Share option reserve		3,473	3,549
Hedge reserve		—	5,719
Exchange fluctuation reserve		1,049,387	1,091,720
Capital reserve		(457)	(457)
Retained earnings		1,167,760	1,026,076
Proposed final dividends		—	32,192
		<b>6,938,461</b>	<b>6,909,222</b>
Minority interests		403,997	407,456
		<b>7,342,458</b>	<b>7,316,678</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2009

	Attributable to equity holders of the Company											
	Issued capital	Share premium account	Asset revaluation reserve	Share option reserve	Hedge reserve	Exchange fluctuation reserve	Capital reserve	Retained earnings	Proposed dividends	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 July 2008 and 1 August 2008 (Audited)	804,796	3,876,668	68,959	3,549	5,719	1,091,720	(457)	1,026,076	32,192	6,909,222	407,456	7,316,678
Impairment of properties under development	—	—	(32,125)	—	—	—	—	—	—	(32,125)	(324)	(32,449)
Exchange realignment:												
Subsidiaries	—	—	—	—	—	(40,565)	—	—	—	(40,565)	(2,167)	(42,732)
An associate	—	—	—	—	—	(1,768)	—	—	—	(1,768)	—	(1,768)
Total income and expense recognised directly in equity	—	—	(32,125)	—	—	(42,333)	—	—	—	(74,458)	(2,491)	(76,949)
Profit for the period	—	—	—	—	—	—	—	140,716	—	140,716	(968)	139,748
Total income and expense for the period	—	—	(32,125)	—	—	(42,333)	—	140,716	—	66,258	(3,459)	62,799
Equity-settled share option arrangements	—	—	—	892	—	—	—	—	—	892	—	892
Release of reserve upon lapse of share options	—	—	—	(968)	—	—	—	968	—	—	—	—
Release of reserve upon termination of cross currency swaps	—	—	—	—	(5,719)	—	—	—	—	(5,719)	—	(5,719)
Final 2008 dividends paid	—	—	—	—	—	—	—	—	(32,192)	(32,192)	—	(32,192)
<b>As at 31 January 2009 (Unaudited)</b>	<b>804,796</b>	<b>3,876,668</b>	<b>36,834</b>	<b>3,473</b>	<b>—</b>	<b>1,049,387</b>	<b>(457)</b>	<b>1,167,760</b>	<b>—</b>	<b>6,938,461</b>	<b>403,997</b>	<b>7,342,458</b>
As at 31 July 2007 and 1 August 2007 (Audited)	804,796	3,876,668	—	1,842	(41,780)	431,398	(457)	851,324	32,192	5,955,983	312,306	6,268,289
Net loss on cash flow hedges	—	—	—	—	(97,671)	—	—	—	—	(97,671)	—	(97,671)
Exchange realignment:												
Subsidiaries	—	—	—	—	—	275,265	—	—	—	275,265	16,253	291,518
Associates	—	—	—	—	—	29,035	—	—	—	29,035	—	29,035
Total income and expense recognised directly in equity	—	—	—	—	(97,671)	304,300	—	—	—	206,629	16,253	222,882
Profit for the period	—	—	—	—	—	—	—	85,276	—	85,276	25,011	110,287
Total income and expense for the period	—	—	—	—	(97,671)	304,300	—	85,276	—	291,905	41,264	333,169
Release of reserve upon disposal of a subsidiary	—	—	—	—	—	(2,327)	—	—	—	(2,327)	—	(2,327)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	13,632	13,632
Equity-settled share option arrangements	—	—	—	1,515	—	—	—	—	—	1,515	—	1,515
Release of reserve upon lapse of share options	—	—	—	(574)	—	—	—	574	—	—	—	—
Final 2007 dividends paid	—	—	—	—	—	—	—	—	(32,192)	(32,192)	—	(32,192)
<b>As at 31 January 2008 (Unaudited)</b>	<b>804,796</b>	<b>3,876,668</b>	<b>—</b>	<b>2,783</b>	<b>(139,451)</b>	<b>733,371</b>	<b>(457)</b>	<b>937,174</b>	<b>—</b>	<b>6,214,884</b>	<b>367,202</b>	<b>6,582,086</b>

## Condensed Consolidated Cash Flow Statement

For the six months ended 31 January 2009

	For the six months ended 31 January	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	185,305	(20,411)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(216,960)	(367,682)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(179,668)	13,438
NET DECREASE IN CASH AND CASH EQUIVALENTS	(211,323)	(374,655)
Cash and cash equivalents at beginning of period	1,670,969	1,931,371
Effect of foreign exchange rate changes, net	(3,017)	44,861
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,456,629	1,601,577
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	740,783	489,296
Non-pledged time deposits with original maturity of less than three months when acquired	715,846	1,112,281
	1,456,629	1,601,577

## Notes to Condensed Consolidated Financial Statements

As at 31 January 2009

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2009 have been prepared under the historical cost convention except for investment properties which have been measured at fair value, and have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group’s audited consolidated financial statements for the year ended 31 July 2008. 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’s interim financial statements. The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated interim financial statements.

#### Impact of issued but not yet effective HKFRSs

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

6

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>1</sup>
HKFRS 2 (Amendments)	Share-based Payments — Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRS <sup>3</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, which is effective for annual periods beginning on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS1 (Revised), HKFRS 7 (Amendments) and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

### 3. TURNOVER, SEGMENT REVENUE AND RESULTS

Segment information is presented by way of the Group's primary segment reporting format, by business segment.

No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China.

The following table presents revenue and profit for the Group's business segments for the six months ended 31 January 2009 and 2008:

	For the six months ended 31 January (Unaudited)					
	Property development		Property investment		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Segment revenue:						
Sales to external customers	27,945	7,308	120,147	121,377	148,092	128,685
Other revenue	695	—	33,576	28,021	34,271	28,021
<b>Total</b>	<b>28,640</b>	<b>7,308</b>	<b>153,723</b>	<b>149,398</b>	<b>182,363</b>	<b>156,706</b>
Segment results	(57,293)	(6,727)	(8,357)	325,399	(65,650)	318,672
Unallocated gains					285,720	36,641
Unallocated expenses, net					(16,681)	(83,247)
Profit from operating activities					203,389	272,066
Finance costs					(66,539)	(94,991)
Share of profits of associates	179	—	—	1,607	179	1,607
Write-back of provision for amounts due from associates	—	—	—	14,132	—	14,132
Profit before tax					137,029	192,814
Tax					2,719	(82,527)
Profit for the period					139,748	110,287
Other segment information:						
Fair value gain/(loss) on investment properties	—	—	(64,278)	229,773	(64,278)	229,773
Impairment of properties under development	(62,668)	—	—	—	(62,668)	—



#### 4. GAIN ON TERMINATION OF CROSS CURRENCY SWAPS (“CCS”)

On 28 October 2008, the Company terminated the CCS and received approximately HK\$65,130,000 as proceeds from the termination (the “Termination”). Together with the reversal of fair value loss on the cash flow hedges arising from the CCS of HK\$185,462,000, which was previously recognised as derivative financial instruments in the consolidated balance sheet, and the balance of related hedge reserve of HK\$5,719,000, total gains of HK\$256,311,000 are recognised in the condensed consolidated income statement for the six months ended 31 January 2009.

After the Termination, the Group does not have any derivative financial instruments or hedging instruments outstanding. Further details of the Termination have been disclosed in the Company’s announcement dated 28 October 2008.

#### 5. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended	
	31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Cost of completed properties sold	9,894	5,832
Impairment of properties under development **	62,668	—
Gain on repurchase of fixed rate senior notes **	(9,577)	—
Depreciation †	12,855	12,024
Foreign exchange differences, net **	2,200	59,010
Equity-settled share option expense	892	1,515
Amortisation of prepaid land lease payments	89	82
Excess over the cost of a business combination **	—	(29,671)
Loss on disposal of interest in a subsidiary **	—	14,268

† Depreciation charge of HK\$7,648,000 (six months ended 31 January 2008: HK\$7,467,000) for serviced apartments is included in “Other operating expense, net” on the face of the condensed consolidated income statement.

\*\* These expenses/(incomes) are included in “Other operating expense, net” on the face of the condensed consolidated income statement. For the six months ended 31 January 2008, foreign exchange differences included an exchange loss of HK\$82,598,000 arising from the cash flow hedges.

## 6. FINANCE COSTS

	<b>For the six months ended</b>	
	<b>31 January</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	27,037	37,579
Bank loans repayable beyond five years	283	555
Promissory note	4,315	6,087
Fixed rate senior notes, net *	66,618	54,744
Amortisation of fixed rate senior notes	2,816	2,203
Bank charges	235	3,985
	<b>101,304</b>	105,153
Less: Interest capitalised in properties under development	<b>(34,765)</b>	(10,162)
Total finance costs	<b>66,539</b>	94,991

\* Net of interest saving of HK\$4,248,000 (six months ended 31 January 2008: HK\$16,431,000) arising from the cash flow hedges.

## 7. TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the period (six months ended 31 January 2008: Nil). Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>For the six months ended</b>	
	<b>31 January</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current — Mainland China		
Corporate income tax	2,686	15,276
Land appreciation tax	7,019	1,896
Deferred	<b>(12,424)</b>	65,355
Total tax charge/(credit) for the period	<b>(2,719)</b>	82,527

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to equity holders of the Company of HK\$140,716,000 (six months ended 31 January 2008: HK\$85,276,000), and the weighted average number of 8,047,956,478 (six months ended 31 January 2008: 8,047,956,478) ordinary shares in issue during the period.

All share options of the Company had an anti-dilutive effect on the basic earnings per share amounts for the periods ended 31 January 2009 and 2008. Therefore, the diluted earnings per share amounts for both periods had not been disclosed.

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartments charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An ageing analysis of the trade receivables as at the balance sheet date, based on payment due date, is as follows:

	<b>31 January 2009 (Unaudited) HK\$'000</b>	31 July 2008 (Audited) HK\$'000
Trade receivables, net:		
Within one month	42,175	163,312
One to two months	456	388
Two to three months	626	420
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	43,257	164,120
Other receivables, deposits and prepayments	45,840	57,636
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Total	89,097	221,756
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## 10. CREDITORS AND ACCRUALS

An ageing analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	<b>31 January 2009 (Unaudited) HK\$'000</b>	31 July 2008 (Audited) HK\$'000
Trade payables:		
Within one month	<b>6,123</b>	25,400
One to three months	—	655
	<b>6,123</b>	26,055
Accruals and other payables	<b>438,714</b>	514,067
Total	<b>444,837</b>	540,122

## 11. COMMITMENTS

The Group had the following capital commitments as at the balance sheet date:

	<b>31 January 2009 (Unaudited) HK\$'000</b>	31 July 2008 (Audited) HK\$'000
Contracted, but not provided for:		
Land lease payments, resettlement, compensation, construction and renovation costs and others	<b>771,109</b>	351,530
Authorised, but not contracted for:		
Resettlement, construction and renovation costs and others	<b>183,796</b>	657,138

## 12. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

	Notes	For the six months ended	
		2009	2008
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Interest on the promissory note paid to a substantial shareholder	(i)	(4,315)	(6,087)
Advertising fees paid to a related company	(ii)	(3,430)	(1,556)

Notes:

- (i) Interest is charged on a promissory note issued to Lai Sun Garment (International) Limited, a substantial shareholder of the Company, at the prevailing Hong Kong Dollar Prime Rate as quoted by a designated bank in Hong Kong.
- (ii) The related company is a subsidiary of eSun Holdings Limited, which is significantly influenced by certain members of key management personnel of the Company.

The terms of the advertising fees were determined based on the contracts entered into between the Group and the related company.

### (b) Compensation of key management personnel of the Group

12

	For the six months ended	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	7,408	7,527
Post-employment benefits	38	37
Share-based payments	619	1,059
Total compensation paid to key management personnel	8,065	8,623

## 13. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 9 April 2009.

## INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2009 (six months ended 31 January 2008: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview of interim results

For the six months ended 31 January 2009, the Group recorded a turnover of HK\$148,092,000 (2008: HK\$128,685,000) and a gross profit of HK\$109,488,000 (2008: HK\$100,690,000), representing an increase of approximately 15% and 9% respectively from the previous corresponding period. Profit from operating activities was HK\$203,389,000 (2008: HK\$272,066,000) and profit attributable to equity holders of the Company was HK\$140,716,000 (2008: HK\$85,276,000), representing a decrease of approximately 25% and an increase of approximately 65% respectively from the previous corresponding period.

The decrease in profit from operating activities was mainly attributable to a fair value loss on investment properties of the Group of HK\$64,278,000 during the period under review against a gain of HK\$229,773,000 for the previous corresponding period. This was partially offset by a gain arising from the termination of cross currency swaps of HK\$256,311,000 in October 2008. Finance costs reduced to HK\$66,539,000 (2008: HK\$94,991,000) for the period under review after an amount of HK\$34,765,000 (2008: HK\$10,162,000) had been capitalised in properties under development during the period under review.

Provision for tax was significantly reduced from a charge of HK\$82,527,000 for the six months ended 31 January 2008 to a credit of HK\$2,719,000 for the period under review. This was mainly attributable to write-back of deferred tax provision on the Group's investment properties as a result of reduction in the fair value of these properties during the period under review.

Profit attributable to equity holders of the Company increased by 65% to HK\$140,716,000. Basic earnings per share was HK1.75 cents for the six months ended 31 January 2009 compared to HK1.06 cents for the previous corresponding period.

Shareholders' equity as at 31 January 2009 amounted to HK\$6,938,461,000, up from HK\$6,909,222,000 as at 31 July 2008. Net asset value per share attributable to equity holders of the Company was HK\$0.86 as at 31 January 2009, which was the same as at 31 July 2008.

## Business Review

### Investment properties

#### Property rental results

During the six months ended 31 January 2009, the Group recorded a turnover of HK\$120,147,000 from rental income. Breakdown of turnover from rental income was as follows:

	For the six months ended 31 January		Change %
	2009 HK\$	2008 HK\$	
<b>Shanghai</b>			
Hong Kong Plaza	76,491,000	90,986,000	-15.9
Regents Park (commercial podium)	3,294,000	2,626,000	+25.4
Northgate Plaza I	10,263,000	—	n/a
<b>Guangzhou</b>			
May Flower Plaza	<u>30,099,000</u>	<u>27,765,000</u>	+8.4
Total	<u><u>120,147,000</u></u>	<u><u>121,377,000</u></u>	-1.0

14

### Development properties

#### Property sales results

	For the six months ended 31 January		Change %
	2009 HK\$	2008 HK\$	
<b>Shanghai</b>			
Regents Park, Phase II	27,945,000	—	n/a
<b>Guangzhou</b>			
Eastern Place	<u>—</u>	<u>7,308,000</u>	n/a
Total	<u><u>27,945,000</u></u>	<u><u>7,308,000</u></u>	+282.4

During the period under review, rental income from Hong Kong Plaza recorded a decrease of 15.9% to HK\$76,491,000, which was mainly due to the renovation of the shopping arcades under the serviced apartment tower and a decrease in occupancy rate of the serviced apartments. It is expected that the rental income from Hong Kong Plaza will be further affected when the renovation work on the shopping arcades under the office tower and the renovation work on the serviced apartments commence later this year. The Group's share of rental income for Northgate Plaza I for the previous corresponding period had been recorded under "Share of profits of associates" before the Group acquired the remaining interests in January 2008. Rental income from May Flower Plaza recorded an increase of 8.4% to HK\$30,099,000 for the period under review.

## Review of Major Property Projects

### *Shanghai*

#### *Shanghai Hong Kong Plaza*

Hong Kong Plaza is a twin-tower prime property located on Huaihaizhong Road, Luwan District, Shanghai comprising office, shopping arcades and serviced apartments. The property is directly above Huangpi Road South Metro Station and is within walking distance of Xintiandi. Rental income for the six months ended 31 January 2009 amounted to HK\$76,491,000, representing a decrease of approximately 15.9% compared with the same period last year.

The decrease in rental was mainly attributable to the commencement of renovation work on the shopping arcades under the serviced apartment tower in July 2008, which is expected to be completed in the second half of this year. The renovation of the shopping arcades under the office tower also commenced in March this year and is expected to be completed early next year. The Group will also renovate the whole serviced apartment tower to upgrade the quality of the rooms and the services. In addition, the common areas of the office tower and the lift lobbies for both office tower and serviced apartment tower will be renovated. It is estimated that the full renovation work of Hong Kong Plaza will be completed in 2010. The rental income of Hong Kong Plaza is expected to be improved from its current level upon completion of the renovation. In the meantime, rental income for 2009 and 2010 will be adversely affected.

#### *Shanghai Regents Park*

Regents Park is a major residential project located in the Zhongshan Park Commercial Area at the prestigious Changning District, Shanghai with a total saleable gross floor area ("GFA") of approximately 154,000 square metres ("sq.m.") (GFA attributable to the Group of approximately 146,000 sq.m.).

Phase II of the project comprises 6 residential towers with 455 units (GFA attributable to the Group of approximately 59,000 sq.m.). 3 residential towers were launched for pre-sale in April 2008 and a total of 142 units were sold at an average price of RMB33,000 per sq.m. ("psm") as at 31 July 2008. Since then, the property market in Shanghai has become quiet and only a few units were sold in the period under review. Since February 2009, the Group has relaunched 80 units to the market at an average price of RMB28,000 psm and 39 units have been sold for a total consideration of approximately HK\$178,495,000, which will be recorded in the second half of this financial year. The Group will closely monitor the market conditions and adjust our marketing strategy for the other 3 residential towers with 227 units, which will be launched to the market soon.

#### *Shanghai May Flower Plaza*

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Zhabei District in Shanghai. This project is situated near the Zhongshan Road North Metro Station. The Group has an effective 95% interest in the project.



The project has a total GFA of approximately 114,500 sq.m. (GFA attributable to the Group of approximately 109,000 sq.m.), comprising residential and office apartments, and commercial spaces. In addition, there will be approximately 33,000 sq.m. for carparks and ancillary facilities. Construction work commenced in October 2007 and is scheduled to start pre-sale in 2010.

#### *Shanghai Northgate Plaza*

Northgate Plaza I is a block of office units with retail podium located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal. The Group has a 96.6% interest in this property. The property has a total GFA of approximately 36,500 sq.m. including carparks.

The Group plans to develop Northgate Plaza II on the vacant site located adjacent to Phase I. The Group has a 99.0% interest in Phase II.

The Phase II development will have a total GFA of approximately 28,800 sq.m. comprising serviced apartments with retail podium. In addition, there will be some areas for car parks. Construction work has commenced and is scheduled to be completed in 2011.

#### ***Guangzhou and Zhongshan***

##### *Guangzhou May Flower Plaza*

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

16

This 13-storey complex has a total GFA of approximately 51,000 sq.m. (GFA attributable to the Group of approximately 39,000 sq.m.) comprising retail spaces, restaurants and fast food outlets, cinema and office units. The property is leased to various tenants that are well known corporations, consumer brands and restaurants. Rental income from May Flower Plaza was HK\$30,099,000 for the six months ended 31 January 2009, representing an increase of approximately 8.4% from the previous corresponding period.

##### *Guangzhou Eastern Place*

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

The Phase V development will have a total GFA attributable to the Group of approximately 101,000 sq.m. comprising residential blocks, serviced apartments, offices and retail space. Construction work has commenced and is scheduled to be completed in 2011.

### *Guangzhou West Point*

West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. The project has a total GFA of approximately 64,000 sq.m., comprising 243 residential units, serviced apartments and commercial spaces. In addition, there will be approximately 10,000 sq.m. for carparks and ancillary facilities. Pre-sale of residential units was started in July 2008 and up to March 2009, approximately 77% of the units were sold at an average price of RMB13,000 psm, with a total consideration of approximately HK\$272,594,000. Occupation permit is expected to be obtained in the second half of this financial year. Once the occupation permit is obtained, the sales revenue will be recognised in the consolidated income statement. The Group also plans to launch the serviced apartments for pre-sale in the next few months. Initial discussion has been taking place with potential tenants for leasing the retail space.

### *Guangzhou Jinshazhou Project*

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

The project is currently at the planning stage. According to the current development schedule, the project will be completed in phases from 2010 to 2012.

### *Guangzhou Haizhu Plaza*

Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire interest in this project.

The proposed development has a GFA of approximately 103,000 sq.m., and is intended to be developed into a grade-A office tower, a serviced apartment tower, retail podium, carparks and ancillary facilities.

The project is currently in the process of resettlement of original occupants and the development is expected to be completed in 2012.

### *Guangzhou Donghua Dong Road Project*

The site is located on Donghua Dong Road in Yuexiu District. The permitted GFA is approximately 10,000 sq.m. The project is currently at the planning stage and is intended to be developed into a residential tower, carparks and ancillary facilities. The project is expected to be completed in 2011.

### *Guangzhou Da Sha Tou Road/Yuan Jiang Dong Road Project*

The site is located at the junction of Da Sha Tou Road and Yuan Jiang Dong Road in Yuexiu District. The permitted GFA is approximately 8,000 sq.m. The project is currently at the planning stage and is intended to be developed into a serviced apartment tower, carparks and ancillary facilities. The project is expected to be completed in 2011.

### *Guangzhou Guan Lu Road Project*

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

### *Zhongshan Palm Springs*

The project is located in Caihong Planning Area, West District of Zhongshan. The original plan for Phase I of the project is to build 27 blocks of residential towers with a total GFA of approximately 138,000 sq.m. However, the property market in Zhongshan has been seriously affected by the financial turmoil and the slowdown of economy. Having taken into account the prevailing market conditions and the expected supply from other developers in this area, the Group is currently revising its plan to reduce the risk in this project.

### **Capital Structure, Liquidity and Debt Maturity Profile**

As at 31 January 2009, the Group had total borrowings in the amount of HK\$2,740 million (as at 31 July 2008: HK\$2,872 million), representing a decrease of HK\$132 million. The consolidated net assets attributable to the equity holders of the Company amounted to HK\$6,938 million (as at 31 July 2008: HK\$6,909 million). The total debt to equity ratio was 39% (as at 31 July 2008: 42%) and the total debt to total capitalisation (long-term debt + equity) ratio was 30% (as at 31 July 2008: 31%).

18

Approximately 55% and 43% of the Group's borrowings were on a fixed rate basis and floating rate basis respectively, with the remaining 2% of the Group's borrowings being interest free.

Apart from the senior notes, the Group's other borrowings of HK\$1,240 million were 36% denominated in Renminbi, 15% in Hong Kong dollars and 49% in United States dollars.

In October 2008, the Group terminated the cross currency swap agreements and recorded a gain of HK\$256,311,000. After the termination of the cross currency swap agreements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value of approximately HK\$4,262 million, serviced apartments with carrying value of approximately HK\$548 million, properties under development with carrying value of approximately HK\$677 million, a property with carrying value of approximately HK\$43 million, completed properties held for sale with carrying value of approximately HK\$488 million and bank balances of approximately HK\$109 million.

Taking into account cash held as at the balance sheet date, available banking facilities and the recurring cashflows from the Group's operating activities, the Group believes it has sufficient liquidity to finance its existing property development and investment projects.

## **Contingent Liabilities**

According to a practice common among banks in China when providing mortgage financing to property buyers, the bank will require property developer to provide a buy-back guarantee to secure the due performance of borrowers. The Group is currently providing a number of buy-back guarantees to banks that have granted mortgage loans to buyers of residential units in Phase I of Regents Park and Phases I to IV of Eastern Place. The Group's contingent liabilities under these obligations have been gradually relinquished along with the settlement of the mortgage loans granted by the bank to the end-buyers.

## **Employees and Remuneration Policies**

As at 31 January 2009, the Group employed a total of around 1,300 staff. 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 certain employees on a merit basis and in accordance with industry practice. Other staff benefits include share option scheme, mandatory provident fund, free hospitalisation insurance plan, subsidised medical care and subsidies for external education and training programmes.

## **Prospects**

The Group will continue its prudent approach in acquisition strategy and in managing our business in China.

The Group will focus on the sale of Regents Park Phase II in Shanghai and pre-sale of West Point in Guangzhou in the next few months. With the recent rebound in volume of transactions in Shanghai and Guangzhou, the Group will closely monitor the market sentiment and adjust our marketing strategy accordingly.

The Group will suffer a decline in rental income in Hong Kong Plaza for this and the next financial years during the renovation period. Following the completion of the renovation, it is expected that the rental income will be improved from its current level. Initial discussions have commenced with potential tenants for leasing the retail podium of Hong Kong Plaza and West Point.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 21 August 2003 for the purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Eligible Employees (as defined in the Scheme) of the Company. Eligible Employees of the Scheme include the directors and employees of the Group. Unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from the date of approval and adoption of the Scheme.

The following share options were outstanding under the Scheme as at 31 January 2009:

Name	Date of Grant*	No. of Share Options			Exercise Period	Exercise Price per Share**	
		As at 1 August 2008	Granted during the period	Lapsed during the period			As at 31 January 2009
<b>Directors</b>							
Tam Kin Man, Kraven	9/1/2007	10,000,000	—	(10,000,000)	—	1/1/2008 – 31/12/2008	HK\$0.55
	9/1/2007	10,000,000	—	—	10,000,000	1/1/2009 – 31/12/2009	HK\$0.65
	9/1/2007	10,000,000	—	—	10,000,000	1/1/2010 – 31/12/2010	HK\$0.75
Cheung Sum, Sam	8/8/2007	7,500,000	—	—	7,500,000	1/8/2008 – 31/7/2009	HK\$0.55
	8/8/2007	7,500,000	—	—	7,500,000	1/8/2009 – 31/7/2010	HK\$0.60
	8/8/2007	7,500,000	—	—	7,500,000	1/8/2010 – 31/7/2011	HK\$0.75
		52,500,000	—	(10,000,000)	42,500,000		
<b>Other Employees</b>							
(in aggregate)	9/1/2007	2,500,000	—	(2,500,000)	—	1/1/2008 – 31/12/2008	HK\$0.55
	9/1/2007	5,000,000	—	—	5,000,000	1/1/2009 – 31/12/2009	HK\$0.60
	9/1/2007	5,000,000	—	—	5,000,000	1/1/2010 – 31/12/2010	HK\$0.65
	9/1/2007	5,000,000	—	—	5,000,000	1/1/2010 – 31/12/2010	HK\$0.70
	9/1/2007	2,500,000	—	(2,500,000)	—	1/1/2008 – 31/12/2008	HK\$0.40
	9/1/2007	2,500,000	—	—	2,500,000	1/1/2009 – 31/12/2009	HK\$0.55
		22,500,000	—	(5,000,000)	17,500,000		
<b>Total</b>		75,000,000	—	(15,000,000)	60,000,000		

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.

During the period under review, no share options were exercised or cancelled and 15,000,000 share options lapsed in accordance with the terms of the Scheme. As at 31 January 2009, the total number of 60,000,000 share options outstanding under the Scheme represented approximately 0.75% of the Company’s shares in issue as at that date.

## DIRECTORS' INTERESTS

As at 31 January 2009, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

### (A) Long Positions in the Shares of the Company

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note)	Nil	Owner of Controlled Corporation	3,265,688,037	40.58%
Lau Shu Yan, Julius	6,458,829	Nil	Nil	Nil	Beneficial Owner	6,458,829	0.08%
Tam Kin Man, Kraven	Nil	Nil	Nil	20,000,000 (under share option)	Beneficial Owner	20,000,000	0.25%
Cheung Sum, Sam	Nil	Nil	Nil	22,500,000 (under share option)	Beneficial Owner	22,500,000	0.28%

21

Note: These interests in the Company represented the shares beneficially owned by Lai Sun Garment (International) Limited ("LSG") (1,869,206,362 shares) and Silver Glory Securities Limited ("SGS") (1,396,481,675 shares), a wholly-owned subsidiary of LSG. Mr. Lam Kin Ngok, Peter was deemed to be interested in the 3,265,688,037 shares in the Company held by LSG and SGS since he held (1) a 50% interest in Wisdoman Limited which in turn held 484,991,750 shares in LSG and (2) a personal interest of 124,644,319 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

### (B) Interests in the Debentures of the Company (in USD)

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total
Lau Shu Yan, Julius	300,000	Nil	Nil	Nil	Beneficial Owner	300,000
Cheung Sum, Sam	200,000	Nil	Nil	Nil	Beneficial Owner	200,000

Save as disclosed above, as at 31 January 2009, none of the directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 January 2009, the following persons, one of whom is a director of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	Long Positions in the Shares of the Company		
		Nature of Interest	Number of Shares	Percentage
Lai Sun Garment (International) Limited ("LSG")	Beneficial Owner	Corporate Interest	3,265,688,037 (Note 1)	40.58%
Lam Kin Ngok, Peter	Owner of Controlled Corporation	Corporate Interest	3,265,688,037 (Note 2)	40.58%
CapitaLand China Holdings Pte Ltd. ("CapitaLand China")	Owner of Controlled Corporation	Corporate Interest	1,610,000,000 (Note 3)	20%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand Cayman")	Beneficial Owner	Corporate Interest	1,610,000,000	20%
22 CapitaLand Limited	Owner of Controlled Corporation	Corporate Interest	1,610,000,000 (Note 3)	20%
CapitaLand Residential Limited ("CapitaLand Residential")	Owner of Controlled Corporation	Corporate Interest	1,610,000,000 (Note 3)	20%
Temasek Holdings (Private) Limited ("Temasek Holdings")	Owner of Controlled Corporation	Corporate Interest	1,610,000,000 (Note 3)	20%
Silver Glory Securities Limited ("SGS")	Beneficial Owner	Corporate Interest	1,396,481,675	17.35%

### Notes:

1. These interests in the Company represented the shares beneficially owned by LSG (1,869,206,362 shares) and SGS (1,396,481,675 shares), a wholly-owned subsidiary of LSG. SGS's interest constituted part of the interest held by LSG.
2. Mr. Lam Kin Ngok, Peter was deemed to be interested in 3,265,688,037 shares held by LSG and SGS by virtue of his approximate 37.69% interest in the issued share capital of LSG.

3. These interests in the Company represented the shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which is in turn wholly owned by CapitaLand Residential while CapitaLand Residential is wholly owned by CapitaLand Limited. Temasek Holdings was deemed to be interested in 1,610,000,000 shares held by CapitaLand Cayman by virtue of its 43.28% interest in CapitaLand Limited.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 January 2009.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 31 January 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares.

During the same period, the Company repurchased US\$2,753,000 in nominal value of the 9.125% senior notes due 2014, which are listed on Singapore Exchange Securities Trading Limited, for an aggregate consideration (with accrued interest) of US\$1,497,478.78 (equivalent to HK\$11,680,334.49) through private arrangement.

#### **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the interim report of the Company save for the deviations from code provisions A.4.1 and E.1.2 as follows:

23

##### *Code Provision A.4.1*

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

##### *Code Provision E.1.2*

Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the annual general meeting of the Company held on 23 December 2008.



## INFORMATION RELATING TO DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the “Securities Code”) on terms no less exacting than the standard set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2009.

One of the three independent non-executive directors of the Company retired at the annual general meeting held on 23 December 2008 and therefore during the period from 23 December 2008 to 31 January 2009, the number of independent non-executive directors of the Company was below the minimum number required under Rule 3.10 of the Listing Rules. A new independent non-executive director was appointed to fill the vacancy with effect from 20 March 2009.

## REVIEW OF INTERIM REPORT

The interim report of the Company for the six months ended 31 January 2009 has been reviewed by the audit committee of the Company. The audit committee comprises two of the independent non-executive directors of the Company, namely, Messrs. Law Kin Ho and Lam Bing Kwan and a non-executive director of the Company, Mr. Lim Ming Yan.

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

Hong Kong, 9 April 2009