LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED

(Stock code: 488)

Interim Report 2009-2010

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Lam Kin Ngok, Peter *(Chairman)*	
Lau Shu Yan, Julius *(Chief Executive Officer)*	
Tam Kin Man, Kraven	
Cheung Wing Sum, Ambrose, MH, JP	
Leung Churk Yin, Jeanny	
Lam Kin Ming	
U Po Chu	
Cheung Sum, Sam	(resigned on 5 October 2009)
Lam Bing Kwan*	
Leung Shu Yin, William*	
Wan Yee Hwa, Edward*	
Ip Shu Kwan, Stephen*, GBS, JP	(appointed on 29 December 2009)

* *Independent non-executive directors*

COMPANY SECRETARY

Yeung Kam Hoi

Lai Sun Development Company Limited
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Kowloon, Hong Kong
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Stock code on Hong Kong Stock Exchange: 488

RESULTS

The board of directors (the "Board") of Lai Sun Development Company Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 January 2010 as follows:

Condensed Consolidated Income Statement
For the six months ended 31 January 2010

	Notes	Six months ended 31 January 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
TURNOVER	3	**341,933**	326,726
Cost of sales		**(111,305)**	(95,463)
Gross profit		**230,628**	231,263
Other revenue		**18,554**	14,281
Administrative expenses		**(140,403)**	(139,559)
Other operating expenses, net		**(32,547)**	(38,797)
Fair value gain/(loss) on investment properties		**782,772**	(356,448)
Reversal of provision/(provision) for tax indemnity	12(c)	**(34,352)**	72,668
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	**824,652**	(216,592)
Finance costs	5	**(19,381)**	(39,191)
Share of profits and losses of associates	8	**671,533**	(95,624)
PROFIT/(LOSS) BEFORE TAX		**1,476,804**	(351,407)
Tax	6	**(146,250)**	45,390
PROFIT/(LOSS) FOR THE PERIOD		**1,330,554**	(306,017)
Attributable to:			
Ordinary equity holders of the Company		**1,308,667**	(328,235)
Non-controlling interests		**21,887**	22,218
		1,330,554	(306,017)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK 9.24 cents**	HK (2.32) cents
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2010

	Six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**1,330,554**	(306,017)
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of an available-for-sale financial asset	**144,297**	(28,374)
Exchange realignments:		
Subsidiaries	**1**	(304)
Associate	**(7,046)**	(42)
Share of investment revaluation reserve of an associate	**32,582**	(4,333)
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	**169,834**	(33,053)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	**1,500,388**	(339,070)
Attributable to:		
Ordinary equity holders of the Company	**1,478,501**	(361,288)
Non-controlling interests	**21,887**	22,218
	1,500,388	(339,070)

Condensed Consolidated Statement of Financial Position

As at 31 January 2010

	Notes	31 January 2010 (Unaudited) HK$'000	31 July 2009 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**375,879**	379,091
Prepaid land lease payments		**27,579**	28,094
Investment properties		**5,978,900**	5,192,800
Properties under development		**892,532**	723,552
Interests in associates	8	**3,395,664**	2,659,637
Available-for-sale financial assets		**585,832**	441,419
Held-to-maturity debt investments		**—**	12,205
Pledged bank balances and time deposits		**64,782**	—
Total non-current assets		**11,321,168**	9,436,798
CURRENT ASSETS			
Completed properties for sale		**2,350**	2,350
Properties under development		**456,387**	—
Equity investments at fair value through profit or loss		**22,339**	38,332
Inventories		**4,938**	5,050
Debtors and deposits paid	9(a)	**104,549**	86,714
Held-to-maturity debt investments		**173,780**	241,145
Pledged bank balances and time deposits		**—**	77,547
Cash and cash equivalents		**995,145**	1,079,259
Total current assets		**1,759,488**	1,530,397
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9(b)	**209,219**	206,417
Tax payable		**41,014**	39,221
Bank borrowings		**376,136**	613,249
Total current liabilities		**626,369**	858,887
NET CURRENT ASSETS		**1,133,119**	671,510
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,454,287**	10,108,308
NON-CURRENT LIABILITIES			
Bank borrowings		**(2,218,980)**	(1,533,829)
Deferred tax		**(897,073)**	(766,103)
Provision for tax indemnity	12(c)	**(487,048)**	(452,696)
Long term rental deposits received		**(46,469)**	(40,576)
Total non-current liabilities		**(3,649,570)**	(2,793,204)
		8,804,717	7,315,104
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	10	**141,620**	141,620
Share premium account		**6,974,701**	6,974,701
Investment revaluation reserve		**627,257**	450,378
Share option reserve		**13,148**	19,019
Capital redemption reserve		**1,200,000**	1,200,000
General reserve	10	**504,136**	504,136
Special capital reserve	10	**126,264**	46,885
Exchange fluctuation reserve		**34,534**	41,579
Accumulated losses		**(1,048,994)**	(2,284,844)
		8,572,666	7,093,474
Non-controlling interests		**232,051**	221,630
		8,804,717	7,315,104

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2010

	Attributable to ordinary equity holders of the Company											
	Issued capital	Share premium account	Investment revaluation reserve	Share option reserve	Capital redemption reserve	General reserve	Special capital reserve	Exchange fluctuation reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 July 2009 and 1 August 2009 (Audited)	141,620	6,974,701	450,378	19,019	1,200,000	504,136	46,885	41,579	(2,284,844)	7,093,474	221,630	7,315,104
Total comprehensive income/(expenses) for the period	–	–	176,879	–	–	–	–	(7,045)	1,308,667	1,478,501	21,887	1,500,388
Share of reserve movements of associates	–	–	–	(5,871)	–	–	–	–	6,562	691	–	691
Transfer of reserves *(note 10)*	–	–	–	–	–	–	79,379	–	(79,379)	–	–	–
Dividend paid to a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	(11,466)	(11,466)
At 31 January 2010 (Unaudited)	141,620	6,974,701	627,257	13,148	1,200,000	504,136	126,264	34,534	(1,048,994)	8,572,666	232,051	8,804,717
At 31 July 2008 and 1 August 2008 (Audited)	141,620	6,974,701	464,780	16,694	1,200,000	504,136	46,885	41,978	(2,063,859)	7,326,935	199,813	7,526,748
Total comprehensive income/(expenses) for the period	–	–	(32,707)	–	–	–	–	(346)	(328,235)	(361,288)	22,218	(339,070)
Share of reserve movements of associates	–	–	–	1,479	–	–	–	–	–	1,479	–	1,479
At 31 January 2009 (Unaudited)	141,620	6,974,701	432,073	18,173	1,200,000	504,136	46,885	41,632	(2,392,094)	6,967,126	222,031	7,189,157

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2010

	Six months ended 31 January 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	**76,388**	65,197
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(524,832)**	(212,506)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**424,329**	388,332
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(24,115)**	241,023
Cash and cash equivalents at beginning of period	**1,019,259**	1,255,348
Effect of foreign exchange rate changes, net	**1**	(304)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**995,145**	1,496,067
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**236,433**	66,804
Non-pledged time deposits with original maturity of less than three months when acquired	**758,712**	1,429,263
	995,145	1,496,067

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2010 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited consolidated financial statements for the year ended 31 July 2009, except for the application of the following new and revised Hong Kong Financial Reporting Standards ("HKFRS", which also include HKASs and Interpretations) which are applicable to the Group and are effective in the current period.

2.1 Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs, applicable to the Group, for the first time for the current period's unaudited condensed consolidated interim financial statements:

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

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised) Presentation of Financial Statements, HKFRS 8 Operating Segments and the amendments to HKAS 40 Investment Property under Improvement to HKFRSs issued in October 2008 as described below, has had no material impact on the reported results or financial position of the Group.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements. The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity (i.e. comprehensive income). All non-owner changes in equity are required to be presented in (i) a single statement of comprehensive income or (ii) two statements (a separate income statement displaying items of income and expenses recognised as profit or loss and a second statement beginning with net profit or loss as shown in the income statement and displaying components of other comprehensive income). The Group has elected to present in two statements. Comparative amounts have been restated to conform to the new presentation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Impact of new and revised HKFRSs *(Continued)*

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The adoption of this standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain changes in the presentation and disclosure of interim financial statements, including change in basis of measurement of segment profit or loss and new disclosure of total assets by reportable segment.

Improvements to HKFRSs – Amendments to HKAS 40 Investment Property

The Group has adopted the amendments to HKAS 40 which became effective in the Group's accounting period beginning 1 August 2009. Under the amendments, investment property under construction is included within the scope of HKAS 40. Investment property under construction could be carried at fair value when its fair value is reliably determinable. Any difference between the fair value and the carrying book value of the property shall be recognised as gain or loss in the income statement for the period of initial adoption of this amendment. Prior to the amendments, investment property under construction was carried at cost until the construction had been completed. The Group, through Diamond String Limited ("Diamond String"), a 50%-owned associate, holds a property ("Property") situated at 3 Connaught Road Central, Hong Kong (formerly operating as "The Ritz-Carlton Hong Kong") which is being re-developed into a grade-A office tower for investment purpose. The Property is stated at cost less accumulated depreciation and any impairment losses in Diamond String's financial statements. When the Group accounts for its interest in Diamond String under equity method in its consolidated financial statements, the Property is measured at fair value for the purpose of conforming the Group's accounting policies. As a result, a 50% share of fair value gain arising from valuation of the Property of HK$605,366,000 (after net of the related deferred tax and goodwill (note 8)) is recorded in the Group's share of results of associates for the six months ended 31 January 2010. This amendment has been applied prospectively and the corresponding amounts of prior periods have not been restated.

2.2 Impact of issued but not yet effective HKFRSs

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

Improvements to HKFRSs 2009[1]	
HKAS 24 (Revised)	Related Party Disclosures[2]
HKFRS 9	Financial Instruments[3]

1 Amendments that are effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 January 2013

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

3. SEGMENT INFORMATION

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

	Six months ended 31 January (Unaudited)											
	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**–**	–	**169,984**	171,066	**162,286**	143,738	**9,663**	11,922	**–**	–	**341,933**	326,726
Intersegment sales	**–**	–	**5,346**	4,636	**–**	–	**14,186**	13,470	**(19,532)**	(18,106)	**–**	–
Other revenue	**462**	569	**272**	352	**–**	–	**–**	–	**–**	–	**734**	921
Total	**462**	569	**175,602**	176,054	**162,286**	143,738	**23,849**	25,392	**(19,532)**	(18,106)	**342,667**	327,647
Segment results	**(4,604)**	192	**131,630**	132,388	**39,695**	34,518	**2,349**	3,121	**–**	–	**169,070**	170,219
Interest income and unallocated gains											**17,820**	13,360
Fair value gain/(loss) on investment properties	**–**	–	**782,772**	(356,448)	**–**	–	**–**	–	**–**	–	**782,772**	(356,448)
Unallocated expenses											**(110,658)**	(116,391)
Reversal of provision/(provision) for tax indemnity											**(34,352)**	72,668
Profit/(loss) from operating activities											**824,652**	(216,592)
Finance costs											**(19,381)**	(39,191)
Share of profits and losses of associates	**(152)**	(127)	**605,229**	–	**(167)**	(6)	**–**	–	**–**	–	**604,910**	(133)
Share of profits and losses of associates – unallocated											**66,623**	(95,491)
Profit/(loss) before tax											**1,476,804**	(351,407)
Tax											**(146,250)**	45,390
Profit/(loss) for the period											**1,330,554**	(306,017)

3. SEGMENT INFORMATION *(Continued)*

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	31 January	31 July	**31 January**	31 July	**31 January**	31 July	**31 January**	31 July	**31 January**	31 July
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,360,447**	731,903	**5,996,049**	5,213,345	**494,473**	504,351	**50,150**	46,278	**7,901,119**	6,495,877
Interests in associates	**260,448**	235,465	**1,130,161**	524,881	**12,839**	—	**—**	—	**1,403,448**	760,346
Interests in associates — unallocated									**1,992,216**	1,899,291
Unallocated assets									**1,783,873**	1,811,681
Total assets									**13,080,656**	10,967,195

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation#	**13,217**	12,417
Amortisation of prepaid land lease payments*	**514**	514
Fair value loss on equity investments at fair value through profit or loss*	**22,401**	26,342
(Gain)/loss on disposal of equity investments at fair value through profit or loss*	**(462)**	1,233
Interest income from bank deposits	**(922)**	(8,835)
Other interest income	**(3,692)**	(750)
Dividend income from unlisted available-for-sale equity investments	**(529)**	(472)
Return of capital from an unlisted available-for-sale equity investments	**—**	(424)

Depreciation charge of HK$9,571,000 (Six months ended 31 January 2009: HK$8,638,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the condensed consolidated income statement.

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

5. FINANCE COSTS

	Six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**15,668**	37,178
Bank financing charges	**4,666**	4,394
	20,334	41,572
Less: Amount capitalised in properties under development	**(953)**	(2,381)
	19,381	39,191

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2009: 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**7,627**	4,791
Overseas	**7,653**	6,716
	15,280	11,507
Deferred tax	**130,970**	(56,838)
Prior period's overprovision — Hong Kong	**—**	(59)
Tax charge/(credit) for the period	**146,250**	(45,390)

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK$1,308,667,000 (six months ended 31 January 2009: loss attributable to ordinary equity holders of the Company of HK$328,235,000) and the weighted average number of 14,162,042,000 (six months ended 31 January 2009: 14,162,042,000) ordinary shares in issue during the period.

The diluted earnings per share amounts for the six months ended 31 January 2010 and 2009 have not been disclosed as no diluting events existed during both periods.

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

The eSun Group

Included in the Group's interests in associates as at 31 January 2010 is the Group's share of net assets of eSun and its subsidiaries (the "eSun Group") of HK$1,979,033,000 (31 July 2009: HK$1,886,180,000).

A cross holding position has been existing between eSun and the Company. As at 31 January 2010, the Group's interest in eSun was 36.08% (31 July 2009: 36.08%) and the eSun Group held 36.72% (31 July 2009: 36.72%) in the issued share capital of the Company.

Diamond String

Included in the Group's interests in associates as at 31 January 2010 and share of profits and losses of associates for the six months ended 31 January 2010 is the Group's share of net assets and profits of Diamond String of HK$1,130,161,000 (31 July 2009: HK$524,881,000) and HK$605,229,000 (six months ended 31 January 2009: share of loss of HK$46,000), respectively.

The increase in the Group's share of net assets and profits of Diamond String is mainly attributable the Group's adoption of the new amendments to HKAS 40 – Investment Property which became effective in the Group's accounting period beginning 1 August 2009. The details are set out in note 2.1.

Included in interests in associate as at 31 July 2009 was a goodwill of HK$129,488,000 attributable to acquisition of additional equity interests in Diamond String in 2007. Such goodwill represented consideration paid by the Group over the Group's corresponding share of the then net assets value of Diamond String, of which the Property was stated at cost less depreciation. Upon adoption of the amendments to HKAS 40, the Property was stated at its fair value when the Group equity accounted for its interest in Diamond String in the Group's consolidated financial statements. As a result, such goodwill was charged to consolidated income statement and included in share of profits and losses of associates during the six months ended 31 January 2010.

Corporate Guarantee given by the Company for a loan facility granted to Diamond String

On 21 September 2009, Diamond String awarded an exclusive mandate to CCB International Finance Limited, a wholly-owned subsidiary of China Construction Bank Corporation for arrangement and underwriting of a syndicated term loan facility ("Loan Facility") with facility amount up to HK$1,530 million sought by Diamond String for the purposes of refinancing its previous bank loan and financing the development cost of the property under redevelopment and the related interest/financing cost.

In relation to the Loan Facility, the Company and CCB International Group Holdings Limited, as equal beneficial shareholders of Diamond String are required to provide, on a several basis and in proportion to their respective shareholdings in Diamond String, guarantees for all monies payable under the Loan Facility and undertakings to make good any cost over-runs on the redevelopment of the property, during the tenor of the loan (collectively the "Corporate Guarantee").

In addition, the Company sought the approval of its shareholders to authorise the Group to provide supplementary financial assistance to Diamond String of up to HK$70 million ("Supplementary Financial Assistance") to cater for any agreed upscaling of the re-development project in the future. The Corporate Guarantee given by the Company constituted a major transaction of the Company pursuant to Chapter 14 of the Listing Rules (and any Supplemental Financial Assistance would, therefore, increase the size of such major transaction) and, accordingly, requires the approval of the Company's shareholders in general meeting. A resolution for approving the Corporate Guarantee and Supplementary Financial Assistance was duly passed at an extraordinary general meeting of the Company on 2 November 2009. Further details of the transactions are set out in the Company's circular dated 13 October 2009.

The documentation relation to the Loan Facility was concluded on 10 December 2009.

At 31 January 2010, an amount of HK$240,316,000 was utilised by Diamond String under the Loan Facility.

9. DEBTORS AND DEPOSITS PAID/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

(a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

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

	31 January 2010 (Unaudited) *HK$'000*	31 July 2009 (Audited) *HK$'000*
Trade debtors:		
Less than 30 days past due	**8,879**	5,307
31 – 60 days past due	**2,719**	1,215
61 – 90 days past due	**237**	459
Over 90 days past due	**1,656**	1,918
	13,491	8,899
Other debtors and deposits paid	**91,058**	77,815
	104,549	86,714

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

	31 January 2010 (Unaudited) *HK$'000*	31 July 2009 (Audited) *HK$'000*
Trade creditors:		
Less than 30 days past due	**6,117**	6,887
31 – 60 days past due	**46**	654
61 – 90 days past due	**43**	—
	6,206	7,541
Other creditors, deposits received and accruals	**203,013**	198,876
	209,219	206,417

10. SHARE CAPITAL

	31 January 2010		31 July 2009	
	Number of shares (Unaudited)	**Nominal value (Unaudited)**	Number of shares (Audited)	Nominal value (Audited)
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**17,200,000**	**172,000**	17,200,000	172,000
Preference shares of HK$1.00 each	**1,200,000**	**1,200,000**	1,200,000	1,200,000
		1,372,000		1,372,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**14,162,042**	**141,620**	14,162,042	141,620

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18 October 2006. The paid-up capital on each of its issued ordinary shares of HK$0.50 was cancelled to the extent of HK$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK$0.50 per share to HK$0.01 per share. A total credit of HK$6,245,561,000 had arisen as a result of the Capital Reduction. An amount of HK$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK$626,561,000 was credited to the share premium account of the Company.

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1 August 2005 in respect of the Company's:

(1) 50% investment in Fortune Sign Venture Inc. ("Fortune Sign"), up to an aggregate amount of HK$1,556,000,000;

(2) 10% investment in Bayshore Development Group Limited ("Bayshore"), up to an aggregate amount of HK$2,923,000,000; and/or

(3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK$1,140,000,000

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18 October 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

10. SHARE CAPITAL *(Continued)*

The undertaking is subject to the following provisos:

(i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserves of the Company and the same shall become available for distribution;

(ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and

(iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

During the period, an amount of HK$79,379,000, which represents the reversal of provision for impairment of the Company's interest in Peakflow Profits Limited ("Peakflow"), a wholly owned subsidiary of the Company which holds a 10% equity interest in Bayshore, is transferred from accumulated losses to the special capital reserve of the Company.

In prior year, an aggregate amount of HK$551,021,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow to the extent of HK$292,693,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company.

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

11. CAPITAL COMMITMENTS

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

	31 January 2010 (Unaudited) *HK$'000*	31 July 2009 (Audited) *HK$'000*
Capital Commitments — contracted but not provided for	**683**	3,985

12. CONTINGENT LIABILITIES

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

	31 January 2010 (Unaudited) *HK$'000*	31 July 2009 (Audited) *HK$'000*
Guarantees given to a bank in connection with a facility granted to an associate	**120,158**	—

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

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

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

After taking into account the Property Interests currently held by Lai Fung as at 31 January 2010 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK$1,341,829,000.

As at 31 January 2010, the directors of the Company, after taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, considered it is probable that an estimated amount of HK$487,048,000 (31 July 2009:HK$452,696,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, a further provision for the tax indemnity amount of HK$34,352,000 was recognised in the income statement for the six months ended 31 January 2010.

INTERIM ORDINARY DIVIDEND

As at 31 January 2010, the Company did not have any reserves available for distribution in accordance with provisions of Section 79B of the Companies Ordinance. The directors of the Company do not recommend the payment of an interim ordinary dividend for the financial year ending 31 July 2010. No interim ordinary dividend was declared in respect of the previous corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 31 January 2010, the Group recorded a turnover of HK$341,933,000 (2009: HK$326,726,000) and a gross profit of HK$230,628,000 (2009: HK$231,263,000), representing an increase of approximately 4.7% and a slight decrease of approximately 0.3% respectively from the previous corresponding period.

During the period, the Group booked a fair value gain on completed investment properties of HK$782,772,000 (2009: a loss of HK$356,448,000) as a result of the improving macro economic conditions from the global financial turmoil since fourth quarter of 2008. During this period, the Group recorded an additional provision for tax indemnity of approximately HK$34,352,000 (2009: a reversal of provision of HK$72,668,000). Such provision was made in the financial year of 2008 in respect of certain tax indemnity granted by the Group to Lai Fung Holdings Limited ("Lai Fung") in November 1997 at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited (details of such tax indemnity and provision are set out in Note 12(c) above). Mainly as a result of the above exceptional items, the Group recorded a profit from operating activities of HK$824,652,000 during the six months ended 31 January 2010, versus a loss from operating activities of HK$216,592,000 in the previous corresponding period.

During the period, share of profits from associates was HK$671,533,000, compared to share of losses from associates of HK$95,624,000 in the previous corresponding period. Movements of main items of the Group's share of profits from associates during the period were as follows:

1. The Group currently holds a 50% interest in Diamond String Limited ("Diamond String"), which is the joint venture company between the Group and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB") for the purpose of redevelopment project of 3 Connaught Road Central, Hong Kong. During the period, the Group adopted amendments to HKAS 40 in relation to its interest through Diamond String in the 3 Connaught Road Central redevelopment project, which is an investment property under development. Prior to the application of amendments to HKAS 40, Diamond String's investment property under development was carried at cost until the construction is completed, at which time it will be fair valued with gain or loss being recognised in profit or loss. As a result of the Group's adoption of amendments to HKAS 40, such property development project will be carried at fair value for the purpose of conforming to the Group's accounting policies. Any fair value gain or loss will be recognised in profit or loss. Accordingly, the Group shared the fair value gain of Diamond String's investment property under development amounting to approximately HK$605,000,000 (net of the related deferred tax and goodwill) in the consolidated income statement during the period.

Overview of Interim Results *(Continued)*

2. The Group currently holds a 36.08% interest in eSun Holdings Limited ("eSun"), which in turn holds a 36.72% interest in the Group. For the six months ended 31 January 2010, the Group's share of eSun's losses (before taking into account the Group's further share of eSun's result arising from eSun's share of the results of the Group) included in the Group's share of results of associates was approximately HK$123,000,000 (2009: HK$60,000,000). Such increased losses in eSun was mainly due to (i) increase in the impairment of goodwill arising out of the acquisition of Media Asia Entertainment Group Limited which was completed in 2007; (ii) increase in the impairment of eSun's film rights during the period; and (iii) a fair value loss on a put option granted in relation to the 33.3% interest in EAST (Holdings) (further details are set out in the below Business Review under the heading of "eSun – Macao Studio City – EAST (Holdings)'s option").

3. Due to the cross-holding structure between the Group and eSun, the Group is required to further take up eSun's share of the Group's results. The effect of such recurring process leads to the Group taking up a share of profit of approximately HK$190,000,000 (2008: a loss of HK$36,000,000) and such amount is included in the Group's share of results of associates.

As a result of decrease in interest rate, finance costs of the Group further decreased to HK$19,381,000 (2009: HK$39,191,000).

For the six months ended 31 January 2010, the Group recorded a consolidated net profit attributable to equity holders of the Company of HK$1,308,667,000, compared to a consolidated net loss of HK$328,235,000 from the previous corresponding period.

Shareholders' equity as at 31 January 2010 amounted to HK$8,572,666,000, up from HK$7,093,474,000 as at 31 July 2009. Net asset value per share as at 31 January 2010 was HK$0.605, as compared to HK$0.501 as at 31 July 2009.

Business Review

Investment Properties

The Group wholly owns three major investment properties for rental purposes, i.e. Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the six months ended 31 January 2010, aggregate gross rental income from investment properties contributed to the Group's turnover of approximately HK$170,000,000 (2009: HK$171,100,000), slightly down by approximately 0.6% from the previous corresponding period. As at 31 January 2010, overall occupancy of the Group's investment properties remained high at 96%.

Business Review *(Continued)*

Development Properties

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

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

Foundation work is now expected to complete by end of April 2010, and above-ground construction work will start thereafter. The entire redevelopment work is now expected to be completed by early 2012.

Oakhill, Wood Road, Wanchai

The project is now named "Oakhill". This joint residential development project is a 50:50 joint venture between the Group and the AIG Global Real Estate Investment (Asia) LLC. The development has a planned total gross floor area of approximately 140,000 square feet and a total development cost is estimated to be about HK$1,300,000,000.

Above-ground construction work is in progress and is scheduled for completion by second half of 2011. Preparation for the marketing of the pre-sale is now in active progress. Pre-sale of the residential units is now expected to start in the middle of 2010.

Emerald 28, Tai Po Road, Kowloon

The Group wholly owns this development project. The development, now named "Emerald 28" has a planned total gross floor area of over 60,000 square feet mainly for residential use and a total development cost is now estimated to be about HK$500,000,000. Construction work of the project has been substantially completed and occupation permit was issued in February 2010. Soft-launch for the sale of the residential units has been started in December 2009. The Group is now actively preparing for the mass marketing of the residential units. Formal launch of the sales programme will start in April 2010.

Yau Tong Project

The Group completed the purchase of a site located at No. 4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong in September 2008. In 2009, the Group also completed lease modification of the site to non-industrial use and paid the relevant land premium.

The Group wholly owns this development project. The Group intends to develop the site into a residential-cum-commercial property with a total gross floor area of about 106,000 square feet. Total development cost is now estimated to be about HK$700 million.

Business Review *(Continued)*

Development Properties *(Continued)*

Yau Tong Project (Continued)

Foundation work is scheduled to start this year and the entire construction is scheduled for completion by first half of 2013.

Tai Hang Road Project

In December 2009, the Group completed the purchase of a property situated at 335-339 Tai Hang Road, Hong Kong for a consideration of HK$358 million.

The Group wholly owns this project and intends to redevelop the site into a luxury residential property. Total gross floor area for redevelopment is about 29,000 square feet. Total development cost is estimated to be about HK$ 550 million.

Hotel and restaurant operations

For the six months ended 31 January 2010, hotel and restaurant operations contributed HK$162,286,000 to the Group's turnover (2009: HK$143,738,000), up approximately 12.9% from the previous corresponding period. The increase in turnover was mainly contributed by a new restaurant which commenced business in the first half of 2009. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of Caravelle Hotel in Ho Chi Minh City, Vietnam. For the six months ended 31 January 2010, Caravelle Hotel achieved an average occupancy of 58% (2009: 53%) and average daily room rate of US$153 (2009: US$198).

eSun

eSun's principal businesses are media and entertainment and the development of the Macao Studio City project through its 40% effectively-owned jointly controlled entity.

Media and entertainment businesses

During the period under review, eSun's media and entertainment businesses had mixed performance. Certain business operations (namely film production and distribution, music production and distribution and live entertainment) experienced increases in revenue. Such out-performances were largely due to the re-opening after renovation of the Hong Kong Coliseum, a major local pop concert venue in Hong Kong, in early 2009 after its renovation since late 2008 which allowed eSun to produce more larger scale live entertainment events during the period as compared to the previous corresponding period.

On the other hand, other business operations (namely sale of products, artiste management, film library licensing and advertising) underperformed compared to the previous corresponding period.

Business Review *(Continued)*

eSun *(Continued)*

Macao Studio City

eSun's ambition remains to build Macao Studio City into one of Asia's leading integrated leisure resorts combining theatre/concert venues, live entertainment facilities, Studio Retail™ (a destination retail complex), Las Vegas-style gaming facilities and world-class hotels. The site of the project is strategically located "Where Cotai Begins™", next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island.

Project progress

The Macao Studio City project has not progressed over the period under review, essentially because of the continuing dispute between East Asia Satellite Television (Holdings) Limited ("EAST (Holdings)") and New Cotai LLC ("New Cotai").

EAST (Holdings) is the holding company of a 60% interest in Cyber One Agents Limited ("Cyber One"), of which 66.7% is held indirectly by eSun and 33.3% is held by CapitaLand Integrated Resorts Pte Ltd ("CapitaLand"), a wholly-owned subsidiary of CapitaLand Limited (one of the largest listed real estate companies in Asia). New Cotai is the US joint venture partner holding a 40% interest in Cyber One.

Cyber One, the jointly controlled joint venture company responsible for the project, has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. In connection with that application, the Macau government requested, and has repeated its request for, further particulars from the joint venture concerning plans for the project, in respect of which EAST (Holdings) and New Cotai have yet to formulate an agreed response.

Notwithstanding that Macau has suffered from significant economic volatility since the original project plan was developed in 2006/2007, the eSun Group is confident that the Macao Studio City project is still an attractive business proposition with considerable potential for long-term returns. The eSun Group firmly believes that Cyber One is ready and able to present updated proposals on prospective financing and construction to the Macau government, despite the eSun Group's view that New Cotai has, for its own reasons, refused to approve or allow Cyber One to make any substantive response to the Macau government's request for further particulars required to date.

Business Review *(Continued)*

eSun *(Continued)*

Macao Studio City (Continued)

Project progress *(Continued)*

On 29 October 2009, EAST (Holdings) commenced legal proceedings in the Hong Kong SAR against New Cotai and parties interested in that company, including David Friedman, Silver Point Capital L.P. and Oaktree Capital Management L.P., and others. Amongst other things, EAST (Holdings) is claiming damages of approximately HK$689 million for breach or inducing breaches of contract and, by way of derivative action on behalf of members of the Cyber One group, damages of approximately US$2.385 billion (approximately HK$18.6 billion) for, amongst other things, breaches of fiduciary duties and dishonestly assisting breaches of fiduciary duties owed to such members of the Cyber One group. On 3 February 2010, EAST (Holdings) filed its Statement of Claim with the High Court in Hong Kong SAR setting out the particulars of its claims. The proceedings are being pursued in the context of a desire on the part of eSun to protect EAST (Holdings)'s interests in the development and to progress the Macao Studio City project. However, the timing and outcome of all litigation is inherently uncertain and, in this case, is being contested and/or may prompt claims or counterclaims on the part of New Cotai or others. Further, in the event of prolonged delays to the recommencement of the project, it is uncertain as to whether and how the Macau Government would exercise its rights, including but not limited to its rights to re-possess the plot of land.

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

Cyber One will need to revisit its plans for the retail and entertainment component of the project, as various arrangements with relevant component partners have now lapsed.

Financing

To date, the joint venture parties have contributed a total of US$200 million capital to the project (eSun's attributable share being US$80 million). However, Cyber One has yet to secure the necessary project finance for the development. The directors of eSun believe that this will be more readily achievable once consensus is reached between the joint venture partners or the current differences are resolved. eSun continues to hold net proceeds of approximately HK$1,015 million from its rights issue of 2008, substantially all of which was, and is, intended for investment in the project. Indeed, it is ultimately anticipated by eSun that, when the project does resume, there will be a requirement for further equity investment in excess of these proceeds.

Business Review *(Continued)*

eSun *(Continued)*

Macao Studio City (Continued)

EAST (Holdings)'s option

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

Prospects

Going into 2010, Hong Kong's economy and property market continues to benefit from the global low interest rate environment and the Mainland China's continued effort to stimulate domestic economy.

With improvement of its operations and with the timely disposal of assets in the past few years, the Group has a healthy balance sheet with reasonable leverage. Under the current circumstances, the Group is now actively looking for investment opportunities to expand and grow its business.

Investment Properties

Strong liquidity and low interest environment has fostered favourable operating conditions for most retail, consumption and commercial sectors. Retail spending by the Mainland tourists provides further impetus to the retail market. Rentals for office and commercial properties in prime locations in Hong Kong have shown signs of stablization since the middle of 2009.

In the coming year, the Group will target to maintain high occupancy rates and rental cashflows from its investment properties.

Prospects *(Continued)*

Development Properties

Since the middle of 2009, bullish sentiment in Hong Kong's residential property market continued with surges in transaction prices and volume. Recent primary sales launch of new residential projects in Hong Kong signaled strong demand of residential properties. The Hong Kong property market should continue to benefit from low interest rate, strong affordability and tight supply in the pipeline.

The Group currently holds a number of residential projects under development in Hong Kong. To capture the strong sentiment in the Hong Kong residential property market, the Group will start the active marketing and sale/pre-sale of residential units at Emerald 28 at Tai Po Road, Kowloon and Oakhill at Wood Road, Wanchai, Hong Kong in the second and third quarters of 2010. Given the shortage in supply in core city areas in Hong Kong, the Group is still now optimistic on the Hong Kong residential properties in the longer term.

eSun and Macao Studio City

With regard to eSun's media and entertainment businesses, eSun will strive to (i) steadily increase the number of films produced per annum, through diversification by co-production and joint venture; (ii) diversify its Hong Kong live entertainment business by expanding into Mainland of China, Macau and Taiwan; (iii) expand into the Mainland's music business by releasing more Mandarin albums; (iv) continue to explore and expand its new media distribution business; and (v) develop the lucrative television drama and artist management operations in the Mainland.

With regard to Macao Studio City project, eSun continues to believe that the project will eventually become one of the region's major entertainment destinations and will be an important platform for the eSun Group to expand and monetise its entertainment and media expertise. eSun remains firmly committed, with or without the participation of its US project partners, to the project.

Liquidity and Financial Resources

As at 31 January 2010, the Group had consolidated net assets of approximately HK$8,573 million (as at 31 July 2009: HK$7,093 million).

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

As at 31 January 2010, the Group had outstanding secured bank borrowings of approximately HK$2,595 million (as at 31 July 2009: HK$2,147 million). The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 30%. As at 31 January 2010, the maturity profile of the bank borrowings of HK$2,595 million was spread over a period of less than 5 years with HK$376 million repayable within 1 year, HK$1,349 million repayable in the second year and HK$870 million repayable in the third to fifth years. As at 31 January 2010, all the Group's borrowings carried interest on a floating rate basis.

Liquidity and Financial Resources *(Continued)*

As at 31 January 2010, certain investment properties with carrying amounts of approximately HK$5,970 million, certain property, plant and equipment with carrying amounts of approximately HK$255 million, prepaid land lease payments of approximately HK$28 million, certain properties under development of approximately HK$456 million and certain bank balances and time deposits with banks of approximately HK$65 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares in associates held by the Group were pledged to banks to secure loan facilities granted to these associate of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

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

Employees and Remuneration Policies

The Group employed a total of approximately 1,000 employees. Pay rates of employees are maintained at competitive levels and salary adjustments or bonuses are made on a performance related basis. Other staff benefits include a share option scheme, a number retirement benefit schemes for all eligible employees, free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes.

Contingent liabilities

Details of contingent liabilities of the Group are set out in note 12 to the condensed consolidated interim financial statements.

DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES ("CHAPTER 13")

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

As at 31 January 2010, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded the assets ratio of 8% under the Listing Rules.

In compliance with paragraph 13.22 of Chapter 13, the proforma combined statement of financial position of the affiliated companies at 31 January 2010 is disclosed as follows:

	HK$'000
Property, plant and equipment	256,440
Film rights	72,568
Film products	68,538
Music catalogs	115,249
Interests in jointly controlled entities	1,044,869
Interests in associates	3,173,679
Available-for-sale investments	90,338
Deposits, prepayments and other receivables	102,362
Deferred tax assets	3,815
Properties under development	2,198,008
Amounts due from shareholders	30,981
Net current assets	1,087,443
Total assets less current liabilities	8,244,290
Put option	(118,328)
Long term borrowings	(612,610)
Deferred income	(43,421)
Amounts due to shareholders	(1,981,160)
	(2,755,519)
	5,488,771
CAPITAL AND RESERVES	
Issued capital	629,562
Share premium account	4,227,678
Contributed surplus	891,288
Investment revaluation reserve	256,640
Share option reserve	15,587
Exchange fluctuation reserve	(24,638)
Accumulated losses	(833,575)
	5,162,542
Non controlling interests	326,229
	5,488,771

B. Advance to an entity (Paragraph 13.20 of Chapter 13)

In compliance with paragraph 13.20 of Chapter 13, details of an advance to the following entity by the Company as at 31 January 2010 which has exceeded the asset ratio of 8% under the Listing Rules are set out below:

Name of Entity	Percentage of capital held	Amount due from the entity HK$'000 (Note a)	Guarantee given for banking facility granted HK$'000 (Note b)	Total HK$'000
Diamond String Limited	50.0	393,572	765,000	1,158,572

Notes:

(a) The balance due is unsecured, interest-free and have no fixed term of repayment.

(b) A corporate guarantee was given by the Company to a bank, on a several basis and in proportion to its respective shareholding in Diamond String Limited, to secure 50% of all monies payable under a loan facility of HK$1,530 million granted to Diamond String Limited.

SHARE OPTION SCHEME

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

The following share options were outstanding under the Scheme as at 31 January 2010:

	Number of share options				
Name of director	Date of grant (dd/mm/yyyy)	As at 1 August 2009	As at 31 January 2010	Option period (dd/mm/yyyy)	Subscription price per share
Lau Shu Yan, Julius	19/01/2007	15,000,000	15,000,000	19/01/2007-31/12/2010	HK$0.45
	19/01/2007	15,000,000	15,000,000	19/01/2007-31/12/2010	HK$0.55
	19/01/2007	15,000,000	15,000,000	19/01/2007-31/12/2010	HK$0.65
	19/01/2007	15,000,000	15,000,000	19/01/2007-31/12/2010	HK$0.75
		60,000,000	60,000,000		

During the period under review, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme. As at 31 January 2010, the total number of 60,000,000 share options outstanding under the Scheme represented approximately 0.42% of the Company's shares in issue at that date.

DIRECTORS' INTERESTS

As at 31 January 2010, 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 Division 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:

(1) The Company

	Long positions in the shares						
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 *(Note 1)*	Nil	Beneficial owner	1,592,968,777	11.25%
Lau Shu Yan, Julius	6,200,000	Nil	Nil	60,000,000 (under share option)	Beneficial owner	66,200,000	0.47%
U Po Chu *(Note 2)*	633,400	Nil	Nil	Nil	Beneficial Owner	633,400	0.004%

Notes:

(1) Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in the Company. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares in the Company by virtue of his personal and deemed interest in approximately 37.69% in the issued share capital of LSG.

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

(2) Associated Corporation

eSun Holdings Limited ("eSun")

	Long positions in the shares of eSun						
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	2,794,443	Nil	Nil	1,889,507 *(Note)*	Beneficial owner	4,683,950	0.38%
Cheung Wing Sum, Ambrose	2,194,443	Nil	Nil	1,889,507 *(Note)*	Beneficial owner	4,083,950	0.33%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	2,535,620 *(Note)*	Beneficial owner	2,535,620	0.20%

Note: An employee share option scheme was adopted by eSun on 23 December 2005 and became effective on 5 January 2006, and will remain in force for a period of 10 years. Options granted to the above directors as at 31 January 2010 are set out below:

(2) Associated Corporation *(Continued)*

eSun Holdings Limited ("eSun") (Continued)

Name of director	Date of grant (dd/mm/yyyy)	Number of share option: At 1 August 2009	Lapsed during the period	At 31 January 2010	Option period (dd/mm/yyyy)	Subscription price per share
Lam Kin Ngok, Peter	24/02/2006	1,889,506	1,889,506	—	01/01/2009 — 31/12/2009	HK$4.43
	24/02/2006	1,889,507	—	1,889,507	01/01/2010 — 31/12/2010	HK$4.68
Cheung Wing Sum, Ambrose	24/02/2006	1,889,506	1,889,506	—	01/01/2009 — 31/12/2009	HK$4.43
	24/02/2006	1,889,507	—	1,889,507	01/01/2010 — 31/12/2010	HK$4.68
Leung Churk Yin, Jeanny	20/02/2008	1,267,810	1,267,810	—	01/01/2009 — 31/12/2009	HK$5.83
	20/02/2008	1,267,810	—	1,267,810	01/01/2010 — 31/12/2010	HK$6.18
	20/02/2008	1,267,810	—	1,267,810	01/01/2011 — 31/12/2011	HK$6.52

During the period, no share options were granted, exercised or cancelled in accordance with the terms of the share option scheme of eSun.

Save as disclosed above, as at 31 January 2010, none of the directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any 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' INTEREST

As at 31 January 2010, 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:

Long positions in the shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Percentage
eSun Holdings Limited ("eSun")	Owner of controlled corporation	Corporate	5,200,000,000	36.72%
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	1,582,869,192	11.18% *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner	Personal & corporate	1,592,968,777	11.25% *(Note 1)*
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	5.52%
Xing Feng Investments Limited ("Xing Feng")	Owner of controlled corporation	Corporate	781,346,935	5.52% *(Note 2)*
Chen Din Hwa	Owner of controlled corporation	Corporate	1,047,079,435	7.39% *(Note 3)*
Chen Yang Foo Oi	Interest of spouse	Family	1,047,079,435	7.39% *(Note 4)*
Paul G. Desmarais	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Nordex Inc. ("Nordex")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Gelco Enterprises Limited ("Gelco")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Power Corporation of Canada ("Power C")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Power Financial Corporation ("Power F")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
IGM Financial Inc. ("IGM")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Peter Cundill & Associates (Bermuda) Limited	Investment Manager	Corporate	903,108,000	6.38%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST *(Continued)*

Notes:

1. LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares, and Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% in the issued share capital of LSG.

2. Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interests therein.

3. Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer. In addition, Mr. Chen was taken to be interested in the 265,732,500 shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein.

4. Madam Chen Yang Foo Oi was deemed to be interested in 1,047,079,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.

5. Mr. Paul G. Desmarais was taken to be interested in 1,100,000,000 shares by virtue of his corporate interest in Nordex.

   Nordex was deemed to be interested in 1,100,000,000 shares due to its corporate interest in Gelco.

   Gelco was deemed to be interested in 1,100,000,000 shares by virtue of its corporate interest in Power C.

   Power C was deemed to be interested in 1,100,000,000 shares by virtue of its corporate interest in Power F.

   Power F was deemed to be interested in 1,100,000,000 shares by virtue of its corporate interest in IGM.

   IGM was deemed to be interested in 1,100,000,000 shares by virtue of its corporate interest in Mackenzie Inc., Mackenzie Financial Corporation and Mackenzie Cundill Investment Management 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 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by this Interim Report save for deviations from code provisions A.4.1, and E.1.2.

CORPORATE GOVERNANCE *(Continued)*

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 is appointed for a specific term. However, all directors of the Company are subject to 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.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the annual general meeting of the Company held on 23 December 2009.

CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of 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 Code during the six months ended 31 January 2010.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31 January 2010 has been reviewed by the audit committee of the Company. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Wan Yee Hwa, Edward, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 16 April 2010