LAI FUNG HOLDINGS

LAI FUNG HOLDINGS LIMITED

(Stock code: 1125)

Interim Report 2009-2010

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	
Cheng Shin How	
Leow Juan Thong, Jason	(ceased to act as alternate director to Lim Ming Yan on 5 March 2010) (appointed on 5 March 2010)
Lucas Ignatius Loh Jen Yuh *(Alternate director to Leow Juan Thong, Jason)*	(appointed on 5 March 2010)
Lam Bing Kwan *	
Ku Moon Lun *	
Law Kin Ho *	
Cheung Sum, Sam	(resigned on 5 October 2009)
Lim Ming Yan	(resigned on 5 March 2010)

* *independent non-executive director*

COMPANY SECRETARY

Yeung Kam Hoi

Lai Fung Holdings Limited
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Kowloon, Hong Kong
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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 2010:

Condensed Consolidated Income Statement

For the six months ended 31 January 2010

		For the six months ended 31 January	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	3	**877,341**	148,092
Cost of sales		**(238,229)**	(38,604)
Gross profit		**639,112**	109,488
Other income and gains		**45,525**	54,103
Selling expenses		**(15,149)**	(11,113)
Administrative expenses		**(75,291)**	(77,197)
Other operating expenses, net		**(54,879)**	(63,925)
Fair value gain/(loss) on investment properties		**275,915**	(64,278)
Gain on termination of cross currency swaps		**—**	256,311
PROFIT FROM OPERATING ACTIVITIES	4	**815,233**	203,389
Finance costs	5	**(44,187)**	(66,539)
Share of profits/(losses) of associates		**(227)**	179
PROFIT BEFORE TAX		**770,819**	137,029
Tax	6	**(382,351)**	2,719
PROFIT FOR THE PERIOD		**388,468**	139,748
ATTRIBUTABLE TO:			
Equity holders of the Company		**356,678**	140,716
Non-controlling interests		**31,790**	(968)
		388,468	139,748
EARNINGS PER SHARE	7		
Basic		**HK4.43 cents**	HK1.75 cents
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2010

	For the six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**388,468**	139,748
OTHER COMPREHENSIVE INCOME/(EXPENSES), NET OF TAX		
Exchange realignments:		
Subsidiaries	**33,510**	(42,732)
Associates	**1,230**	(1,768)
Release of reserve upon impairment of properties under development	**—**	(32,449)
Reclassification adjustment for gain on termination of cross currency swaps	**—**	(5,719)
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD, NET OF TAX	**34,740**	(82,668)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**423,208**	57,080
ATTRIBUTABLE TO:		
Equity holders of the Company	**389,725**	60,539
Non-controlling interests	**33,483**	(3,459)
	423,208	57,080

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		**754,460**	656,605
Properties under development		**1,533,027**	3,394,309
Investment properties	8	**7,714,718**	5,329,900
Prepaid land lease payments		**5,650**	5,717
Goodwill		**4,561**	4,561
Interests in associates		**327,392**	325,837
Total non-current assets		**10,339,808**	9,716,929
CURRENT ASSETS			
Properties under development		**610,945**	419,405
Completed properties for sale		**151,813**	372,980
Debtors, deposits and prepayments	9	**100,239**	254,626
Tax recoverable		**23,180**	17,184
Pledged and restricted time deposits and bank balances		**392,023**	393,732
Cash and cash equivalents		**2,097,947**	1,629,150
Total current assets		**3,376,147**	3,087,077
CURRENT LIABILITIES			
Creditors and accruals	10	**498,638**	515,857
Deposits received and deferred income		**381,621**	310,872
Rental deposits received		**16,870**	18,174
Interest-bearing bank loans, secured		**460,807**	414,616
Promissory note		**167,000**	167,000
Tax payable		**923,505**	664,825
Total current liabilities		**2,448,441**	2,091,344
NET CURRENT ASSETS		**927,706**	995,733
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,267,514**	10,712,662
NON-CURRENT LIABILITIES			
Long term rental and other deposits received		**41,030**	26,126
Interest-bearing bank loans, secured		**701,079**	624,275
Advances from a former substantial shareholder		**53,175**	52,976
Fixed rate senior notes		**1,418,351**	1,415,475
Deferred tax liabilities		**1,032,776**	949,511
Total non-current liabilities		**3,246,411**	3,068,363
		8,021,103	7,644,299
EQUITY			
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		**47,129**	47,129
Share option reserve		**2,372**	3,544
Exchange fluctuation reserve		**1,077,668**	1,044,621
Capital reserve		**(5,445)**	(457)
Retained earnings		**1,752,213**	1,394,243
Proposed dividends		**—**	40,240
		7,555,401	7,210,784
Non-controlling interests		**465,702**	433,515
		8,021,103	7,644,299

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2010

	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	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*
As at 31 July 2009 and 1 August 2009 (Audited)	804,796	3,876,668	47,129	3,544	–	1,044,621	(457)	1,394,243	40,240	7,210,784	433,515	7,644,299
Total comprehensive income for the period	–	–	–	–	–	33,047	–	356,678	–	389,725	33,483	423,208
Acquisition of additional interests in subsidiaries from non-controlling interests	–	–	–	–	–	–	(4,988)	–	–	(4,988)	(1,296)	(6,284)
Equity-settled share option arrangements	–	–	–	120	–	–	–	–	–	120	–	120
Release of reserve upon lapse of share options	–	–	–	(1,292)	–	–	–	1,292	–	–	–	–
Final 2009 dividends paid	–	–	–	–	–	–	–	–	(40,240)	(40,240)	–	(40,240)
As at 31 January 2010 (Unaudited)	**804,796**	**3,876,668**	**47,129**	**2,372**	**–**	**1,077,668**	**(5,445)**	**1,752,213**	**–**	**7,555,401**	**465,702**	**8,021,103**
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
Total comprehensive income for the period	–	–	(32,125)	–	(5,719)	(42,333)	–	140,716	–	60,539	(3,459)	57,080
Equity-settled share option arrangements	–	–	–	892	–	–	–	–	–	892	–	892
Release of reserve upon lapse of share options	–	–	–	(968)	–	–	–	968	–	–	–	–
Final 2008 dividends paid	–	–	–	–	–	–	–	–	(32,192)	(32,192)	–	(32,192)
As at 31 January 2009 (Unaudited)	804,796	3,876,668	36,834	3,473	–	1,049,387	(457)	1,167,760	–	6,938,461	403,997	7,342,458

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2010

	For the six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**1,012,074**	185,305
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(715,349)**	(216,960)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(6,017)**	(179,668)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**290,708**	(211,323)
Cash and cash equivalents at beginning of period	**1,611,679**	1,670,969
Effect of foreign exchange rate changes, net	**3,320**	(3,017)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,905,707**	1,456,629
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	**500,110**	740,783
Non-pledged and non-restricted time deposits with original maturity of less than three months when acquired	**1,405,597**	715,846
	1,905,707	1,456,629

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 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 adoption of the following 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.

2.1 Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group, for the first time for the current period's 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), HKFRS 8 and the amendment to HKAS 40 under Improvements 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 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 new disclosure of total assets by reportable segments.

Improvements to HKFRSs — Amendment to HKAS 40 Investment Property

The Group has adopted the amendment to HKAS 40 which became effective in the Group's accounting period beginning 1 August 2009. Under the amendment, 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 amendment, investment property under construction was carried at cost until the construction had been completed.

The effects of the changes in accounting policy described above on the financial results for the current period by line items presented in the condensed consolidated income statement are as follows:

	For the six months ended 31 January 2010 (Unaudited) *HK$'000*
Increase in fair value gain on investment properties	**124,841**
Increase in tax	**(31,210)**
Increase in profit for the period	**93,631**
Increase in profit attributable to:	
Equity holders of the Company	**89,639**
Non-controlling interests	**3,992**
	93,631

This amendment has been applied prospectively in accordance with the relevant transitional provision 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:

	For the six months ended 31 January (Unaudited)					
	Property development		Property investment		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**799,050**	27,945	**78,291**	120,147	**877,341**	148,092
Other revenue	**701**	695	**31,815**	33,576	**32,516**	34,271
Total	**799,751**	28,640	**110,106**	153,723	**909,857**	182,363
Segment results	**513,217**	(57,293)	**309,146**	(8,357)	**822,363**	(65,650)
Unallocated gains					**13,009**	285,720
Unallocated expenses, net					**(20,139)**	(16,681)
Profit from operating activities					**815,233**	203,389
Finance costs					**(44,187)**	(66,539)
Share of profits/(losses) of associates	**(227)**	179	**—**	—	**(227)**	179
Profit before tax					**770,819**	137,029
Tax					**(382,351)**	2,719
Profit for the period					**388,468**	139,748
Other segment information:						
Fair value gain/(loss) on investment properties	**—**	—	**275,915**	(64,278)	**275,915**	(64,278)
Impairment of properties under development	**(35,375)**	(62,668)	**—**	—	**(35,375)**	(62,668)

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

	Property development		Property investment		Consolidated	
	31 January 2010 (Unaudited)	31 July 2009 (Audited)	**31 January 2010 (Unaudited)**	31 July 2009 (Audited)	**31 January 2010 (Unaudited)**	31 July 2009 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**2,349,525**	1,655,429	**8,455,992**	8,715,492	**10,805,517**	10,370,921
Interests in associates	**327,392**	325,837	**—**	—	**327,392**	325,837
Unallocated assets					**2,583,046**	2,107,248
Total assets					**13,715,955**	12,804,006

4. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	*HK\$'000*
Cost of completed properties sold	**220,894**	9,894
Impairment of properties under development##	**35,375**	62,668
Depreciation#	**14,044**	12,855
Foreign exchange differences, net##	**(1,302)**	2,200
Loss on disposal of items of property, plant and equipment	**453**	—
Equity-settled share option expense	**120**	892
Amortisation of prepaid land lease payments	**89**	89
Gain on repurchase of fixed rate senior notes##	**—**	(9,577)

\# *Depreciation charge of HK\$8,629,000 (six months ended 31 January 2009: HK\$7,648,000) for serviced apartments is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.*

\## *These expenses/(income) are included in "Other operating expenses, net" on the face of the condensed consolidated income statement.*

5. FINANCE COSTS

	For the six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	*HK\$'000*
Interest on:		
Bank loans wholly repayable within five years	**17,905**	27,037
Bank loans repayable beyond five years	**234**	283
Promissory note	**4,209**	4,315
Fixed rate senior notes, net *	**66,111**	66,618
Amortisation of fixed rate senior notes	**2,877**	2,816
Bank charges	**—**	235
	91,336	101,304
Less: Interest capitalised in properties under development	**(43,998)**	(34,765)
Interest capitalised in investment properties	**(2,296)**	—
Interest capitalised in property, plant and equipment	**(855)**	—
Total finance costs	**44,187**	66,539

* *For the six months ended 31 January 2009, the interest on fixed rate senior notes was net of interest saving of HK\$4,248,000 arising from the cash flow hedges.*

6. TAX

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the period (six months ended 31 January 2009: Nil). Taxes on profits assessable elsewhere had 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.

	For the six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Mainland China		
Corporate income tax	**84,603**	2,686
Land appreciation tax	**216,673**	7,019
Deferred	**81,075**	(12,424)
Total tax charge/(credit) for the period	**382,351**	(2,719)

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts was based on the profit for the period attributable to equity holders of the Company of HK$356,678,000 (six months ended 31 January 2009: HK$140,716,000), and the weighted average number of 8,047,956,478 (six months ended 31 January 2009: 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 2010 and 2009. Therefore, the diluted earnings per share amounts for both periods had not been disclosed.

8. INVESTMENT PROPERTIES

	31 January 2010	31 July 2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Completed investment properties	**5,559,600**	5,329,900
Investment properties under construction, at fair value	**483,000**	—
Investment properties under construction, at cost *	**1,672,118**	—
Total	**7,714,718**	5,329,900

* *Certain investment properties under construction were carried at cost as their fair values were not reliably determinable as at the end of the reporting period.*

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 end of the reporting period, based on payment due date, is as follows:

	31 January 2010 (Unaudited)	31 July 2009 (Audited)
	HK$'000	*HK$'000*
Trade receivables, net:		
Within one month	**45,258**	203,411
One to three months	**474**	493
Over three months	**33**	—
	45,765	203,904
Other receivables, deposits and prepayments	**54,474**	50,722
Total	**100,239**	254,626

10. CREDITORS AND ACCRUALS

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

	31 January 2010 (Unaudited)	31 July 2009 (Audited)
	HK$'000	*HK$'000*
Trade payables:		
Within one month	**41,305**	55,838
One to three months	**820**	2,228
Over three months	**182**	204
	42,307	58,270
Accruals and other payables	**456,331**	457,587
Total	**498,638**	515,857

11. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	31 January 2010 (Unaudited) *HK$'000*	31 July 2009 (Audited) *HK$'000*
Contracted, but not provided for:		
Resettlement, compensation, construction and renovation costs and others	**222,259**	578,007
Authorised, but not contracted for:		
Resettlement, construction and renovation costs and others	**259,644**	581,317

12. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

		For the six months ended 31 January	
	Notes	**2010 (Unaudited) *HK$'000***	2009 (Unaudited) *HK$'000*
Interest on the promissory note paid to a substantial shareholder	*(i)*	**(4,209)**	(4,315)
Advertising fees paid to a related company	*(ii)*	**(2,577)**	(3,430)
Pre-sale of office units to a director	*(iii)*	**2,006**	—

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 a member 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.

(iii) The terms of the pre-sale were determined based on the contracts entered into between the Group and the director. The revenue in respect of the transactions will be recognised on the attainment of the relevant completion certificate issued by the government authorities. These transactions also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

12. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	For the six months ended 31 January	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**7,461**	7,408
Post-employment benefits	**36**	38
Equity-settled share option expenses	**110**	619
Total compensation paid to key management personnel	**7,607**	8,065

13. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 16 April 2010.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2010 (six months ended 31 January 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 31 January 2010, the Group recorded a turnover of HK$877,341,000 (2009: HK$148,092,000) and a gross profit of HK$639,112,000 (2009: HK$109,488,000), representing an increase of approximately 492.4% and 483.7% respectively from the previous corresponding period.

Out of the total turnover, gross rental income decreased by 34.8% from HK$120,147,000 to HK$78,291,000, which was mainly due to closure and renovation of the shopping arcades and serviced apartments portions of Shanghai Hong Kong Plaza. Owing to further contribution from the sales of residential units of Shanghai Regents Park Phase II during the six months ended 31 January 2010, turnover from sales of properties increased substantially from HK$27,945,000 to HK$799,050,000. Gross profit margin remained stable at 72.8%, compared to 73.9% in the previous corresponding period.

During the period, the Group recorded the following major non-operating income/expenses items:

— a provision for impairment loss on certain properties under development of HK$35,375,000 (2009: a provision of HK$62,668,000);

— a fair value gain on its completed investment properties of HK$151,074,000 (2009: a loss of HK$64,278,000); and

— a fair value gain on its investment properties under construction of HK$124,841,000 (2009: Nil) due to the Group's adoption of HKAS 40 Amendment. Prior to the adoption of Amendment to HKAS 40, the Group's investment properties under construction were carried at cost until the construction is completed, at which time it will be fair valued. As a result of the HKAS 40 Amendment, such investment properties under construction will be carried at fair value when the fair value first becomes reliably measurable. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value.

During the previous corresponding period of the six months ended 31 January 2009, the Group recorded a gain of HK$256,311,000 on the termination of all cross currency swaps. As these cross currency swaps were fully terminated during the previous corresponding period, no such gain was recorded again during the six months ended 31 January 2010.

Finance costs expensed during the period reduced to HK$44,187,000 (2009: HK$66,539,000), after finance costs of HK$47,149,000 (2009: HK$34,765,000) had been capitalised in properties under development, investment properties and property, plant and equipment during the period.

For the six months ended 31 January 2010, profit from operating activities was HK$815,233,000 (2009: HK$203,389,000) and profit attributable to equity holders of the Company was HK$356,678,000 (2009: HK$140,716,000), representing an increase of approximately 300.8% and 153.5% respectively from the previous corresponding period.

Basic earnings per share was HK4.43 cents for the six months ended 31 January 2010 compared to HK1.75 cents for the previous corresponding period.

Shareholders' equity as at 31 January 2010 amounted to HK$7,555,401,000, up from HK$7,210,784,000 as at 31 July 2009. Net asset value per share attributable to equity holders of the Company was HK$0.94 as at 31 January 2010, as compared to HK$0.90 as at 31 July 2009.

Business Review

Investment properties

Property rental results

During the six months ended 31 January 2010, the Group recorded a turnover of HK$78,291,000 from rental income. Breakdown of turnover from rental income is as follows:

	Six months ended 31 January		
	2010	2009	Change
	HK$	*HK$*	**%**
Shanghai Hong Kong Plaza	**32,044,000**	76,491,000	(58.1)
Shanghai Regents Park (commercial podium and carparking spaces)	**3,491,000**	3,294,000	6.0
Shanghai Northgate Plaza I	**9,632,000**	10,263,000	(6.1)
Guangzhou May Flower Plaza	**32,630,000**	30,099,000	8.4
Others	**494,000**	—	n/a
Total	**78,291,000**	120,147,000	(34.8)

During the period, the decrease in rental income from Shanghai Hong Kong Plaza was mainly due to closure of its shopping arcades and serviced apartments portions for renovation work. As the Group is now considering renovation plan and new trade-mix for Shanghai Northgate Plaza I, rental income for this property also recorded negative growth as some of the previous tenants opted to move out of the property.

On the other hand, rental income from Guangzhou May Flower Plaza recorded a healthy growth for the period under review.

Development properties

Contracted sales of development properties

	During the six months ended 31 January 2010			Cumulative unrecorded contracted sales as at 31 January 2010		
	Contracted sales area	**Approximate average contracted selling price**	**Total contracted sales amount**	**Contracted sales area**	**Approximate average contracted selling price**	**Cumulative contracted sales amount**
	sq.m.	*HK$/sq.m.*	*HK$*	*sq.m.*	*HK$/sq.m.*	*HK$*
Shanghai						
Regents Park, Phase II	19,330	43,500	841,548,000	—	—	—
Guangzhou						
West Point						
Residential Units	574	17,400	10,002,000	21,986	15,000	329,748,000
Office Units	6,787	14,500	98,332,000	6,787	14,500	98,332,000
Total	26,691		949,882,000	28,773		428,080,000

Sales of development properties recorded

	During the six months ended 31 January 2010		
	Recorded sales area	**Approximate average recorded selling price**	**Total recorded sales amount***
	sq.m.	*HK$/sq.m.*	*HK$*
Shanghai			
Regents Park, Phase II	19,330	43,500	799,050,000

* *After business tax*

During the period, the Group concluded total contracted sales area of approximately 26,691 sq.m., which are residential units of Shanghai Regents Park Phase II and residential and office units of Guangzhou West Point.

During the period, the Group recorded turnover from sales of the residential units at Shanghai Regents Park Phase II during the six months ended 31 January 2010. Contracted sales of residential and office units at Guangzhou West Point during the six months ended 31 January 2010 and during earlier periods will be recorded in the second half of this financial year ending 31 July 2010.

Market Overview and Operating Environment

The Group is principally engaged in property development for sale and property investment for rental purposes in the Mainland of China ("China"). The Group currently has property projects in Shanghai, Guangzhou and Zhongshan.

During the period under review, China's property market experienced more-than-expected surges in transaction volume and total investment. Such bullish sentiment was inevitably a result of the massive economic stimulus packages and quantitative credit easing policies implemented by the Central Government since the beginning of 2009. There are now varying views in the market on whether and how the Central Government should retract those previously imposed stimulus policies, including monetary easing and support measures for China's real estate sector. The market now further anticipates fine tuning on existing policies such as bank credit control and further adjustment in property-related tax policies, in order to keep the surging housing prices at a reasonable level and suppress speculative demand.

Overall, the Group is cautiously optimistic about the China property market and will continue its construction and property sales schedule plan according to market developments.

Review of Major Property Projects

Shanghai

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower prime property located at Huaihaizhong Road, Luwan District, Shanghai comprising office, shopping arcades and serviced apartments. The property is directly above Huangpi South Road Metro Station and is within walking distance of Xintiandi. Rental income for the six months ended 31 January 2010 amounted to HK$32,044,000, down by 58.1% from HK$76,491,000 in the previous corresponding period. Such decrease in rental income was mainly due to closure of its shopping arcades and serviced apartments portions for renovation work.

Landlord's renovation work on the shopping arcades under both towers have been substantially completed. At present, about 70% of the leasable areas of the shopping arcades portion have been pre-leased. In the past months, the Group has successfully secured The Apple Store, Cartier, Coach and Tiffany as anchor tenants which will open flagship stores in Shanghai Hong Kong Plaza's shopping arcades. Other signed tenants include well-known luxury brands and high-end restaurants. Tenant's renovation works are now in active progress. Shanghai Hong Kong Plaza's shopping arcades are now expected to re-open in mid-2010 in line with Shanghai Expo 2010. Upon its re-opening, Shanghai Hong Kong Plaza's shopping arcades will be one of the most visible high-end retail venues for global luxury brands in Huaihaizhong Road area.

The serviced apartments portion of Shanghai Hong Kong Plaza under the Group was vacated for full renovation since August 2009 to upgrade the quality of the rooms and the services. The Group has engaged the Ascott Group to manage the serviced apartments portion, and hopes this will enable the Group to leverage on the Ascott Group's extensive experience and expertise in operating serviced apartments and to establish a high-end brand image. Soft-opening of the re-branded serviced apartments of Hong Kong Plaza is expected to take place in mid-2010.

Renovation of common areas and lift lobbies of the office tower was completed at the end of 2009. As at 31 January 2010, the office tower was about 80% leased. As renovation of the entire Shanghai Hong Kong Plaza will be completed in the second half of 2010, the Group is confident that occupancy rate at the office tower will improve in future.

The rental income of Hong Kong Plaza is expected to be substantially improved from its current level upon its re-opening after the renovation. However, before its completion, the rental income will be further affected by the renovation for the rest of the financial year ending 31 July 2010.

Shanghai Regents Park Phase II

Regents Park is a major residential project located in the Zhongshan Park Commercial Area of 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.). The Group has an effective 95% interest in the project.

Phase II of the project comprises 6 residential towers with 455 units (total saleable GFA of approximately 62,845 sq.m. and GFA attributable to the Group of approximately 59,700 sq.m.). Phase II was completed in December 2008.

Up to 31 January 2010, the Group sold a total of 442 units with a total saleable GFA of 58,877 sq.m. at an average price of RMB33,900 per sq.m. As at 31 January 2010, the Group only had 13 units with a total saleable GFA of 3,969 sq.m. remaining in this project. The Group targets to maximise the sales proceeds for the remaining units.

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 is scheduled for completion in mid-2011. Pre-sale of the residential units is expected to start by the third quarter of 2010.

Shanghai Northgate Plaza

Shanghai 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. Shanghai Northgate Plaza I has a total GFA of approximately 36,500 sq.m. including carparks. The Group is now considering renovation plan and new trade-mix for Shanghai Northgate Plaza I.

The Group plans to develop Northgate Plaza II on the vacant site located adjacent to Phase I. The Group has 99.0% interest in Phase II. Phase II development will have a total GFA of approximately 28,800 sq.m. comprising serviced apartments with retail podium and carparking spaces. Foundation work was completed in August 2009.

The Group has re-submitted the design of Northgate Plaza II for government approval. Above-ground construction work is now expected to commence in the second half of 2010.

Guangzhou and Zhongshan

Guangzhou May Flower Plaza

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

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 fully leased to various tenants that are well-known corporations, consumer brands, cinemas and restaurants. Rental income from May Flower Plaza was HK$32,630,000 for the six months ended 31 January 2010, representing an healthy growth of approximately 8.4% from the previous corresponding period.

Guangzhou Eastern Place

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

The current Phase V development will have a total GFA attributable to the Group of approximately 101,000 sq.m. comprising residential blocks, a block of office or serviced apartments, and ancillary retail spaces. Construction work has commenced. Residential blocks are scheduled to be completed by the end of 2011 and the office/serviced apartment block is scheduled to be completed by mid-2012. Pre-sale of the residential units is now expected to start at the end of 2010 or in early 2011.

Guangzhou West Point

Guangzhou 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, 244 office units and commercial spaces. In addition, there will be approximately 10,000 sq.m. for carparks and ancillary facilities.

Completion certificate of the residential blocks of the project was delayed for issuance but was finally obtained in February 2010. The Group started the delivery of the pre-sold residential units to purchasers in March 2010. Up to 31 January 2010, the Group sold a total of 218 units with a total saleable GFA of 21,986 sq.m. at an average price of RMB13,200 per sq.m. As at 31 January 2010, the Group only has 25 residential units with a total saleable GFA of 2,278 sq.m. remaining in this project. The Group targets to sell the remaining units after completion of the project.

Completion certificate of the office block and the retail podium is expected to be issued in mid-2010. As at 31 January 2010, the Group sold 83 office units with a total saleable GFA of 6,787 sq.m. at an average price of RMB12,800 per sq.m.

Pre-leasing of the commercial spaces in this project progressed well and a number of anchor tenants including restaurants and retail brands have committed to establish outlets in Guangzhou West Point. The Group expects that the retail podium of the Guangzhou West Point will be open for business in mid-2010.

Guangzhou Jinshazhou Project

Guangzhou Jinshazhou project is a 50:50 joint venture with CapitaLand 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 development plan of the project has been finalised. The project will be divided into four phases of similar sizes for development. It is now expected that construction of Phase I will commence in the second quarter of 2010 and pre-sale of Phase I residential units will commence by mid-2011. Completion of Phase I is expected to take place around the end of 2012.

Guangzhou Haizhu Plaza

Guangzhou 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 final stage of resettlement work of original occupants, which is expected to be completed by the end of 2010.

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 intended to be developed into a residential tower, carparks and ancillary facilities. Construction is expected to start this year.

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 intended to be developed into a serviced apartment tower, carparks and ancillary facilities. Construction is expected to start this year.

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 intended to be developed into a residential tower, carparks and ancillary facilities. Construction is expected to start this year.

Zhongshan Palm Springs

The project is located in Caihong Planning Area, West District of Zhongshan. Having taken into account the prevailing market conditions after late 2008 and the expected supply from other developers in this area, the Group has revised the development plan and reduced the total GFA of Zhongshan Palm Spring project to approximately 406,000 sq.m. The Group believes that the lower density of the revised development plan will enhance the competitiveness of the products in today's Zhongshan's property market.

It is now planned that Phase I of the project will comprise high-rise residential towers with a total saleable GFA of approximately 44,000 sq.m., commercial areas with a total GFA of approximately 16,000 sq.m. and low-rise townhouses and semi-detached villas with a total saleable GFA of approximately 27,000 sq.m. Construction of Phase I development has commenced and is now expected to complete in the first half of 2012. Pre-sale of residential units will start in early 2011.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 January 2010, the Group had total borrowings in the amount of HK$2,800 million (as at 31 July 2009: HK$2,674 million), representing an increase of HK$126 million. The consolidated net assets attributable to the equity holders of the Company amounted to HK$7,555 million (as at 31 July 2009: HK$7,211 million). The total debt to equity ratio was 37% (as at 31 July 2009: 37%) and the total debt to total capitalisation (long-term debt + equity) ratio was 29% (as at 31 July 2009: 29%). The maturity profile of the Group's borrowings of HK$2,800 million was spread with HK$628 million repayable within 1 year, HK$157 million repayable in the second year, HK$2,012 million repayable in the third to fifth years and HK$3 million repayable beyond 5 years.

Approximately 51% and 47% of the Group's borrowings were on a fixed rate basis and floating rate basis respectively, and the remaining 2% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK$1,382 million were 43% denominated in Renminbi ("RMB"), 13% in Hong Kong dollars ("HKD") and 44% in United States Dollars ("USD"). The Group's cash and bank balances of HK$2,490 million were 67% denominated in RMB, 15% in HKD and 18% in USD.

The Group's reporting currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are in RMB.

Certain assets of the Group have been pledged to secure financing, including investment properties with carrying value of approximately HK$4,929 million, serviced apartments with carrying value of approximately HK$607 million, a property with carrying value of approximately HK$42 million and bank balances of approximately HK$245 million.

Under a litigation in a district court in China, the Group, as the claimant, claimed for a total of RMB17 million from one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group pledged certain leasehold building with a carrying value of approximately HK$45 million to the court as collateral.

Taking into account cash held as at the end of the reporting period, 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

There is no material change in contingent liabilities of the Group since 31 July 2009.

Employee and Remuneration Policies

As at 31 January 2010, the Group employed a total of around 1,100 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 a share option scheme, mandatory provident fund scheme for all eligible employees, free hospitalisation insurance plan, subsidised medical care and subsidies for external education and training programmes.

Prospects

Since early 2009, the abundance of liquidity with a low bank lending rate, plus the relaxation of control measures, encouraged the resurfacing of housing demand in China. Starting from the second quarter of 2009, there has been a broad-based significant surge in property transaction volume and selling prices across China.

However, certain risks within today's China's property market should not be neglected. Government policy is still a key to market development. Due to the faster-than-expected surges in property prices in certain cities, especially the first-tier cities in China, it would not be surprising to see further implementation of government policies on curbing market irregularities and misbehavior as well as suppressing speculative demand in housing. These government measures, if they turn out to be drastic, could cause short term fluctuation in China's property market.

In the medium and long term, ongoing urbanisation and demand for living improvement will foster healthy growth of the real estate market in China. Overall, the Group is still cautiously optimistic about the China property market and believes that we are well positioned for growth in the coming years. The Group's net gearing level was low by industry standard. In addition, the Group will keep its construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. Furthermore, the Group will continue to grow its recurrent income base through upgrade of existing rental properties and addition of new venues through completion of commercial property portions of the new development projects.

With the macro-economic condition as mentioned above, the Group will monitor the market closely and expand its landbank at appropriate time should there be a correction in land prices.

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 2010:

Name	Date of Grant*	No. of Share Options: As at 1 August 2009	Granted during the period	Lapsed during the period	As at 31 January 2010	Exercise Period	Exercise Price per Share**
Director							
Tam Kin Man, Kraven	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
		20,000,000	—	(10,000,000)	10,000,000		
Other Employees	9/1/2007	5,000,000	—	(5,000,000)	—	1/1/2009 – 31/12/2009	HK$0.60
(in aggregate)	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)	—	1/1/2009 – 31/12/2009	HK$0.55
		17,500,000	—	(7,500,000)	10,000,000		
Ex-director	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
		15,000,000	—	(7,500,000)	7,500,000		
Total		52,500,000	—	(25,000,000)	27,500,000		

* *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 to bonus issues or other specific changes in the Company's share capital.*

During the period under review, no share options were exercised or cancelled and 25,000,000 share options lapsed in accordance with the terms of the Scheme. As at 31 January 2010, the total number of 27,500,000 share options outstanding under the Scheme represented approximately 0.34% of the Company's shares in issue as 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 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	10,000,000 (under share option)	Beneficial Owner	10,000,000	0.12%

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 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

Save as disclosed above, as at 31 January 2010, 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 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 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%
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 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 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by this Interim Report save for deviations from code provisions A.4.1 and E.1.2 as follows:

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 2009.

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 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 2010.

UPDATE ON DIRECTORS' INFORMATION

The following is updated information of a director of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

— Mr. Lucas Ignatius Loh Jen Yuh (alternate director to Mr. Leow Juan Thong, Jason) has been appointed an alternate director on the board of Central China Real Estate Limited, a company listed on the Stock Exchange with effect from 22 March 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 currently 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. Leow Juan Thong, Jason (alternate director: Mr. Lucas Ignatius Loh Jen Yuh).

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 16 April 2010