LAI FUNG HOLDINGS

LAI FUNG HOLDINGS LIMITED
(Stock code: 1125)

Interim Report 2010-2011

PLACE OF INCORPORATION

The Cayman Islands

BOARD OF DIRECTORS

Executive 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
Cheng Shin How
Lui Siu Tsuen, Richard (appointed on 1 January 2011)
Cheung Sum, Sam (appointed on 1 March 2011)
Leung Churk Yin, Jeanny (resigned on 1 January 2011)

Non-executive Directors

Leow Juan Thong, Jason
Lucas Ignatius Loh Jen Yuh
(also alternate director to Leow Juan Thong, Jason)

Independent Non-executive Directors

Lam Bing Kwan
Ku Moon Lun
Law Kin Ho

COMPANY SECRETARY

Kwok Siu Man

Lai Fung Holdings Limited
11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong
Tel: (852) 2741 0391 **Fax:** (852) 2741 9763
Website: http://www.laisun.com/laifung
E-mail: ir@laisun.com

Stock code on the 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 2011 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2011

		For the six months ended 31 January	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**383,418**	877,341
Cost of sales		**(193,013)**	(238,229)
Gross profit		**190,405**	639,112
Other income and gains		**56,888**	45,525
Selling and marketing expenses		**(21,096)**	(15,149)
Administrative expenses		**(99,645)**	(75,291)
Other operating expenses, net		**(7,954)**	(54,879)
Fair value gains on investment properties		**533,849**	275,915
PROFIT FROM OPERATING ACTIVITIES	*4*	**652,447**	815,233
Finance costs	*5*	**(34,580)**	(44,187)
Share of losses of associates		**(350)**	(227)
PROFIT BEFORE TAX		**617,517**	770,819
Tax	*6*	**(195,710)**	(382,351)
PROFIT FOR THE PERIOD		**421,807**	388,468
ATTRIBUTABLE TO:			
Owners of the Company		**389,783**	356,678
Non-controlling interests		**32,024**	31,790
		421,807	388,468
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Basic and diluted	*7*	**HK4.84 cents**	HK4.43 cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2011

	For the six months ended 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**421,807**	388,468
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Exchange realignments:		
Subsidiaries	**279,456**	33,510
Associates	**10,243**	1,230
Reversal of impairment losses of investment properties under construction	**14,284**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**303,983**	34,740
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**725,790**	423,208
ATTRIBUTABLE TO:		
Owners of the Company	**678,851**	389,725
Non-controlling interests	**46,939**	33,483
	725,790	423,208

Condensed Consolidated Statement of Financial Position

As at 31 January 2011

	Notes	31 January 2011 (Unaudited) HK$'000	31 July 2010 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**929,300**	791,907
Properties under development		**988,273**	1,055,751
Investment properties		**8,928,881**	7,921,429
Prepaid land lease payments		**5,684**	5,598
Goodwill		**4,561**	4,561
Interests in associates		**338,696**	329,247
Total non-current assets		**11,195,395**	10,108,493
CURRENT ASSETS			
Properties under development		**921,741**	621,800
Completed properties for sale		**220,293**	354,886
Debtors, deposits and prepayments	8	**133,455**	91,186
Tax recoverable		**18,059**	21,708
Pledged and restricted time deposits and bank balances		**465,061**	321,877
Cash and cash equivalents		**1,322,105**	1,391,295
Total current assets		**3,080,714**	2,802,752
CURRENT LIABILITIES			
Creditors and accruals	9	**600,249**	496,186
Deposits received and deferred income		**154,322**	29,138
Rental deposits received		**15,988**	22,487
Interest-bearing bank loans, secured		**82,797**	131,584
Tax payable		**751,039**	711,721
Total current liabilities		**1,604,395**	1,391,116
NET CURRENT ASSETS		**1,476,319**	1,411,636
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,671,714**	11,520,129
NON-CURRENT LIABILITIES			
Long term rental and other deposits received		**71,754**	52,161
Interest-bearing bank loans, secured		**1,202,054**	949,702
Advances from a former substantial shareholder		**55,231**	53,535
Fixed rate senior notes		**1,424,532**	1,421,368
Deferred tax liabilities		**1,228,057**	1,038,827
Total non-current liabilities		**3,981,628**	3,515,593
		8,690,086	8,004,536
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**804,796**	804,796
Share premium account		**3,876,668**	3,876,668
Asset revaluation reserve		**31,712**	17,571
Share option reserve		**—**	1,680
Exchange fluctuation reserve		**1,386,451**	1,111,524
Capital reserve		**(5,445)**	(5,445)
Retained earnings		**2,069,556**	1,678,093
Proposed dividends		**—**	40,240
		8,163,738	7,525,127
Non-controlling interests		**526,348**	479,409
		8,690,086	8,004,536

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2011

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Proposed dividends HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 31 July 2010 and 1 August 2010 (Audited)	804,796	3,876,668	17,571	1,680	1,111,524	(5,445)	1,678,093	40,240	7,525,127	479,409	8,004,536
Total comprehensive income for the period	—	—	14,141	—	274,927	—	389,783	—	678,851	46,939	725,790
Release of reserve upon lapse of share options	—	—	—	(1,680)	—	—	1,680	—	—	—	—
Final 2010 dividends paid	—	—	—	—	—	—	—	(40,240)	(40,240)	—	(40,240)
As at 31 January 2011 (Unaudited)	**804,796**	**3,876,668**	**31,712**	**—**	**1,386,451**	**(5,445)**	**2,069,556**	**—**	**8,163,738**	**526,348**	**8,690,086**
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

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2011

	For the six months ended 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FLOW FROM OPERATING ACTIVITIES	**187,144**	1,012,074
NET CASH FLOW USED IN INVESTING ACTIVITIES	**(359,910)**	(715,349)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	**63,664**	(6,017)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(109,102)**	290,708
Cash and cash equivalents at beginning of period	**1,391,295**	1,611,679
Effect of foreign exchange rate changes, net	**39,912**	3,320
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,322,105**	1,905,707
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	**424,015**	500,110
Non-pledged and non-restricted time deposits with original maturity of less than three months when acquired	**898,090**	1,405,597
	1,322,105	1,905,707

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited consolidated financial statements for the year ended 31 July 2010. The Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are applicable to the Group and are effective in the current period. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

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 2010[1]	
HKAS 24 (Revised)[1]	Related Party Disclosures
HKAS 12 (Amendments)[2]	Deferred Tax: Recovery of Underlying Assets
HKFRS 9[3]	Financial Instruments

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 January 2013

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The adoption of the amendments to HKAS 12 may have a material impact on deferred tax recognised for investment properties that are measured using the fair value model. The Group is in the process of assessing the impact from application of these amendments.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact 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.

Notes to Condensed Consolidated Financial Statements *(Continued)*

3. SEGMENT INFORMATION

	For the six months ended 31 January (Unaudited)					
	Property development		Property investment		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue/results:						
Segment revenue						
Sales to external customers	**201,413**	799,050	**182,005**	78,291	**383,418**	877,341
Other revenue	**205**	701	**43,236**	31,815	**43,441**	32,516
Total	**201,618**	799,751	**225,241**	110,106	**426,859**	909,857
Segment results	**12,133**	513,217	**646,782**	309,146	**658,915**	822,363
Unallocated gains					**13,447**	13,009
Unallocated expenses, net					**(19,915)**	(20,139)
Profit from operating activities					**652,447**	815,233
Finance costs					**(34,580)**	(44,187)
Share of losses of associates	**(350)**	(227)	**—**	—	**(350)**	(227)
Profit before tax					**617,517**	770,819
Tax					**(195,710)**	(382,351)
Profit for the period					**421,807**	388,468
Other segment information:						
Fair value gains on investment properties	**—**	—	**533,849**	275,915	**533,849**	275,915
Reversal of impairment/ (Impairment) of properties under development/ investment properties under construction*	**(20,755)**	(35,375)	**19,047**	—	**(1,708)**	(35,375)

* *Impairment losses of HK$20,755,000 (six months ended 31 January 2010: HK$35,375,000) and reversal of impairment losses of HK$19,047,000 (six months ended 31 January 2010: Nil) were recognised in profit or loss and in other comprehensive income respectively.*

	Property development		Property investment		Consolidated	
	31 January 2011 (Unaudited)	31 July 2010 (Audited)	**31 January 2011 (Unaudited)**	31 July 2010 (Audited)	**31 January 2011 (Unaudited)**	31 July 2010 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets:						
Segment assets	**2,200,877**	2,082,940	**9,874,749**	8,712,275	**12,075,626**	10,795,215
Interests in associates	**338,696**	329,247	**—**	—	**338,696**	329,247
Unallocated assets					**1,861,787**	1,786,783
Total assets					**14,276,109**	12,911,245

Notes to Condensed Consolidated Financial Statements *(Continued)*

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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of completed properties sold	**153,530**	220,894
Impairment of properties under development##	**20,755**	35,375
Depreciation#	**13,361**	14,044
Foreign exchange differences, net##	**(16,095)**	(1,302)
Loss on disposal of items of property, plant and equipment	**47**	453
Amortisation of prepaid land lease payments	**90**	89
Equity-settled share option expense	**—**	120

The depreciation charge of HK$8,888,000 (six months ended 31 January 2010: HK$8,629,000) for serviced apartments is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

These items of 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**19,374**	17,905
Bank loans repayable beyond five years	**—**	234
Fixed rate senior notes, net	**66,111**	66,111
Promissory note	**—**	4,209
Amortisation of fixed rate senior notes	**3,164**	2,877
Bank charges	**805**	—
	89,454	91,336
Less: Capitalised in properties under development	**(37,069)**	(43,998)
Capitalised in investment properties	**(12,616)**	(2,296)
Capitalised in property, plant and equipment	**(5,189)**	(855)
	(54,874)	(47,149)
Total finance costs	**34,580**	44,187

Notes to Condensed Consolidated Financial Statements *(Continued)*

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 2010: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	For the six months ended 31 January	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Mainland China		
Corporate income tax	**22,116**	84,603
Land appreciation tax	**23,561**	216,673
Deferred	**150,033**	81,075
Total tax charge for the period	**195,710**	382,351

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts was based on the profit for the period attributable to owners of the Company of HK$389,783,000 (six months ended 31 January 2010: HK$356,678,000), and the weighted average number of ordinary shares of 8,047,956,478 (six months ended 31 January 2010: 8,047,956,478) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 31 January 2011.

No adjustment had been made to the basic earnings per share amount presented for the period ended 31 January 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

8. 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 2011	31 July 2010
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables, net:		
Within one month	**61,389**	46,559
One to three months	**738**	1,176
Over three months	**—**	31
	62,127	47,766
Other receivables, deposits and prepayments	**71,328**	43,420
Total	**133,455**	91,186

Notes to Condensed Consolidated Financial Statements *(Continued)*

9. 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 2011 (Unaudited) *HK$'000*	31 July 2010 (Audited) *HK$'000*
Trade payables:		
Within one month	**26,566**	27,051
One to three months	**1,606**	1,804
Over three months	**635**	—
	28,807	28,855
Accruals and other payables	**571,442**	467,331
Total	**600,249**	496,186

10. COMMITMENTS

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

	31 January 2011 (Unaudited) *HK$'000*	31 July 2010 (Audited) *HK$'000*
Contracted, but not provided for:		
Construction, renovation and compensation costs and others	**92,073**	221,336
Authorised, but not contracted for:		
Construction, renovation and resettlement costs and others	**211,676**	161,829

11. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

		For the six months ended 31 January	
	Notes	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Advertising and promotion fees paid or payable to related companies	*(i)*	**1,081**	2,577
Management and other service fees paid or payable to a related company	*(ii)*	**2,705**	—

Notes to Condensed Consolidated Financial Statements *(Continued)*

11. RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with related parties *(continued)*

Notes:

(i) The related companies are subsidiaries of eSun Holdings Limited ("eSun"), over which a member of key management personnel of the Company has significant influence. In addition, eSun became a substantial shareholder of the Company with effect from 30 September 2010 following the completion of a corporate restructuring exercise on the same day.

The terms of the advertising and promotion fees were determined based on the agreements entered into between the Group and the related companies.

(ii) The related company is a subsidiary of CapitaLand Limited, a substantial shareholder of the Company. In relation to the serviced apartments of the Group, the related company provides management and other services on the serviced apartment operation.

The terms of the management and other service fees were determined based on the agreement entered into between the Group and the related company.

(b) Compensation of key management personnel of the Group

	For the six months ended 31 January	
	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Short term employee benefits	**8,024**	7,461
Post-employment benefits	**41**	36
Equity-settled share option expense	**—**	110
Total	**8,065**	7,607

12. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 29 March 2011.

INTERIM DIVIDEND

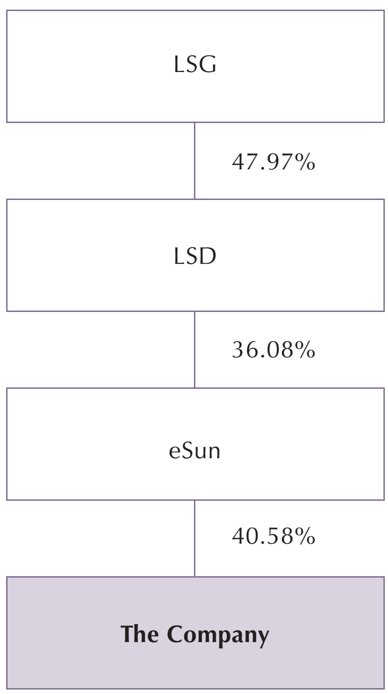
The Board has resolved not to pay an interim dividend for the six months ended 31 January 2011 (six months ended 31 January 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Group Reorganisation

On 30 September 2010, Lai Sun Garment (International) Limited ("LSG") and eSun Holdings Limited ("eSun") completed a group reorganisation (the "Group Reorganisation"). Pursuant to the Group Reorganisation, LSG transferred its entire shareholding interest in the Company (approximately 40.58% of the issued share capital of the Company) to eSun in exchange for eSun's entire shareholding interest in Lai Sun Development Company Limited ("LSD") (approximately 36.72% of the issued share capital of LSD).

Immediately following the completion of the Group Reorganisation, the ownership structure involving the Company is set out below:



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Overview of Interim Results

For the six months ended 31 January 2011, the Group recorded a turnover of HK$383,418,000 (2010: HK$877,341,000) and a gross profit of HK$190,405,000 (2010: HK$639,112,000), representing a decrease of approximately 56.3% and 70.2% respectively from the previous corresponding period.

Out of the total turnover, rental income increased by 132.5% to HK$182,005,000 (2010: HK$78,291,000), mainly due to the re-opening of the shopping arcades and serviced apartments portions of Shanghai Hong Kong Plaza during the period. However, turnover from sales of properties decreased by 74.8% to HK$201,413,000 (2010: HK$799,050,000). Property development turnover recognised in the previous corresponding period was entirely made up of sales of residential units at Shanghai Regents Park Phase II, while property development turnover recognised during the period under review was mainly made up of sales of office units at Guangzhou West Point, and to a lesser extent, residential units at Shanghai Regents Park Phase II and car-parking spaces at Guangzhou Eastern Place. Sale of residential units at Shanghai Regents Park Phase II achieved a higher gross profit margin on average when compared to the sales of other property units. As a result, the overall gross profit margin during the period was 49.7%, compared to 72.8% in the previous corresponding period.

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

— a fair value gain on its completed investment properties of HK$527,179,000 (2010: a gain of HK$151,074,000);

— a fair value gain on its investment properties under construction of HK$6,670,000 (2010: a gain of HK$124,841,000);

— a provision for impairment loss on certain properties under development of HK$20,755,000 (2010: a provision of HK$35,375,000); and

— an exchange gain of HK$16,095,000 (2010: a gain of HK$1,302,000).

For the six months ended 31 January 2011, profit from operating activities was HK$652,447,000 (2010: HK$815,233,000), representing a decrease of approximately 20.0% from the previous corresponding period. Finance costs expensed during the period reduced to HK$34,580,000 (2010: HK$44,187,000), after finance costs of HK$54,874,000 (2010: HK$47,149,000) had been capitalised in properties under development, investment properties and property, plant and equipment during the period.

For the six months ended 31 January 2011, profit attributable to owners of the Company was HK$389,783,000 (2010: HK$356,678,000), representing an increase of approximately 9.3% from the previous corresponding period.

Basic earnings per share was HK4.84 cents for the six months ended 31 January 2011 compared to HK4.43 cents for the previous corresponding period.

Shareholders' equity as at 31 January 2011 amounted to HK$8,163,738,000, up from HK$7,525,127,000 as at 31 July 2010. Net asset value per share attributable to owners of the Company was HK$1.01 as at 31 January 2011, as compared to HK$0.94 as at 31 July 2010.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review

Investment properties

Property rental results

During the six months ended 31 January 2011, the Group recorded a turnover of HK$182,005,000 from rental income. Breakdown of turnover from rental income is as follows:

	Six months ended 31 January		
	2011	2010	Change
	HK$	*HK$*	%
Shanghai Hong Kong Plaza	**129,082,000**	32,044,000	302.8
Shanghai Regents Park (commercial podium and car-parking spaces)	**4,038,000**	3,491,000	15.7
Shanghai Northgate Plaza I	**8,985,000**	9,632,000	-6.7
Guangzhou May Flower Plaza	**35,447,000**	32,630,000	8.6
Guangzhou West Point commercial portion	**4,394,000**	—	n/a
Others	**59,000**	494,000	-88.1
Total	**182,005,000**	78,291,000	132.5

During the period, rental income from Shanghai Hong Kong Plaza increased substantially due to the re-opening of its shopping arcades and serviced apartments after renovation. Rental income from Shanghai Northgate Plaza I continued to record negative growth as the Group is still considering renovation plans for this property and some of the previous tenants opted to move out of it.

During the period, rental income from Guangzhou May Flower Plaza recorded a healthy growth and Guangzhou West Point commercial portion started to generate rental income for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

Development properties

Contracted sales of development properties

	Six months ended 31 January 2011		
	Contracted sales area	**Approximate average contracted selling price#**	**Total contracted sales amount#**
	sq.m.	*HK$/sq.m.*	*HK$*
Shanghai May Flower Plaza Residential Units	7,457	42,300	315,617,000
Shanghai Regents Park Phase II Residential Units	720	50,900	36,621,000
Guangzhou West Point Office Units	8,334	18,300	152,741,000
Sub-total	16,511		504,979,000
Guangzhou Eastern Place Car-parking Spaces			23,555,000
Total			528,534,000

Before business tax

The contracted sales at Shanghai Regents Park, Guangzhou West Point and Guangzhou Eastern Place shown above were recorded as turnover for the six months ended 31 January 2011, while the contracted sales at Shanghai May Flower Plaza are expected to be recognised as turnover in the third quarter of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(continued)*

Development properties *(continued)*

Sales of development properties recorded

	Six months ended 31 January 2011		
	Recorded sales area	**Approximate average recorded selling price#**	**Total recorded sales amount***
	sq.m.	*HK$/sq.m.*	*HK$*
Shanghai Regents Park Phase II Residential Units	720	50,900	34,564,000
Guangzhou West Point Office Units	8,334	18,300	144,610,000
Sub-total	9,054		179,174,000
Guangzhou Eastern Place Car-parking Spaces			22,239,000
Total			201,413,000

 # Before business tax
** After business tax*

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, the operating environment for the property market in China had become more challenging. Since April 2010, the soaring property prices and transaction volumes have led the central and local city governments in China to introduce several rounds of measures aimed at suppressing the non-end-user demand and preventing a bubble developing in the property market. Since September 2010, the control measures have turned more drastic, and included raising lending rates and bank's required reserve ratios, increasing down-payment requirement on mortgage loans, imposing more limits to developers for domestic bank financing and restrictions on new purchases by local and non-local residents, levying of new residential property tax in Shanghai and Chongqing, and the implementation of massive build-up of policy housing. As a result, there had been an obvious drop in the transaction volume and a softening of property prices since September 2010. To this end, the Group has turned more cautious towards the China property market and will continue to implement and adjust its business plan according to market developments.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 2011 amounted to HK$129,082,000, up substantially by 302.8% from HK$32,044,000 in the previous corresponding period. Such increase in rental income was mainly due to re-opening of its shopping arcades and serviced apartments after renovation.

Shanghai Hong Kong Plaza's shopping arcades were re-opened in October 2010. Since its re-opening, Shanghai Hong Kong Plaza's shopping arcades have been one of the most visible high-end retail venues for global luxury brands in the Huaihaizhong Road area. As at 31 January 2011, about 97% of the arcade's leasable areas have been leased. The arcades have successfully secured The Apple Store, Cartier, Coach, GAP and Tiffany as anchor tenants and their flagship stores were opened since the middle of 2010. Other tenants include international renowned luxury brands and high-end restaurants.

Shanghai Hong Kong Plaza's serviced apartments portion is now managed by the Ascott Group. The Group can now leverage on the Ascott Group's extensive experience and expertise in operating serviced apartments to help establish the serviced apartments as a high-end brand.

Due to completion of the renovation work at the shopping arcades and serviced apartments portions during the period under review, occupancy at the office tower of Shanghai Hong Kong Plaza has also improved. As at 31 January 2011, the office tower was about 95% leased.

Shanghai Regents Park Phase II

Regents Park is a major residential project located in the Zhongshan Park Commercial Area of the prestigious Changning District of 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.

During the period under review, the Group sold a total of 2 units with a total saleable GFA of 720 sq.m. at an average price of RMB43,800 per sq.m. As at 31 January 2011, the Group only had 6 remaining units with a total saleable GFA of 2,085 sq.m.

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 of Shanghai. This project is situated near the Zhongshan Road North Metro Station. The Group has an effective 95% interest in the project.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Major Property Projects *(continued)*

Shanghai *(continued)*

Shanghai May Flower Plaza (continued)

The project has a total GFA of approximately 111,000 sq.m. (GFA attributable to the Group of approximately 105,000 sq.m.), comprising residential and office apartments, and commercial spaces. The total saleable area of residential and office apartment units is approximately 77,450 sq.m. The Group now expects to obtain the completion certificate of this project in the third quarter of 2011.

The residential portion of Shanghai May Flower Plaza is now branded "The Mid-town" which comprises 628 residential units. The Group started the pre-sale of this project in November 2010. Up to 31 January 2011, the Group had obtained contracted sales for 69 units with a total saleable GFA of 7,457 sq.m. at an average price of RMB36,500 per sq.m.

Shanghai Northgate Plaza

Shanghai Northgate Plaza I comprises office units, a retail podium and car-parking spaces. Located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal, this property has a total GFA of approximately 36,500 sq.m. including car-parking spaces.

The Group plans to develop Shanghai Northgate Plaza II on the vacant site located adjacent to Phase I. The Group has a 99% interest in Phase II development, which will have a total GFA of approximately 28,800 sq.m. comprising serviced apartments, a retail podium and car-parking spaces. Foundation work was completed in August 2009.

The Group is now considering the feasibility of a major renovation plan for Shanghai Northgate Plaza I with potential synergy with the Phase II development. Accordingly, the Group may adjust and re-consider the design and development of Phase II in due course.

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 Guangzhou May Flower Plaza was HK$35,447,000 for the six months ended 31 January 2011, representing an increase of approximately 8.6% from the previous corresponding period.

Guangzhou Eastern Place

Guangzhou Eastern Place is a multi-phase project located on 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, an office block and ancillary retail spaces. Construction work has commenced and is expected to be completed between 2012 and 2013. Pre-sale of the residential units is expected to start later this year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Major Property Projects *(continued)*

Guangzhou and Zhongshan *(continued)*

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 are approximately 10,000 sq.m. of car-parking spaces and ancillary facilities.

The residential blocks were completed in February 2010 and the office and commercial blocks were completed in June 2010. During the period under review, the Group sold a total of 94 office units with a total saleable GFA of 8,334 sq.m. at an average price of RMB15,800 per sq.m. As at 31 January 2011, the Group had remaining 25 residential units with a total saleable GFA of 2,278 sq.m. and 21 office units with a total saleable GFA of 2,669 sq.m.

The commercial portion of Guangzhou West Point had a grand-opening in December 2010. Up to 31 January 2011, around 94% of the retail spaces available were leased. Tenants in Guangzhou West Point include renowned restaurants and retail brands. During the period under review, the rental income from the commercial portion of Guangzhou West Point was HK$4,394,000.

Guangzhou Jinshazhou Project

Guangzhou Jinshazhou project is a 50:50 joint venture with CapitaLand China Holdings Pte. Ltd. This proposed development in Jinshazhou, Hengsha, Baiyuan District, Guangzhou will have a total GFA of approximately 369,000 sq.m. (GFA attributable to the Group of approximately 184,500 sq.m.), comprising approximately 3,400 low-rise and high-rise residential units with ancillary facilities including car-parking spaces and shopping amenities. It is conveniently located near the business center of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway line 6 and other transport modes. Touted as the metropolis of Guangzhou and Foshan, Jinshazhou is located in north-west Guangzhou.

The project will be divided into four phases of similar sizes for development. Construction of Phase I commenced in the second quarter of 2010 and completion is expected to take place around the end of 2012. Pre-sale of Phase I residential units will commence by mid-2011.

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 will have a total GFA of approximately 103,000 sq.m. and is intended to be developed into an office and commercial complex. The Group has completed substantially most of the resettlement work of the original occupants. Due to a recent change in government planning of the site, the Group is still in the process of negotiating the development plan with the city government.

Guangzhou King's Park

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 block with car-parking spaces and ancillary facilities. Construction work commenced in December 2010 and is expected to complete in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Major Property Projects *(continued)*

Guangzhou and Zhongshan *(continued)*

Guangzhou Paramount Centre

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. This project is intended to be developed into an office/serviced apartment block with car-parking spaces and ancillary facilities. Construction work commenced in December 2010 and is expected to complete in 2012.

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 block with car-parking spaces and ancillary facilities. Construction is expected to commence this year and is expected to complete in 2013.

Zhongshan Palm Springs

The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 406,000 sq.m.

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 2012. Pre-sale of residential units will start later this year.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 January 2011, the Group had total borrowings in the amount of HK$2,765 million (as at 31 July 2010: HK$2,556 million), representing an increase of HK$209 million. The consolidated net assets attributable to the owners of the Company amounted to HK$8,164 million (as at 31 July 2010: HK$7,525 million). The total debt to equity ratio was 34% (as at 31 July 2010: 34%) and the total debt to total capitalisation (long-term debt + equity) ratio was 26% (as at 31 July 2010: 26%). The maturity profile of the Group's borrowings of HK$2,765 million was spread with HK$83 million repayable within 1 year, HK$648 million repayable in the second year and HK$2,034 million repayable in the third to fifth years.

Approximately 52% and 46% 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 which were denominated in United States Dollars ("USD"), the Group's other borrowings of HK$1,340 million were 54% denominated in Renminbi ("RMB"), 45% in USD and 1% in Hong Kong dollars ("HKD"). The Group's cash and bank balances of HK$1,787 million were 85% denominated in RMB, 9% in HKD and 6% 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Capital Structure, Liquidity and Debt Maturity Profile *(continued)*

Certain assets of the Group have been pledged to secure financing, including investment properties with a total carrying value of approximately HK$6,009 million, properties under development with a total carrying value of approximately HK$1,131 million, serviced apartments and related properties with a total carrying value of approximately HK$828 million, a property with carrying value of approximately HK$42 million and bank balances of approximately HK$211 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 a 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 has been no material change in contingent liabilities of the Group since 31 July 2010.

Employee and Remuneration Policies

As at 31 January 2011, the Group employed a total of around 1,300 employees. The Group recognises the importance of maintaining a stable staff force for its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels, whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Prospects

China's property market will continue to be subject to policy risks. To consolidate and enhance the impact of the austerity measures that are designed to control inflation, the central and local governments in China are expected to continue to fine-tune these measures and/or introduce new policies. Accordingly, the unfavourable impact of the austerity policies will lead to short-term volatility in China's property market.

The Group believes that the consumption power and housing demand in China will remain robust in the medium and long term. Further, it believes that the government policies aimed at the property market has been consistent, which is to stabilise property prices and curb speculative demand in order to achieve a steady development of the market.

The Group's net gearing level was low by industry standards. The Group will be able to implement its business plan and respond to the challenges of the ever-changing policies. The Group will continue the construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. The Group is now awaiting an improvement in market sentiment prior to launching further pre-sale of properties in the pipeline. Furthermore, as encouraged by its success in revitalising the Shanghai Hong Kong Plaza property, the Group will continue to grow its recurrent income base through an upgrade program aimed at improving existing rental properties and the addition of new venues through completion of commercial property portions of new development projects. While the Group expects that its rental income will increase steadily in the next few years, it will closely monitor the market and cautiously evaluate new investment opportunities.

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 the 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 table sets out the changes in the Company's outstanding share options under the Scheme during the six months ended 31 January 2011:

		No. of Underlying Shares Comprised in Share Options				
Name	**Date of Grant***	**As at 1 August 2010**	**Lapsed during the period**	**As at 31 January 2011**	**Exercise Period**	**Exercise Price per Share****
Director						
Tam Kin Man, Kraven	9/1/2007	10,000,000	(10,000,000)	—	1/1/2010 - 31/12/2010	HK$0.75
		10,000,000	(10,000,000)	—		
Other Employees (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
		10,000,000	(10,000,000)	—		
Total		20,000,000	(20,000,000)	—		

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

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

During the period under review, no share options were granted, exercised or cancelled in accordance with the terms of the Scheme.

DIRECTORS' INTERESTS

The directors and chief executive of the Company who held office on 31 January 2011 and their respective associates as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") had the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (the "Register"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company:

(A) Long positions in the shares of the Company

Ordinary shares of HK$0.10 each (the "Shares")

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total Interests	Approximate % of Total Interests to Total Issued Shares
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%

Note:

These interests in the Company represented the Shares beneficially owned by eSun Holdings Limited ("eSun"). eSun is owned as to approximately 36.08% by Lai Sun Development Company Limited which in turn is owned as to approximately 47.97% by Lai Sun Garment (International) Limited ("LSG"). As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 3,265,688,037 Shares in the Company held by eSun by virtue of his personal and deemed interests in approximately 38.06% of the issued share capital of LSG.

(B) Long positions in the 9.125% Senior Notes due 2014 of the Company

Name of Director	Capacity	Nature of Interests	Principal Amount
Lau Shu Yan, Julius	Beneficial Owner	Personal	US$300,000

Save as disclosed above, as at 31 January 2011, 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 of its associated corporations, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 January 2011, so far as it is known by or otherwise notified to any director or the chief executive of the Company, the particulars of the corporations or persons, one being a director of the Company, who had 5% or more interests 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 or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long Positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
eSun Holdings Limited ("eSun")	Owner of Controlled Corporation	Corporate	3,265,688,037 *(Note 1)*	40.58%
Lai Sun Development Company Limited ("LSD")	Owner of Controlled Corporation	Corporate	3,265,688,037 *(Note 1)*	40.58%
Lai Sun Garment (International) Limited ("LSG")	Owner of Controlled Corporation	Corporate	3,265,688,037 *(Note 1)*	40.58%
Lam Kin Ngok, Peter	Owner of Controlled Corporation	Corporate	3,265,688,037 *(Note 2)*	40.58%
Merit Worth Limited ("MWL")	Beneficial Owner and Owner of Controlled Corporation	Corporate	3,265,688,037 *(Note 3)*	40.58%
CapitaLand China Holdings Pte Ltd. ("CapitaLand China")	Owner of Controlled Corporation	Corporate	1,610,000,000 *(Note 4)*	20%
CapitaLand LF (Cayman) Holdings Co., Ltd ("CapitaLand Cayman")	Beneficial Owner	Corporate	1,610,000,000	20%
CapitaLand Limited	Owner of Controlled Corporation	Corporate	1,610,000,000 *(Note 4)*	20%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS *(Continued)*

Long Positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
CapitaLand Residential Limited ("CapitaLand Residential")	Owner of Controlled Corporation	Corporate	1,610,000,000 *(Note 4)*	20%
Temasek Holdings (Private) Limited ("Temasek")	Owner of Controlled Corporation	Corporate	1,610,000,000 *(Note 4)*	20%
Silver Glory Securities Limited ("SGS")	Beneficial Owner	Corporate	1,396,481,675 *(Note 3)*	17.35%
Yu Cheuk Yi	Beneficial Owner	Personal	497,496,000 *(Note 5)*	6.18%
Yu Siu Yuk	Beneficial Owner	Personal	497,496,000 *(Note 5)*	6.18%

Notes:

1. These interests in the Company represented all the Shares beneficially owned by MWL and SGS, both being wholly-owned subsidiaries of eSun. eSun is owned as to approximately 36.08% by LSD which in turn is owned as to approximately 47.97% by LSG. As such, both LSD and LSG were deemed to be interested in the same 3,265,688,037 Shares of the Company held by eSun.

2. Mr. Lam Kin Ngok, Peter was deemed to be interested in the same 3,265,688,037 Shares of the Company held by eSun by virtue of his approximate 38.06% personal and deemed interests in the issued share capital of LSG.

3. SGS is wholly owned by MWL which in turn is wholly owned by eSun. Their interests in the Shares of the Company are duplicated in the interests of eSun.

4. These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which in turn is wholly owned by CapitaLand Residential while CapitaLand Residential is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 1,610,000,000 Shares of the Company held by CapitaLand Cayman by virtue of its approximate 43.28% interest in the issued share capital of CapitaLand Limited.

5. Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 497,496,000 Shares of the Company which were held jointly by them.

Save as disclosed above, the directors of the Company are not aware of any other corporation or person who, as at 31 January 2011, had the Voting Entitlements or any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2011, the Company did not redeem any of its listed shares or its 9.125% Senior Notes due 2014 (the "Senior Notes") which are listed and traded on Singapore Exchange Securities Trading Limited. In addition, the Company or any of its subsidiaries did not purchase or sell any of the Company's listed shares or the Senior Notes during the same period.

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 Listing Rules throughout the six months ended 31 January 2011 save for the 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 (including the independent non-executive directors) of the Company is 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 require that the directors for the time being shall retire from office by rotation once every three years since their last election and the retiring directors are eligible for re-election. In addition, any person appointed by the Board to fill a casual vacancy or as an additional director (including a non-executive director) will hold office only until the next annual general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objective of the relevant code provision and, therefore, does not intend to take any remedial steps in this regard.

Code Provision E.1.2

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 him, the Chairman was not present at the annual general meeting of the Company held on 21 December 2010.

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 Transaction by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry on all directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2011.

UPDATE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the information of the director(s) of the Company is updated as follows:

On 1 February 2011, Mr. Lam Bing Kwan was appointed an independent non-executive director of Lai Sun Garment (International) Limited, the shares of which are listed and traded on the Stock Exchange.

REVIEW OF INTERIM REPORT

The audit committee of the Company 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). The audit committee has reviewed the interim report (containing the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2011.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 29 March 2011