



LAI FUNG HOLDINGS

Lai Fung Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1125)

## Interim Report

For the six months ended 31 January 2014



# Corporate Information

## PLACE OF INCORPORATION

Cayman Islands

## BOARD OF DIRECTORS

### *Executive Directors*

Chew Fook Aun (*Chairman*)  
Lam Kin Ming (*Deputy Chairman*)  
Lam Kin Hong, Matthew (*Executive Deputy Chairman*)  
Lam Hau Yin, Lester (*Chief Executive Officer*)  
Cheng Shin How  
Lau Shu Yan, Julius  
U Po Chu

### *Non-executive Directors*

Leow Juan Thong, Jason  
Lucas Ignatius Loh Jen Yuh  
(*also Alternate Director to Leow Juan Thong, Jason*)

### *Independent Non-executive Directors*

Ku Moon Lun  
Lam Bing Kwan  
Law Kin Ho  
Mak Wing Sum, Alvin  
Shek Lai Him, Abraham

## AUDIT COMMITTEE

Law Kin Ho (*Chairman*)  
Lam Bing Kwan  
Leow Juan Thong, Jason

## REMUNERATION COMMITTEE

Lam Bing Kwan (*Chairman*)  
Chew Fook Aun  
Ku Moon Lun  
Law Kin Ho  
Leow Juan Thong, Jason

## AUTHORISED REPRESENTATIVES

Chew Fook Aun  
Lam Kin Ming

## COMPANY SECRETARY

Yim Lai Wa

## REGISTERED OFFICE

P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman, Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

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

Tel: (852) 2741 0391  
Fax: (852) 2741 9763

## SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong\*

## INDEPENDENT AUDITORS

Ernst & Young  
Certified Public Accountants

## PRINCIPAL BANKERS

The Bank of East Asia, Limited  
China CITIC Bank Corporation Limited  
DBS Bank Ltd., Hong Kong Branch  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

## LISTING INFORMATION

### *Shares*

The issued shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

### *Stock Code/Board Lot*

1125/1,000 shares

### *Notes*

The 9.125% senior notes due 2014 issued by the Company are listed and traded on Singapore Exchange Securities Trading Limited\*\*

The 6.875% senior notes due 2018 issued by the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

## WEBSITE

[www.laifung.com](http://www.laifung.com)

## INVESTOR RELATIONS

Tel: (852) 2853 6116  
Fax: (852) 2853 6651  
E-mail: [ir@laifung.com](mailto:ir@laifung.com)

\* The address of Tricor Tengis Limited will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

\*\* The Company will fully redeem all of its outstanding 9.125% senior notes due 2014 on 4 April 2014.

The board of directors (the “**Board**”) of Lai Fung Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 January 2014 together with the comparative figures of the last corresponding period as follows:

## Condensed Consolidated Income Statement

For the six months ended 31 January 2014

	Notes	For the six months ended 31 January	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
TURNOVER	3	<b>590,180</b>	812,169
Cost of sales		<b>(256,922)</b>	(392,046)
Gross profit		<b>333,258</b>	420,123
Other income and gains		<b>100,202</b>	78,976
Selling and marketing expenses		<b>(23,811)</b>	(39,281)
Administrative expenses		<b>(159,219)</b>	(159,721)
Other operating expenses, net		<b>(31,362)</b>	(59,894)
Fair value gains on investment properties		<b>598,714</b>	324,560
PROFIT FROM OPERATING ACTIVITIES	4	<b>817,782</b>	564,763
Finance costs	5	<b>(191,050)</b>	(75,041)
Share of profit of joint ventures		<b>75,607</b>	97,135
PROFIT BEFORE TAX		<b>702,339</b>	586,857
Tax	6	<b>(194,326)</b>	(224,706)
PROFIT FOR THE PERIOD		<b>508,013</b>	362,151
ATTRIBUTABLE TO:			
Owners of the Company		<b>501,697</b>	331,274
Non-controlling interests		<b>6,316</b>	30,877
		<b>508,013</b>	362,151
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	7		
Basic		<b>HK\$0.031</b>	HK\$0.021
Diluted		<b>HK\$0.031</b>	HK\$0.021

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2014

	For the six months ended	
	31 January	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<b>508,013</b>	362,151
OTHER COMPREHENSIVE INCOME/(EXPENSES) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS, NET OF TAX		
Reversal of impairment of investment properties under construction	<b>6,599</b>	5,308
Exchange differences arising on translation to presentation currency	<b>171,791</b>	96,680
Release of exchange fluctuation reserve upon disposal of a subsidiary	<b>(1,439)</b>	—
Share of other comprehensive income of joint ventures	<b>6,324</b>	3,291
Net gain on cash flow hedges	<b>63,979</b>	—
	<b>247,254</b>	105,279
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>755,267</b>	467,430
ATTRIBUTABLE TO:		
Owners of the Company	<b>745,117</b>	431,035
Non-controlling interests	<b>10,150</b>	36,395
	<b>755,267</b>	467,430

# Condensed Consolidated Statement of Financial Position

As at 31 January 2014

	Notes	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,506,606	1,491,574
Prepaid land lease payments		5,518	5,543
Investment properties		12,255,359	11,377,034
Properties under development		560,806	513,517
Investments in joint ventures		518,747	436,340
Deposit for acquisition of land use rights		333,540	—
Derivative financial instruments		36,414	—
Goodwill		697	1,032
<b>Total non-current assets</b>		<b>15,217,687</b>	13,825,040
<b>CURRENT ASSETS</b>			
Properties under development		525,104	718,861
Completed properties for sale		1,338,602	1,094,541
Debtors, deposits and prepayments	8	229,040	171,326
Prepaid tax		44,415	46,859
Pledged and restricted time deposits and bank balances		2,029,532	2,057,388
Cash and cash equivalents		2,589,824	3,608,327
<b>Total current assets</b>		<b>6,756,517</b>	7,697,302
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	9	682,932	668,657
Deposits received and deferred income		210,514	201,094
Interest-bearing bank loans, secured		362,518	617,470
Tax payable		471,458	490,502
Fixed rate senior notes	10	1,439,238	1,435,052
<b>Total current liabilities</b>		<b>3,166,660</b>	3,412,775
<b>NET CURRENT ASSETS</b>		<b>3,589,857</b>	4,284,527
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>18,807,544</b>	18,109,567
<b>NON-CURRENT LIABILITIES</b>			
Long-term deposits received		97,611	77,021
Interest-bearing bank loans, secured		1,898,727	1,774,856
Advances from a former substantial shareholder		59,397	58,621
Loan from a non-controlling shareholder		72,682	—
Fixed rate senior notes	10	2,256,748	2,223,610
Derivative financial instruments		—	43,712
Deferred tax liabilities		2,010,454	1,819,897
<b>Total non-current liabilities</b>		<b>6,395,619</b>	5,997,717
		<b>12,411,925</b>	12,111,850

# Condensed Consolidated Statement of Financial Position

(Continued)

As at 31 January 2014

	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	1,610,190	1,609,591
Share premium account	4,066,482	4,065,862
Asset revaluation reserve	63,458	56,925
Share option reserve	29,677	30,188
Hedge reserve	4,218	(59,761)
Exchange fluctuation reserve	2,168,130	1,995,222
Capital reserve	159,819	25,974
Retained earnings	4,148,753	3,646,545
Proposed dividend	—	48,288
	<b>12,250,727</b>	11,418,834
<b>Non-controlling interests</b>	<b>161,198</b>	693,016
	<b>12,411,925</b>	12,111,850

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2014

	Attributable to owners of the Company										Non-controlling interests	Total
	Issued capital	Share premium account	Asset revaluation reserve	Share option reserve	Hedge reserve	Exchange fluctuation reserve	Capital reserve	Retained earnings	Proposed dividend	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 July 2013 and 1 August 2013 (Audited)	1,609,591	4,065,862	56,925	30,188	(59,761)	1,995,222	25,974	3,646,545	48,288	11,418,834	693,016	12,111,850
Profit for the period	—	—	—	—	—	—	—	501,697	—	501,697	6,316	508,013
Other comprehensive income/(expenses) for the period, net of tax:												
Reversal of impairment of investment properties under construction	—	—	6,533	—	—	—	—	—	—	6,533	66	6,599
Exchange differences arising on translation to presentation currency	—	—	—	—	—	168,023	—	—	—	168,023	3,768	171,791
Release of reserve upon disposal of a subsidiary	—	—	—	—	—	(1,439)	—	—	—	(1,439)	—	(1,439)
Share of other comprehensive income of joint ventures	—	—	—	—	—	6,324	—	—	—	6,324	—	6,324
Net gain on cash flow hedges	—	—	—	—	63,979	—	—	—	—	63,979	—	63,979
Total comprehensive income for the period, net of tax	—	—	6,533	—	63,979	172,908	—	501,697	—	745,117	10,150	755,267
Acquisition of additional interests in subsidiaries from non-controlling interests	—	—	—	—	—	—	133,845	—	—	133,845	(541,968)	(408,123)
Release of reserve upon lapse of share options	—	—	—	(511)	—	—	—	511	—	—	—	—
Final 2013 dividend paid	—	—	—	—	—	—	—	—	(48,288)	(48,288)	—	(48,288)
Shares issued in lieu of cash dividend	599	620	—	—	—	—	—	—	—	1,219	—	1,219
<b>As at 31 January 2014 (Unaudited)</b>	<b>1,610,190</b>	<b>4,066,482</b>	<b>63,458</b>	<b>29,677</b>	<b>4,218</b>	<b>2,168,130</b>	<b>159,819</b>	<b>4,148,753</b>	<b>—</b>	<b>12,250,727</b>	<b>161,198</b>	<b>12,411,925</b>
As at 31 July 2012 and 1 August 2012 (Audited)	1,609,591	4,065,862	36,448	3,678	—	1,714,155	25,974	2,937,334	45,069	10,438,111	632,339	11,070,450
Profit for the period	—	—	—	—	—	—	—	331,274	—	331,274	30,877	362,151
Other comprehensive income for the period, net of tax:												
Reversal of impairment of investment properties under construction	—	—	5,255	—	—	—	—	—	—	5,255	53	5,308
Exchange differences arising on translation to presentation currency	—	—	—	—	—	91,215	—	—	—	91,215	5,465	96,680
Share of other comprehensive income of joint ventures	—	—	—	—	—	3,291	—	—	—	3,291	—	3,291
Total comprehensive income for the period, net of tax	—	—	5,255	—	—	94,506	—	331,274	—	431,035	36,395	467,430
Equity-settled share option arrangements	—	—	—	26,056	—	—	—	—	—	26,056	—	26,056
Final 2012 dividend paid	—	—	—	—	—	—	—	—	(45,069)	(45,069)	—	(45,069)
As at 31 January 2013 (Unaudited)	1,609,591	4,065,862	41,703	29,734	—	1,808,661	25,974	3,268,608	—	10,850,133	668,734	11,518,867

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2014

	For the six months ended	
	31 January	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOW FROM OPERATING ACTIVITIES	<b>92,581</b>	358,639
NET CASH FLOW USED IN INVESTING ACTIVITIES	<b>(802,496)</b>	(107,077)
NET CASH FLOW USED IN FINANCING ACTIVITIES	<b>(334,497)</b>	(246,288)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(1,044,412)</b>	5,274
Cash and cash equivalents at beginning of period	<b>3,608,327</b>	1,695,551
Effect of foreign exchange rate changes, net	<b>25,909</b>	5,847
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>2,589,824</b>	1,706,672
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	<b>951,953</b>	735,831
Non-pledged and non-restricted time deposits with original maturity of less than three months when acquired	<b>1,637,871</b>	970,841
	<b>2,589,824</b>	1,706,672

# 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 2014 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 the “**Stock Exchange**”) 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 independent auditors but have been reviewed by the Company’s audit committee.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements for the period under review are consistent with those used in the Group’s audited consolidated financial statements for the year ended 31 July 2013. These unaudited condensed consolidated results should be read in conjunction with the Company’s annual report for the year ended 31 July 2013.

In addition, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include HKASs and Interpretations) which are applicable to the Group for the first time for the current period’s unaudited condensed consolidated interim financial statements.

Other than as further explained below regarding the impact of HKFRS 13 “Fair Value Measurement”, the application of these new and revised HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. HKFRS 13 does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group’s fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 14 to the condensed consolidated financial statements.

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 3. OPERATING SEGMENT INFORMATION

	For the six months ended 31 January (Unaudited)					
	Property development		Property investment		Consolidated	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Segment revenue/results:</b>						
Segment revenue						
Sales to external customers	<b>307,006</b>	549,673	<b>283,174</b>	262,496	<b>590,180</b>	812,169
Other revenue	<b>99</b>	1,135	<b>62,925</b>	54,574	<b>63,024</b>	55,709
<b>Total</b>	<b>307,105</b>	550,808	<b>346,099</b>	317,070	<b>653,204</b>	867,878
<b>Segment results</b>	<b>89,618</b>	126,695	<b>739,291</b>	473,237	<b>828,909</b>	599,932
Unallocated gains					<b>37,178</b>	23,267
Unallocated expenses, net					<b>(48,305)</b>	(58,436)
Profit from operating activities					<b>817,782</b>	564,763
Finance costs					<b>(191,050)</b>	(75,041)
Share of profit of joint ventures	<b>75,607</b>	97,135	—	—	<b>75,607</b>	97,135
Profit before tax					<b>702,339</b>	586,857
Tax					<b>(194,326)</b>	(224,706)
Profit for the period					<b>508,013</b>	362,151
<b>Other segment information:</b>						
Fair value gains on investment properties	—	—	<b>598,714</b>	324,560	<b>598,714</b>	324,560
Reversal of impairment/ (impairment) of properties under development/ investment properties under construction*	—	(42,024)	<b>8,799</b>	7,076	<b>8,799</b>	(34,948)
Loss on disposal of items of property, plant and equipment	—	—	<b>143</b>	21	<b>143</b>	21

\* Impairment of properties under development of HK\$42,024,000 was recognised in profit or loss during the six months ended 31 January 2013. Reversal of impairment of investment properties under construction of HK\$8,799,000 (six months ended 31 January 2013: HK\$7,076,000) was recognised in other comprehensive income during the period.

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Property development		Property investment		Consolidated	
	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
<b>Segment assets/liabilities:</b>						
Segment assets	<b>2,483,766</b>	2,375,951	<b>14,112,137</b>	12,840,651	<b>16,595,903</b>	15,216,602
Investments in joint ventures	<b>518,747</b>	436,340	—	—	<b>518,747</b>	436,340
Unallocated assets					<b>4,859,554</b>	5,869,400
Total assets					<b>21,974,204</b>	21,522,342
Segment liabilities	<b>456,883</b>	413,295	<b>322,696</b>	324,120	<b>779,579</b>	737,415
Unallocated liabilities					<b>8,782,700</b>	8,673,077
Total liabilities					<b>9,562,279</b>	9,410,492

## 4. PROFIT FROM OPERATING ACTIVITIES

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

	Note	For the six months ended 31 January	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of completed properties sold		<b>184,182</b>	333,090
Outgoings in respect of rental income		<b>72,740</b>	58,956
Depreciation <sup>#</sup>		<b>35,776</b>	30,956
Ineffective portion of the effective hedge recognised in profit or loss <sup>**</sup>		<b>13,736</b>	—
Foreign exchange differences, net <sup>**</sup>		<b>(8,844)</b>	(4,515)
Gain on disposal of a subsidiary <sup>**</sup>	12	<b>(6,672)</b>	—
Loss on disposal of items of property, plant and equipment <sup>**</sup>		<b>143</b>	21
Amortisation of prepaid land lease payments		<b>98</b>	96
Impairment of properties under development <sup>**</sup>		—	42,024

<sup>#</sup> The depreciation charge of HK\$30,460,000 (six months ended 31 January 2013: HK\$22,306,000) for serviced apartments and related leasehold improvements is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

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

# Notes to Condensed Consolidated Financial Statements

## (Continued)

### 5. FINANCE COSTS

	For the six months ended 31 January	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	67,273	46,851
2007 Notes (as defined and disclosed in note 10)	65,755	65,755
2013 Notes (as defined and disclosed in note 10)	71,844	—
Amortisation of:		
Bank loans	7,358	—
2007 Notes	4,186	3,806
2013 Notes	3,255	—
Bank financing charges and direct costs	13,381	3,233
	<b>233,052</b>	119,645
Less: Capitalised in properties under development	(22,490)	(36,498)
Capitalised in investment properties under construction	(9,502)	(8,106)
Capitalised in construction in progress	(10,010)	—
	<b>(42,002)</b>	(44,604)
Total finance costs	<b>191,050</b>	75,041

### 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 2013: 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current — Mainland China		
Corporate income tax	26,424	47,025
Land appreciation tax	27,978	79,032
Deferred	164,226	98,649
Tax indemnity receivable	(24,302)	—
Total tax charge for the period	<b>194,326</b>	224,706

In connection with the listing of the Company on the Stock Exchange (currently on the Main Board), a tax indemnity deed was signed on 12 November 1997, pursuant to which Lai Sun Development Company Limited ("LSD") has undertaken to indemnify the Group in respect of certain potential Mainland China income tax and land appreciation tax payable or shared by the Group in consequence of the disposal of any of the property interests attributable to the Group through its subsidiaries and its joint ventures as at 31 October 1997. During the period, an amount of HK\$24,302,000 (six months ended 31 January 2013: Nil) was receivable by the Company under the aforesaid indemnities.

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 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\$501,697,000 (six months ended 31 January 2013: HK\$331,274,000), and the weighted average number of ordinary shares of 16,096,400,970 (six months ended 31 January 2013: 16,095,912,956) in issue during the period.

The calculation of diluted earnings per share amounts was based on the profit for the period attributable to owners of the Company as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	<b>For the six months ended</b>	
	<b>31 January</b>	<b>2013</b>
	<b>2014</b>	<b>(Unaudited)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings</b>		
Profit attributable to owners of the Company used in the basic earnings per share calculation	<b>501,697</b>	331,274
<b>Number of shares</b>		
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>16,096,400,970</b>	16,095,912,956
Effect of dilution — weighted average number of ordinary shares: Share options	<b>25,598,790</b>	21,230,419
	<b>16,121,999,760</b>	16,117,143,375

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 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:

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Trade receivables, net:		
Within one month	<b>60,472</b>	57,697
One to three months	<b>3,183</b>	2,935
Over three months	<b>1,770</b>	—
	<b>65,425</b>	60,632
Other receivables, deposits and prepayments	<b>163,615</b>	110,694
<b>Total</b>	<b>229,040</b>	171,326

Included in the Group's debtors, deposits and prepayments is an amount due from LSD in respect of the tax indemnity given to the Company (note 6).

## 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:

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Trade payables:		
Within one month	<b>62,662</b>	31,489
One to three months	<b>20,412</b>	1,110
Over three months	<b>10,929</b>	2,012
	<b>94,003</b>	34,611
Accruals and other payables	<b>588,929</b>	634,046
<b>Total</b>	<b>682,932</b>	668,657

# Notes to Condensed Consolidated Financial Statements

## (Continued)

### 10. FIXED RATE SENIOR NOTES

#### US\$200,000,000 9.125% Senior Notes due 2014

On 4 April 2007, the Company issued US\$200,000,000 9.125% fixed rate senior notes (the “**2007 Notes**”), which will mature on 4 April 2014 for bullet repayment. The 2007 Notes bear interest from 4 April 2007 and are payable semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 October 2007. The 2007 Notes are listed on the Singapore Exchange Securities Trading Limited.

#### RMB1,800,000,000 6.875% Senior Notes due 2018

On 25 April 2013, the Company issued RMB1,800,000,000 6.875% fixed rate senior notes (the “**2013 Notes**”), which will mature on 25 April 2018 for bullet repayment. The 2013 Notes bear interest from 25 April 2013 and are payable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013. The 2013 Notes are listed on the Stock Exchange.

### 11. COMMITMENTS

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

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Contracted, but not provided for:		
Construction and compensation costs and land premium	<b>763,625</b>	449,680
Authorised, but not contracted for:		
Construction and resettlement costs	<b>3,556,022</b>	421,241

### 12. DISPOSAL OF A SUBSIDIARY

On 12 November 2012, the Company entered into a sale and purchase agreement with eSun Holdings Limited (“**eSun**”), the ultimate holding company of the Company, to sell the entire equity interest in Guangdong May Flower Cinema Limited at a total consideration of HK\$13,600,000 (note 13(a)). The disposal was completed on 29 November 2013. A gain on disposal of HK\$6,672,000 (note 4) has been recognised in profit or loss for the current period. Further details of the disposal are set out in an announcement of the Company dated 12 November 2012.

# Notes to Condensed Consolidated Financial Statements

## (Continued)

### 13. RELATED PARTY TRANSACTIONS

#### (a) Transactions with related parties

	Notes	For the six months ended	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Management and other service fees paid or payable to a related company	(i)	5,175	4,920
Rental and management fee income received or receivable from related companies	(ii)	1,231	77
Rental and management fee expenses paid or payable to related companies	(iii)	1,109	1,216
Consideration for disposal of partial interest in a subsidiary received from a related company	(iv)	72,423	—
Tax indemnity receivable from a related company	(v)	24,302	—
Consideration for disposal of a company received from a related company	(vi)	13,600	—
Consideration for acquisition of a company paid to a related company	(vii)	—	120,209

#### Notes:

- (i) The related company is a subsidiary of CapitaLand Limited and the Company is an associate of CapitaLand Limited. The related company provides management and other services on the serviced apartment operation of the Group. The terms of the management and other service fees were determined based on the agreement entered into between the Group and the related company.
- (ii) The related companies are subsidiaries of eSun where the Company does not hold, directly or indirectly, any equity interest in the related companies. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.
- (iii) The related companies are LSD and a subsidiary of LSD. The Company is an associate of LSD. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.
- (iv) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. Pursuant to a subscription agreement entered into on 25 September 2013, the Group disposed to the related company 20% of the equity interest in Rosy Commerce Holdings Limited ("RCHL", an indirect wholly-owned subsidiary of the Company) together with 20% of the shareholder's loan advanced to RCHL, at a total consideration of HK\$72,423,000. The transaction was completed on 19 December 2013 and further details of which are set out in a circular of the Company dated 26 November 2013.
- (v) The related company is LSD and further details of this transaction are set out in note 6 to the condensed consolidated financial statements.
- (vi) The related company is eSun and further details of this transaction are set out in note 12 to the condensed consolidated financial statements.
- (vii) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. Pursuant to a sale and purchase agreement entered into on 21 December 2012, the Group purchased from the related company the entire issued share capital of Favor Move Limited and all the rights attached thereto, together with the shareholder's loan advanced to Favor Move Limited, at a total consideration of HK\$120,209,000.

# Notes to Condensed Consolidated Financial Statements

## (Continued)

### 13. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended	
	31 January 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term employee benefits	11,464	11,461
Pension scheme contributions	60	56
Equity-settled share option expense	—	13,714
<b>Total</b>	<b>11,524</b>	<b>25,231</b>

### 14. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	Carrying amounts		Fair values	
	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
<b>Financial assets</b>				
Derivative financial instruments	36,414	—	36,414	—
<b>Financial liabilities</b>				
Derivative financial instruments	—	43,712	—	43,712
2007 Notes	1,439,238	1,435,052	1,449,860	1,474,718
2013 Notes	2,256,748	2,223,610	2,243,235	2,031,354
	<b>3,695,986</b>	<b>3,702,374</b>	<b>3,693,095</b>	<b>3,549,784</b>

Management has assessed that the fair values of cash and cash equivalents, pledged and restricted time deposits and bank balances, financial assets included in investments in joint ventures and debtors, deposits and prepayments, financial liabilities included in creditors and accruals and interest-bearing bank loans, advances from a former substantial shareholder and loan from a non-controlling shareholder approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (i) The fair values of fixed rate senior notes are based on quoted market prices; and
- (ii) Derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values.

# Notes to Condensed Consolidated Financial Statements

## (Continued)

### 14. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value hierarchy

The following table present the carrying amounts of financial instruments measured at fair value at the end of the reporting period across three levels of the fair value hierarchy. The levels are defined as follows:

- Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair value measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value

As at 31 January 2014

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial instruments	—	36,414	—	36,414

The Group did not have any financial liabilities measured at fair value as at 31 January 2014.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

### 15. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 March 2014.

# Interim Dividend

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2014 (six months ended 31 January 2013: Nil).

## Management Discussion and Analysis

### BUSINESS REVIEW AND OUTLOOK

The global economy is on a delicate recovery path with the United States leading the way through improving economic and employment conditions. However, a number of factors still shroud the horizon: the weak euro zone economy, adjustments to the macroeconomic policies of major economies and geopolitical tensions.

The Chinese Government has softened its economic growth target to 7.5% correspondingly, whilst transitioning the economy from an export-led growth policy to a more progressive and sustainable model driven by domestic consumption. The property sector is a significant economic pillar and continues to be shaped significantly by government policies. The control measures implemented are expected to be refined to better adapt to regional circumstances and ensure a sustainable long term growth, which is underpinned by continued urbanisation and income growth.

The Group's regional focus coupled with the rental-led strategy that the Group adopted eighteen months ago is validated against this challenging operating environment. The rental portfolio of approximately 2.8 million square feet, primarily in Shanghai and Guangzhou, delivered steady increases in rental income at close to full occupancies for the key assets despite a general slowdown in retail sales. This provided the Group the flexibility in selling other projects with an emphasis to maximize profit rather than recycling capital. The control measures implemented by the Chinese Government slowed sales across the sector. However, the Group experienced a steady increase in average selling prices in its projects for sale, which indicated the strength and depth of the underlying demand.

The management believes it is important to prepare the Group for the challenges and opportunities ahead. The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider Lai Sun Group. Since the year ended 31 July 2013 and up to 31 January 2014, the Group completed the buyout of minority interests in the two largest rental assets, namely the 5% interest in Shanghai Hong Kong Plaza and the 22.5% interest in Guangzhou May Flower Plaza. In November 2013, the Group bought out a 2% minority interest in Northgate Plaza I in Shanghai, which is subject to completion, increasing the Group's interest in this project to 99%.

The Group was successful in the auction for Phase I of the Creative Culture City project in Hengqin ("**Phase I CCC**") which it will co-develop with its ultimate holding company, eSun Holdings Limited ("**eSun**"), with 80% held by the Group and 20% held by eSun. The master layout plan for Phase I CCC is being finalised and the Group will provide more details when they are available. Phase I CCC has total gross floor area ("**GFA**") of approximately 2.8 million square feet and a total investment cost of approximately HK\$3.8 billion (of which approximately HK\$665.5 million is land cost).

The hotel at Shanghai May Flower Plaza and serviced apartments in Zhongshan Palm Spring under the STARR branding have also commenced operation during the period under review. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza is in progress and new tenants are expected to move in by the end of 2014.

The Group has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan. The rental portfolio is expected to increase from approximately 2.8 million square feet to approximately 7.5 million square feet through developing the existing rental projects in the next few years. The remaining residential units in Guangzhou Dolce Vita Phases I and III, Guangzhou King's Park, Shanghai May Flower Plaza and Zhongshan Palm Spring Phase I are expected to contribute to the profit and loss account in the current and coming financial years.

As at 31 January 2014, the Group has a landbank of 10.8 million square feet. The Group's strong cash position of HK\$4,619.4 million of cash on hand with a net debt to equity ratio of 12% as at 31 January 2014 provides the Group full confidence and the means to review opportunities more actively. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

# Management Discussion and Analysis (Continued)

## OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2014, the Group recorded a turnover of HK\$590.2 million (2013: HK\$812.2 million) and a gross profit of HK\$333.3 million (2013: HK\$420.1 million), representing a decrease of approximately 27% and 21%, respectively over the same period last year. Turnover from rental income and sale of properties during the period was HK\$283.2 million (2013: HK\$262.5 million) and HK\$307.0 million (2013: HK\$549.7 million), representing an increase of approximately 8% and a decrease of approximately 44%, respectively. Profit before tax, excluding finance cost and property revaluations was HK\$294.7 million (2013: HK\$337.3 million). Net profit attributable to owners of the Company was approximately HK\$501.7 million (2013: HK\$331.3 million), representing an increase of approximately 51.4% over the same period last year. Basic earnings per share was HK\$0.031 (2013: HK\$0.021).

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$54.2 million (2013: HK\$107.6 million), representing a decrease of approximately 50% over the same period last year. This is primarily due to a decline in recognised sales and higher interest expense from the two outstanding fixed rate senior notes, one of which is due to expire in April 2014. Basic earnings per share excluding the revaluation effect correspondingly decreased to HK\$0.003 (2013: HK\$0.007).

	Six months ended	
	31 January	
	2014	2013
Profit attributable to owners of the Company	HK\$ million	HK\$ million
Reported	501.7	331.3
Adjustments in respect of investment properties		
Revaluation of properties	(598.7)	(324.6)
Deferred tax on investment properties	149.7	81.2
Non-controlling interests' share of revaluation movements less deferred tax	1.5	19.7
Net profit after tax excluding revaluation gains of investment properties	54.2	107.6

Equity attributable to owners of the Company as at 31 January 2014 amounted to HK\$12,250.7 million, up from HK\$11,418.8 million as at 31 July 2013. Net asset value per share attributable to owners of the Company increased to HK\$0.761 per share as at 31 January 2014 from HK\$0.709 per share as at 31 July 2013, representing a discount of approximately 75% to the share price of HK\$0.194 as at 31 January 2014.

As at 31 January 2014, the Group maintained a property portfolio of approximately 14.2 million square feet of which approximately 2.8 million square feet are completed and held for rental purpose. The Group will continue to build on this sound asset base with a view to delivering long-term value to its shareholders.

# Management Discussion and Analysis (Continued)

## PROPERTY PORTFOLIO COMPOSITION

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 January 2014:

	Commercial/ Retail	Office	Serviced apartment	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental <sup>1</sup>	1,600	590	—	—	2,190	585
Completed Hotel Properties and Serviced Apartments	—	—	588	—	588	—
Properties Under Development <sup>2</sup>	3,276	1,037	271	6,202	10,786	4,379
Completed Properties Held for Sale <sup>3</sup>	128	—	15	503	646	1,021
<b>Total GFA of major properties of the Group</b>	<b>5,004</b>	<b>1,627</b>	<b>874</b>	<b>6,705</b>	<b>14,210</b>	<b>5,985</b>

1. Completed and rental generating properties

2. All properties under construction

3. Completed properties for sale, including 125,059 square feet of shopping arcade space which is expected to be reclassified as completed properties held for rental purpose as it is being leased out over time

## PROPERTY INVESTMENT

### Rental Income

For the six months ended 31 January 2014, the Group's rental operations recorded a turnover of HK\$283.2 million (2013: HK\$262.5 million), representing a 8% increase over the same period last year. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January			Period end occupancy (%)
	2014 HK\$ million	2013 HK\$ million	% Change	
Shanghai Hong Kong Plaza	192.2	182.9	5.1	Retail: 99.2 Office: 88.9 Serviced Apartments: 84.9
Shanghai Regents Park	7.0	6.1	14.8	100.0
Shanghai Northgate Plaza I	5.4	4.9	10.2	90.8
Shanghai May Flower Plaza	17.4	13.8	26.1	95.4
Guangzhou May Flower Plaza	52.5	46.8	12.2	Retail: 98.5 Office: 100.0
Guangzhou West Point	8.3	8.0	3.8	97.9
Zhongshan Palm Spring	0.4	—	N/A	29.0
<b>Total</b>	<b>283.2</b>	<b>262.5</b>	<b>7.9</b>	

# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT (CONTINUED)

### Rental Income (Continued)

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio, as well as contribution from the retail podium of the Shanghai May Flower Plaza.

A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 31% of total GFA, has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes fully leased. Soft opening of the serviced apartments in the Zhongshan Palm Spring, STARR Resort Residence Zhongshan, and the hotel in Shanghai May Flower Plaza, STARR Hotel Shanghai, commenced in August 2013 and November 2013, respectively. The other STARR branded hotel in Guangzhou is expected to soft open in the fourth quarter of 2014.

### Review of Major Rental Properties

#### *Shanghai Hong Kong Plaza*

Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.18 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 360,700 square feet, 468,400 square feet and 353,200 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, MCM, Shiatzy Chen, Tiffany, Y3 and internationally renowned luxury brands and high-end restaurants. The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza is in progress and new tenants are expected to move in by the end of 2014.

The Group acquired the 5% minority interest in this property in August 2013 and now owns 100% of this property.

#### *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 retains a 95% interest in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility with Lotte Mart as the anchor tenant.

# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT (CONTINUED)

### Review of Major Rental Properties (Continued)

#### *Shanghai Northgate Plaza*

Shanghai Northgate Plaza I comprises office units, a retail podium (now closed) 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 322,600 square feet excluding car-parking spaces and ancillary area.

Shanghai Northgate Plaza II is a vacant site adjacent to Plaza I. The site area of Plaza II is approximately 44,300 square feet and its buildable GFA is approximately 259,900 square feet excluding car-parking spaces and ancillary facilities. The Group plans to redevelop Shanghai Northgate Plaza I and II together under a comprehensive redevelopment plan. The redeveloped project will include an office tower, a shopping arcade and underground car-parking spaces. The Group is currently discussing the redevelopment proposal with professional consultants and local authorities.

In November 2013, the Group bought out the 2% minority interest in Shanghai Northgate Plaza I, subject to completion, increasing the Group's interest in this project to 99%.

#### *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. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces. The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is leased to tenants comprising well-known corporations, consumer brands and restaurants.

The Group bought the 22.5% minority interest in this property in September 2013 and now owns 100% of this property.

#### *Guangzhou West Point*

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where the Group has effectively sold all the residential and office units and retained a commercial podium with GFA of approximately 172,700 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

## Hotel and Serviced Apartments

#### *Ascott Huaihai Road Shanghai*

Ascott Huaihai Road in Shanghai Hong Kong Plaza managed by the Ascott Group is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 353,200 square feet has 298 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxury penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 84.9% (2013: 80.9%) was achieved during the six months ended 31 January 2014 and the average room tariff decreased slightly by 3.1% over the same period last year.

#### *STARR Resort Residence Zhongshan*

STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western district at Cui Sha Road. There are 90 fully furnished serviced apartment units and the total GFA is approximately 98,600 square feet.

# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT (CONTINUED)

### Hotel and Serviced Apartments (Continued)

#### STARR Hotel Shanghai

STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 287 fully furnished and equipped hotel units with kitchenette and the GFA attributable to the Group is approximately 136,700 square feet.

## PROPERTY DEVELOPMENT

### Recognised Sales

For the six months ended 31 January 2014, the Group's property development operations recorded a turnover of HK\$307.0 million (2013: HK\$549.7 million) from sale of properties, representing a 44% decrease in sales revenue over the same period last year. The decline is primarily due to slower sales and slower than expected completion of sales.

Total recognised sales was primarily driven by the sales performance of Shanghai May Flower Plaza of which approximately 60,962 square feet of residential and office GFA were sold, achieving sales revenue of HK\$272.9 million.

Recognition of the sale of Dolce Vita Phase I achieved an average selling price of HK\$1,837 per square foot and equity accounted for a share of profit of HK\$75.6 million under "Share of profit of joint ventures" in the consolidated income statement.

For the six months ended 31 January 2014, average selling price recognised as a whole (excluding Dolce Vita) increased to approximately HK\$3,100 per square foot (2013: HK\$1,664 per square foot). The increase is due to a higher proportion of units at Shanghai May Flower Plaza being sold and recognised during the period under review at higher average selling prices.

Breakdown of turnover for the six months ended 31 January 2014 from property sales is as follows:

Recognised basis	Approximate Gross Floor Area Square feet	Average Selling Price# HK\$/square foot	Turnover* HK\$ million
Shanghai May Flower Plaza			
Residential Units	56,746	4,858	260.1
Office Apartment Units	4,216	3,214	12.8
Zhongshan Palm Spring			
Residential High-Rise Units	31,206	637	18.7
Residential House Units	12,814	1,272	15.4
<b>Total</b>	<b>104,982</b>	<b>3,100</b>	<b>307.0</b>
<b>Recognised sales from joint venture project</b>			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	151,280	1,837	262.4

# Before business tax

\* After business tax

\*\* Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("CapitaLand China") in which each of the Group and CapitaLand China has an effective 47.5% interest. For the six months ended 31 January 2014, the recognised sales (after business tax) attributable to the full project is HK\$552.4 million and approximately 318,484 square feet of GFA were recognised.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### Contracted Sales

As at 31 January 2014, the Group's property development operations, excluding Dolce Vita, has contracted but not yet recognised sales of HK\$325.4 million from sale of properties (2013: HK\$196.0 million) with an average selling price of HK\$2,760 per square foot (2013: HK\$1,953 per square foot). The increase was due to a change in product mix with more units at Shanghai May Flower Plaza and house units in Zhongshan being sold which commanded a higher average selling price. The total contracted but not yet recognised sales of the Group as at 31 January 2014 including Dolce Vita amounted to HK\$1,034.3 million.

Sales momentum for the remaining units at Shanghai May Flower Plaza was encouraging and achieved a blended average selling price of HK\$4,923 per square foot. Sales of the remainder of Phase I and Phase III of Dolce Vita were strong and average selling price increased to HK\$2,325 per square foot (2013: HK\$1,904 per square foot).

Breakdown of contracted but not yet recognised sales as at 31 January 2014 is as follows:

Contracted basis	Approximate Gross Floor Area Square feet	Average Selling Price <sup>#</sup> HK\$/square foot	Turnover <sup>#</sup> HK\$ million
Shanghai May Flower Plaza			
Residential Units	39,817	5,007	199.4
Office Apartment Units	1,648	2,913	4.8
Zhongshan Palm Spring			
Residential High-rise Units	10,802	713	7.7
Residential House Units	60,647	1,420	86.1
Guangzhou King's Park	4,982	5,500	27.4
Sub-total	117,896	2,760	325.4
<b>Contracted sales from joint venture project</b>			
Guangzhou Dolce Vita			
Residential Units <sup>**</sup> (47.5% basis)	304,951	2,325	708.9
<b>Total</b>	<b>422,847</b>	<b>2,446</b>	<b>1,034.3</b>

<sup>#</sup> Before business tax

<sup>\*\*</sup> Guangzhou Dolce Vita is a joint venture project with Capitaland China in which each of the Group and Capitaland China has an effective 47.5% interest. As at 31 January 2014, the contracted but not yet recognised sales attributable to the full project is HK\$1,492.4 million and approximately 642,000 square feet of GFA were sold.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### Review of Major Properties Completed for Sale and Under Development

#### Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed 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 and situated near the Zhongshan Road North Metro Station.

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,500 square feet of GFA. During the period under review, 56,746 square feet was recognised at an average selling price of HK\$4,858 per square foot, which contributed HK\$260.1 million to the turnover. As at 31 January 2014, contracted but not yet recognised sales amounted to HK\$199.4 million or 39,817 square feet at an average selling price of HK\$5,007 per square foot. As at 31 January 2014, completed residential units held for sale in this development amounted to approximately 111,400 square feet with a carrying amount of approximately HK\$213.2 million.

The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. During the period under review, sales of 4,216 square feet was recognised at an average selling price of HK\$3,214 per square foot, which contributed HK\$12.8 million to the turnover. As at 31 January 2014, contracted but not yet recognised sales amounted to HK\$4.8 million or 1,648 square feet at an average selling price of HK\$2,913 per square foot. As at 31 January 2014, completed office apartment units held for sale in this development amounted to approximately 15,300 square feet with a carrying amount of approximately HK\$36.1 million.

#### Zhongshan Palm Spring

The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 8.253 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 6.159 million square feet.

Phase Ia of the project, which was completed during the first half of the financial year ended 31 July 2013, comprises of high-rise residential towers and house units. During the period under review, 31,206 square feet of high-rise residential units and 12,814 square feet of house units were recognised at average selling prices of HK\$637 and HK\$1,272 per square foot, respectively, which contributed a total of HK\$34.1 million to the sales turnover. As at 31 January 2014, contracted but not yet recognised sales amounted to HK\$7.7 million and HK\$86.1 million at average selling prices of HK\$713 and HK\$1,420 per square foot for high-rise units and townhouses, respectively. As at 31 January 2014, completed units held for sale in this development amounted to 299,600 square feet with a carrying amount of approximately HK\$323.6 million. The remaining GFA under development was approximately 5,140,800 square feet.

Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
Ib	High-rise residential units	984,300	Q4 2016
II	Townhouses	202,000	Q2 2016
III	High-rise residential units including commercial units and serviced apartments	1,418,800	Q1 2019
IV	High-rise residential units including commercial units	2,535,700	Q4 2019

\* Excluding car-parking spaces and ancillary facilities

The Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### Review of Major Properties Completed for Sale and Under Development (Continued)

#### *Guangzhou Eastern Place Phase V*

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 966,200 square feet (excluding GFA attributable to the Chinese counterparty under Chinese-Foreign contractual joint venture agreement), comprising two residential blocks (GFA 320,100 square feet approximately), an office block and ancillary retail spaces (GFA 646,100 square feet approximately). Construction work for the residential blocks is expected to be completed in the first half of financial year ending 31 July 2015. The office block and ancillary retail spaces will be kept as rental properties and they are expected to complete in the second half of financial year ending 31 July 2015.

#### *Guangzhou Dolce Vita*

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd (“**CapitaLand China**”) in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou will have a total project GFA of approximately 5.759 million square feet. The project will comprise of approximately 2,785 low-rise and high-rise residential units and shopping amenities totaling 3.8 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

The project is divided into five phases of development. Phase I comprises 8 high-rise residential blocks and are all sold. Phase Ia (4 high-rise residential blocks) was completed in the second half of 2012, 2 high-rise residential blocks of Phase Ib was completed during the period under review and the other 2 blocks of Phase Ib are expected to complete in the second half of financial year ending 31 July 2014. During the period under review, 151,280 square feet attributable to the Group was recognised and generated an attributable sale proceeds of 262.4 million. As at 31 January 2014, attributable contracted but not yet recognised sales amounted to HK\$708.9 million or 304,951 square feet at an average selling price of HK\$2,325 per square foot. As at 31 January 2014, attributable GFA of completed units held for sale amounted to 1,698 square feet with a carrying amount of approximately HK\$2.4 million. The remaining attributable GFA under development was approximately 1,407,800 square feet.

Set out below is the current expectation on the development of the remaining phases:

<b>Phase</b>	<b>Description</b>	<b>Approximate GFA*</b> (square feet)	<b>Expected completion</b>
Ib	High-rise residential units	272,700	Q2 2014
II	Townhouses including a small amount of commercial units	288,700	Q2 2014
III	High-rise residential units including a small amount of commercial units	430,500	Q2 2014
IV	Town houses and low-rise residential units	305,800	Q4 2014
V	High-rise residential units	1,666,100	Q1 2016

\* Excluding car-parking spaces and ancillary facilities

#### *Guangzhou King's Park*

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. Project was launched for sale in January 2014. As at 31 January 2014, contracted but not yet recognised sales amounted to HK\$27.4 million or 4,982 square feet at an average selling price of HK\$5,500 per square foot. As at 31 January 2014, carrying amount of the completed properties in this development amounted to approximately HK\$417.2 million.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### Review of Major Properties Completed for Sale and Under Development (Continued)

#### *Creative Culture City Phase I*

On 25 September 2013, the Group announced it had successfully won Phase I of the Creative Culture City project in Hengqin which is 80% owned by the Group and 20% owned by its ultimate holding company, eSun. Phase I has a total gross floor area of 2.8 million square feet. The total investment for Phase I CCC is expected to be around HK\$3.8 billion. The master layout plan is being finalised and details will be forthcoming once they are available.

#### *Guangzhou Paramount Centre*

This is a serviced apartment development, namely "STARR Xin Hotel", located at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The attributable GFA is approximately 83,000 square feet excluding 46 car-parking spaces and ancillary facilities. This project will be added to the hotel and serviced apartment portfolio of the Group upon completion. Soft-opening is expected to be in the fourth quarter of 2014.

#### *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 project. The proposed development has a total project GFA of approximately 592,200 square feet and is intended to be developed for rental purpose.

#### *Guangzhou Guan Lu Road Project*

The site is located on Guan Lu Road in Yuexiu District. The expected residential and retail GFA is approximately 96,400 square feet excluding 62 car-parking spaces and ancillary facilities. Discussions on the redevelopment plan are progressing between the Group and the Guangzhou government.

## CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE

As at 31 January 2014, cash and bank balance held by the Group amounted to HK\$4,619.4 million and undrawn facilities of the Group was HK\$2,070.0 million.

As at 31 January 2014, the Group had total borrowings amounting to HK\$6,089.3 million (as at 31 July 2013: HK\$6,109.6 million), representing a decrease of HK\$20.3 million from 2013. The consolidated net assets attributable to the owners of the Company amounted to HK\$12,250.7 million (as at 31 July 2013: HK\$11,418.8 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 12% (as at 31 July 2013: 4%). The maturity profile of the Group's borrowings of HK\$6,089.3 million is well spread with HK\$1,801.8 million repayable within 1 year, HK\$773.4 million repayable in the second year and HK\$3,514.1 million repayable in the third to fifth years.

Approximately 61% and 37% 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\$2,393.3 million were 47% denominated in Renminbi ("**RMB**"), 31% in Hong Kong dollars ("**HKD**") and 22% in United States Dollars ("**USD**").

The Group's fixed rate senior notes of HK\$3,696.0 million were 61% denominated in RMB and 39% in USD. On 25 April 2013, issue date of the RMB denominated senior notes ("**RMB Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the RMB Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK\$4,619.4 million were 48% denominated in RMB, 43% in USD and 9% in HKD.

## Management Discussion and Analysis (Continued)

### CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE (CONTINUED)

The Group's presentation currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, 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 predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK\$8,807.2 million, completed properties for sale with a total carrying amount of approximately HK\$417.2 million, properties under development with a total carrying amount of approximately HK\$142.1 million, serviced apartments and related properties with a total carrying amount of approximately HK\$700.7 million, a leasehold building with carrying amount of approximately HK\$39.0 million and bank balances of approximately HK\$134.5 million.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have 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 2013.

# Particulars of Properties

## COMPLETED PROPERTIES HELD FOR RENTAL

Property name	Location	Group interest	Tenure	Approximate attributable gross floor area (square feet)		Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office		
<b>Shanghai</b>							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	468,434	360,687	829,121	350
May Flower Plaza	Sujiaxiang, Zhabei District	95%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	304,298	—	304,298	—
Northgate Plaza I (Note)	99 Tian Mu Road West, Zhabei District	97%	The property is held for a term of 50 years commencing on 15 June 1993	186,578	126,326	312,904	99
Regents Park	88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,959	—	77,959	—
<b>Guangzhou</b>							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	334,382	102,473	436,855	136
West Point	Zhongshan Qi Road, Liwan District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	172,718	—	172,718	—
<b>Zhongshan</b>							
Palm Spring	Caihong Planning Area, West District	100%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	56,048	—	56,048	—
<b>Subtotal of completed properties held for rental:</b>				<b>1,600,417</b>	<b>589,486</b>	<b>2,189,903</b>	<b>585</b>

Note: In November 2013, the Group bought out 2% minority interest in Northgate Plaza I, subject to completion, increasing the Group's interest in this project to 99%.

## Particulars of Properties (Continued)

### COMPLETED HOTEL PROPERTIES AND SERVICED APARTMENTS

Property name	Location	Group interest	Tenure	No. of rooms	Approximate attributable gross floor area (square feet)	No. of car-parking spaces attributable to the Group
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District, Shanghai	100%	The property is held for a term of 50 years commencing on 16 September 1992	298	353,180	—
STARR Hotel Shanghai	Sujiaxiang, Zhabei District, Shanghai	95%	The property is held for a term of 50 years commencing on 5 February 2007	239	136,653	—
STARR Resort Residence Zhongshan	Caihong Planning Area, West District, Zhongshan	100%	The property is held for a term expiring on 23 October 2073	90	98,556	—
<b>Subtotal of completed hotel properties and serviced apartments:</b>				<b>627</b>	<b>588,389</b>	<b>—</b>

# Particulars of Properties (Continued)

## PROPERTIES UNDER DEVELOPMENT

Property name	Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) (Note 1)	Approximate attributable gross floor area (square feet)					Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Serviced apartments	Residential			
<b>Guangzhou</b>												
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	47.5%	Construction work in progress	Phase 1b: Q2 2014 Phase 2: Q2 2014 Phase 3: Q2 2014 Phase 4: Q4 2014 Phase 5: Q1 2016	3,217,769 (Note 2)	27,686	—	—	1,380,139	1,407,825	764	
Paramount Centre	Da Sha Tou Road, Yuexiu District	100%	Construction work in progress	Q2 2014	23,788	5,597	—	77,426	—	83,023	46	
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	Construction work in progress	Q2 2015	212,587	108,350	537,738	—	320,110	966,198 (Note 3)	355	
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	2017-2018 (Note 4)	90,708	288,195	303,975 (Note 5)	—	—	592,170	560	
Guan Lu Road Project	Guan Lu Road, Yuexiu District	100%	Development under planning	(Note 6)	26,178	2,799	—	—	93,593	96,392	62	
<b>Zhongshan</b>												
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase 1b: Q4 2016 Phase 2: Q2 2016 Phase 3: Q1 2019 Phase 4: Q4 2019	2,547,298 (Note 2)	539,223	—	193,752	4,407,793	5,140,768	2,415	
<b>Shanghai</b>												
Northgate Plaza II	Tian Mu Road West, Zhabei District	99%	Development under planning	2017-2018 (Note 7)	44,293	61,743	195,566	—	—	257,309	177	
<b>Zhuhai</b>												
Creative Culture City Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area	80%	Development under planning (Note 8)	2018	1,401,184	2,241,894	—	—	—	2,241,894	—	
<b>Subtotal of properties under development:</b>						<b>3,275,487</b>	<b>1,037,279</b>	<b>271,178</b>	<b>6,201,635</b>	<b>10,785,579</b>	<b>4,379</b>	

### Notes:

1. On project basis
2. Including portions of the projects that have been completed for sale/lease
3. Excluding GFA attributable to the Chinese counterparty under Chinese-Foreign contractual joint venture agreement
4. In the process of negotiating the buildable area for the site with the city government
5. Office/office apartments
6. In the process of discussing the re-development plan with the city government
7. In the process of discussing a comprehensive redevelopment proposal with the district government
8. In the process of finalising master layout plan with zoning of cultural, creative industrial and commercial usage

## Particulars of Properties (Continued)

### COMPLETED PROPERTIES HELD FOR SALE

Property name	Location	Group interest	Approximate attributable gross floor area (square feet)				Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Serviced apartments	Residential			
<b>Zhongshan</b>								
Palm Spring	Caihong Planning Area, Western District	100%	125,059	—	299,628	424,687	—	
<b>Shanghai</b>								
May Flower Plaza	Sujiaxiang, Zhabei District	95%	—	14,523	105,810	120,333	435	
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	386	
<b>Guangzhou</b>								
King's Park	Donghua Dong Road, Yuexiu District	100%	3,337	—	94,949	98,286	57	
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	47.5%	—	—	1,698	1,698	—	
Eastern Place	787 Dongfeng East Road, Yuexiu District	100%	—	—	891	891	2	
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	141	
<b>Subtotal of completed properties held for sale:</b>			<b>128,396</b>	<b>14,523</b>	<b>502,976</b>	<b>645,895</b>	<b>1,021</b>	

# Corporate Governance and Other Information

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively) throughout the six months ended 31 January 2014 save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

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

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

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

## SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2014.

## SHARE OPTION SCHEME

On 18 December 2012, the Shareholders approved the adoption of a new share option scheme ("**2012 Share Option Scheme**") and the termination of the share option scheme adopted by the Company in 2003 ("**2003 Share Option Scheme**") to the effect that no more share options will be granted under the 2003 Share Option Scheme but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

# Corporate Governance and Other Information (Continued)

## SHARE OPTION SCHEME (CONTINUED)

As at 31 January 2014, share options comprising a total of 538,205,994 underlying shares were outstanding, of which a share option comprising 80,479,564 underlying shares was granted under the 2003 Share Option Scheme and share options comprising 457,726,430 underlying shares were granted under the 2012 Share Option Scheme.

The movement of the share options granted under the 2003 Share Option Scheme and the 2012 Share Option Scheme during the six months ended 31 January 2014 is as follows:

Name or category of participants	Date of grant of share options*	Notes	Number of underlying shares comprised in share options				Exercise period of share options	Exercise price of share options** (per share)
			As at 1 August 2013	Granted during the period	Lapsed during the period	As at 31 January 2014		
<b>Directors</b>								
Chew Fook Aun	12/6/2012	1	80,479,564	—	—	80,479,564	12/6/2012–11/6/2020	HK\$0.133
Lam Hau Yin, Lester	18/1/2013	2	160,959,129	—	—	160,959,129	18/1/2013–17/1/2023	HK\$0.228
Lau Shu Yan, Julius	18/1/2013	2	48,287,738	—	—	48,287,738	18/1/2013–17/1/2023	HK\$0.228
Cheng Shin How	18/1/2013	2	32,191,825	—	—	32,191,825	18/1/2013–17/1/2023	HK\$0.228
			<u>321,918,256</u>	—	—	<u>321,918,256</u>		
<b>Employees and Other Eligible Participants (in aggregate)</b>								
Batch 1	18/1/2013	2	193,191,826	—	(9,000,000)	184,191,826	18/1/2013–17/1/2023	HK\$0.228
Batch 2	26/7/2013	2	16,000,000	—	—	16,000,000	26/7/2013–25/7/2023	HK\$0.190
			<u>209,191,826</u>	—	<u>(9,000,000)</u>	<u>200,191,826</u>		
<b>Substantial Shareholder</b>								
Lam Kin Ngok, Peter	18/1/2013	2	16,095,912	—	—	16,095,912	18/1/2013–17/1/2023	HK\$0.228
			<u>16,095,912</u>	—	—	<u>16,095,912</u>		
Total			<u>547,205,994</u>	—	<u>(9,000,000)</u>	<u>538,205,994</u>		

\* The share options vested on the date of grant.

\*\* 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.

Notes:

- Share option was granted under the 2003 Share Option Scheme.
- Share options were granted under the 2012 Share Option Scheme.

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Share Option Scheme and the 2012 Share Option Scheme during the period under review.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 January 2014 and their respective associates (as defined in the Listing Rules) were interested and were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Securities Code; or (d) as known by the Directors:

### (1) The Company

#### (A) Long positions in the ordinary shares of HK\$0.10 each of the Company ("Shares") and underlying Shares

Name of Director	Capacity and nature of interests	Number of Shares	Number of underlying Shares (Note)	Total	Approximate % of total issued Shares
Chew Fook Aun	Beneficial owner	Nil	80,479,564	80,479,564	0.5
Lam Hau Yin, Lester	Beneficial owner	Nil	160,959,129	160,959,129	1
Lau Shu Yan, Julius	Beneficial owner	12,917,658	48,287,738	61,205,396	0.38
Cheng Shin How	Beneficial owner	Nil	32,191,825	32,191,825	0.2

Note: The interests in underlying shares represented interests in share options granted to the Directors under the share option schemes of the Company. Particulars of which are contained in the section headed "Share Option Scheme" of this Report.

#### (B) Long positions in the 9.125% senior notes due 2014 issued by the Company

Name of Director	Capacity	Nature of interests	Principal amount
Lau Shu Yan, Julius	Beneficial owner	Personal	US\$300,000

#### (C) Long positions in the 6.875% senior notes due 2018 issued by the Company

Name of Director	Capacity	Nature of interests	Principal amount
Lam Kin Hong, Matthew	Owner of controlled corporation	Corporate (Note)	CNY23,600,000

Note: These notes are held by Tai Fu Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Lam Kin Hong, Matthew and his spouse.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (2) Associated Corporation

eSun Holdings Limited (“eSun”) — the ultimate holding company of the Company

Long positions in the ordinary shares of eSun of HK\$0.50 each (“eSun Shares”) and underlying eSun Shares

Name of Director	Capacity and nature of interests	Number of eSun Shares	Number of underlying eSun Shares	Total	Approximate % of total issued eSun Shares
Chew Fook Aun	Beneficial owner	Nil	6,216,060 (Note 1)	6,216,060	0.50
Lam Hau Yin, Lester	Beneficial owner	2,794,443	12,432,121 (Note 2)	15,226,564	1.22

Notes:

1. A share option was granted by eSun to Mr. Chew Fook Aun on 5 June 2012 to subscribe for a total of 6,216,060 eSun Shares at an exercise price of HK\$0.92 per eSun Share during the period from 5 June 2012 to 4 June 2022.
2. A share option was granted by eSun to Mr. Lam Hau Yin, Lester on 18 January 2013 to subscribe for a total of 12,432,121 eSun Shares at an exercise price of HK\$1.612 per eSun Share during the period from 18 January 2013 to 17 January 2023.

Save as disclosed above, as at 31 January 2014, 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, recorded in the Register of Directors and Chief Executive, notified under the Securities Code, or otherwise known by the Directors.

## Corporate Governance and Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 January 2014, 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 individuals who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded, other than a Director or the chief executive of the Company, in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

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

Name	Capacity	Nature of interests	Number of Shares	Approximate % of Shares in issue
eSun Holdings Limited (" <b>eSun</b> ")	Owner of controlled corporations	Corporate	8,274,270,422 (Note 1)	51.39
Lai Sun Development Company Limited (" <b>LSD</b> ")	Owner of controlled corporations	Corporate	8,274,270,422 (Note 1)	51.39
Lai Sun Garment (International) Limited (" <b>LSG</b> ")	Owner of controlled corporations	Corporate	8,274,270,422 (Note 1)	51.39
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	8,274,270,422 (Note 2)	51.39
Merit Worth Limited (" <b>MWL</b> ")	Beneficial owner and owner of controlled corporation	Corporate	8,274,270,422 (Note 3)	51.39
CapitaLand China Holdings Pte. Ltd. (" <b>CapitaLand China</b> ")	Owner of controlled corporation	Corporate	3,220,000,000 (Note 4)	20
CapitaLand LF (Cayman) Holdings Co., Ltd (" <b>CapitaLand Cayman</b> ")	Beneficial owner	Corporate	3,220,000,000	20
CapitaLand Limited	Owner of controlled corporations	Corporate	3,220,000,000 (Note 4)	20
CapitaLand Residential Limited (" <b>CapitaLand Residential</b> ")	Owner of controlled corporations	Corporate	3,220,000,000 (Note 4)	20
Temasek Holdings (Private) Limited (" <b>Temasek</b> ")	Owner of controlled corporations	Corporate	3,220,000,000 (Note 4)	20
Silver Glory Securities Limited (" <b>SGS</b> ")	Beneficial owner	Corporate	3,889,038,698 (Note 3)	24.15

# Corporate Governance and Other Information (Continued)

## SUBSTANTIAL SHAREHOLDERS' INTERESTS (CONTINUED)

### (A) Long positions in the Shares of the Company (Continued)

Notes:

1. These interests in the Company represented all the Shares beneficially owned by MWL (4,385,231,724 Shares or approximately 27.23% of the total issued Shares) and SGS (3,889,038,698 Shares or approximately 24.15% of the total issued Shares), both being wholly-owned subsidiaries of eSun. eSun is owned as to approximately 41.26% by LSD which in turn is owned as to approximately 51.97% by LSG. As such, both LSD and LSG were deemed to be interested in the same 8,274,270,422 Shares held by eSun.
2. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 Shares held by eSun by virtue of his personal and deemed interests in approximately 40.05% of the issued share capital of LSG.
3. SGS is wholly owned by MWL which in turn is wholly owned by eSun. Therefore, MWL was deemed to be interested in the 3,889,038,698 Shares held by SGS and eSun was deemed to be interested in the 8,274,270,422 Shares held and deemed to be held by MWL.
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 3,220,000,000 Shares held by CapitaLand Cayman by virtue of its approximate 39.60% interest in the issued share capital of CapitaLand Limited.

### (B) Long positions in the underlying Shares of the Company

Name	Capacity	Number of underlying Shares	Approximate % of Shares in issue
Lam Kin Ngok, Peter	Beneficial owner	16,095,912 (Note)	0.10

Note: Particulars of the share option granted to Dr. Lam Kin Ngok, Peter under the share option scheme of the Company are contained in the section headed "Share Option Scheme" of this Report.

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 January 2014, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2014, the Company did not redeem any of its Shares or its 6.875% Senior Notes due 2018, which are listed and traded on the Stock Exchange or its 9.125% Senior Notes due 2014 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 such Shares or Senior Notes during the same period.

## DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

Pursuant to two loan facility agreements both dated 28 March 2013 (as amended and restated), the Company shall procure that Dr. Lam Kin Ngok, Peter, his family members and inter alias, LSG, LSD and eSun (collectively "**Lam Family Holders**") (taken together) shall at all times throughout the terms of the facilities remain (directly or indirectly) the beneficial owners of, or beneficially interested in, the total voting power of the capital stock having the power to vote for the election of directors, managers or other voting members of the governing body of the Company that is greater than that held by any other person that is not a Lam Family Holder.

As at 31 January 2014, the aggregate outstanding loan balances of these facilities amounted to approximately HK\$1,759,516,000 with the last instalment repayment falling due in March 2016.

# Corporate Governance and Other Information (Continued)

## UPDATE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2012-2013 are set out as follows:

- (a) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Mr. Chew Fook Aun, Mr. Lam Hau Yin, Lester, Mr. Cheng Shin How and Mr. Lau Shu Yan, Julius were adjusted upward for 4.5% with effect from 1 January 2014. Directors' remuneration for the six months ended 31 January 2014 and 2013 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>For the six months ended 31 January 2014</b>					
<i>Executive directors:</i>					
Lam Kin Ming	—	570	—	—	570
Lam Kin Hong, Matthew	—	570	—	28	598
Lam Hau Yin, Lester	—	887	—	8	895
U Po Chu	—	2,186	—	—	2,186
Chew Fook Aun	—	2,232	—	8	2,240
Lau Shu Yan, Julius	—	943	—	8	951
Cheng Shin How	—	3,451	—	8	3,459
	—	10,839	—	60	10,899
<i>Non-executive directors:</i>					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
<i>Independent non-executive directors:</i>					
Lam Bing Kwan	125	—	—	—	125
Ku Moon Lun	125	—	—	—	125
Law Kin Ho	125	—	—	—	125
Mak Wing Sum, Alvin	125	—	—	—	125
Shek Lai Him, Abraham	125	—	—	—	125
	625	—	—	—	625
<b>Total</b>	<b>625</b>	<b>10,839</b>	<b>—</b>	<b>60</b>	<b>11,524</b>

# Corporate Governance and Other Information (Continued)

## UPDATE OF DIRECTORS' INFORMATION (CONTINUED)

(a) (Continued)

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>For the six months ended 31 January 2013</b>					
<i>Executive directors:</i>					
Lam Kin Ngok, Peter (resigned on 1 November 2012)	—	500	—	—	500
Lam Kin Ming	—	570	—	—	570
Lam Kin Hong, Matthew	—	570	—	28	598
Lam Hau Yin, Lester	—	1,046	9,142	8	10,196
U Po Chu	—	2,172	—	—	2,172
Chew Fook Aun	—	2,136	—	8	2,144
Lau Shu Yan, Julius	—	375	2,743	3	3,121
Cheung Sum, Sam (resigned on 1 September 2012)	—	507	—	1	508
Cheng Shin How	—	3,192	1,829	8	5,029
Lui Siu Tsuen, Richard (resigned on 1 November 2012)	—	—	—	—	—
	—	11,068	13,714	56	24,838
<i>Non-executive directors:</i>					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
<i>Independent non-executive directors:</i>					
Lam Bing Kwan	100	—	—	—	100
Ku Moon Lun	100	—	—	—	100
Law Kin Ho	100	—	—	—	100
Mak Wing Sum, Alvin (appointed on 1 November 2012)	63	—	—	—	63
Shek Lai Him, Abraham (appointed on 19 December 2012)	30	—	—	—	30
	393	—	—	—	393
<b>Total</b>	<b>393</b>	<b>11,068</b>	<b>13,714</b>	<b>56</b>	<b>25,231</b>

# Corporate Governance and Other Information (Continued)

## UPDATE OF DIRECTORS' INFORMATION (CONTINUED)

- (b) Mr. Mak Wing Sum, Alvin has been appointed an independent non-executive director of Goldpac Group Limited ("**Goldpac**") with effect from 11 November 2013. The issued shares of Goldpac was listed and traded on the Stock Exchange with effect from 4 December 2013; and
- (c) Mr. Shek Lai Him, Abraham has been appointed an independent non-executive director of Cosmopolitan International Holdings Limited, a listed public company in Hong Kong, with effect from 18 December 2013. Mr. Shek ceased to be an independent non-executive director of Titan Petrochemicals Group Limited, a listed public company in Hong Kong, with effect from 27 February 2014.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2014, the Group employed a total of around 1,400 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

## INVESTOR RELATIONS

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our Executive Directors and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

The Company has met with a number of research analysts and investors, attended conferences as well as non-deal roadshows as follows:

Month	Event	Organizer	Location
August 2013	Investors luncheon	Bank of China International	Hong Kong
October 2013	Post full year results non-deal roadshow	UBS	Hong Kong
October 2013	Post full year results non-deal roadshow	UOB Kay Hian	Singapore
October 2013	Post full year results non-deal roadshow	DBS	New York/Los Angeles/ Denver/San Francisco
October 2013	Post full year results non-deal roadshow	UBS	Paris/London
November 2013	Post full year results non-deal roadshow	CIMB	Kuala Lumpur
November 2013	Post full year results non-deal roadshow	UOB Kay Hian	Taipei
December 2013	Post full year results non-deal roadshow	UBS	Sydney
January 2014	The Pulse of Asia Conference	DBS	Singapore
February 2014	Investors luncheon	China Merchants Securities	Hong Kong

# Corporate Governance and Other Information (Continued)

## INVESTOR RELATIONS (CONTINUED)

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

<b>Firm</b>	<b>Analyst</b>	<b>Publication Date</b>
DBS	Andy YEE, Danielle WANG, Carol WU & Ken HE	10 October 2013
HSBC	Keith CHAN	10 October 2013

The Company is keen on promoting investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Investor Relations Department by phone on (852) 2853 6116 during normal business hours, by fax at (852) 2853 6651 or by e-mail at ir@laifung.com.

## REVIEW OF INTERIM REPORT

The audit committee of the Company ("**Audit Committee**") currently comprises two of the INEDs, namely Mr. Law Kin Ho and Mr. Lam Bing Kwan, and a NED, Mr. Leow Juan Thong, Jason (alternate: Mr. Lucas Ignatius Loh Jen Yuh). The Audit Committee has reviewed the unaudited interim report (containing the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2014.

By Order of the Board  
**Chew Fook Aun**  
*Chairman*

Hong Kong, 25 March 2014