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 2018

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
Lee Tze Yan, Ernest
U Po Chu

Non-executive Directors
Lucas Ignatius Loh Jen Yuh
Puah Tze Shyang
(also alternate director to Lucas Ignatius Loh Jen Yuh)

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
Lucas Ignatius Loh Jen Yuh

REMUNERATION COMMITTEE
Lam Bing Kwan *(Chairman)*
Chew Fook Aun
Ku Moon Lun
Law Kin Ho
Lucas Ignatius Loh Jen Yuh

AUTHORISED REPRESENTATIVES
Chew Fook Aun
Lam Kin Ming

COMPANY SECRETARY
Yim Lai Wa

REGISTERED OFFICE
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS
11th Floor
Lai Sun Commercial Centre
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Kowloon, Hong Kong

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SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITOR
Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS
Bank of China Limited
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
Oversea-Chinese Banking Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
United Overseas Bank 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
1125/400 shares

Notes
CNY1,800,000,000 6.875% senior notes due 2018 (Stock Code: 85920) issued by the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

US$350,000,000 5.65% guaranteed notes due 2023 (Stock Code: 5087) issued by Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of the Company, are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

AMERICAN DEPOSITARY RECEIPT
CUSIP Number:	50731L104
Trading Symbol:	LNGHY
ADR to Ordinary Share Ratio:	1:8
Depositary Bank:	The Bank of New York Mellon

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The board of directors (the "**Board**") of Lai Fung Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 January 2018 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2018

	Notes	**For the six months ended 31 January 2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
TURNOVER	3	**509,410**	479,022
Cost of sales		**(163,683)**	(138,617)
Gross profit		**345,727**	340,405
Other income and gains		**80,907**	76,642
Selling and marketing expenses		**(20,775)**	(55,801)
Administrative expenses		**(159,592)**	(141,130)
Other operating expenses, net		**(23,548)**	(30,086)
Fair value gains on investment properties		**351,180**	123,995
PROFIT FROM OPERATING ACTIVITIES	4	**573,899**	314,025
Finance costs	5	**(97,610)**	(78,024)
Share of profits of joint ventures		**115,282**	310,979
Share of losses of associates		**(101)**	—
PROFIT BEFORE TAX		**591,470**	546,980
Tax	6	**(191,238)**	(200,364)
PROFIT FOR THE PERIOD		**400,232**	346,616
ATTRIBUTABLE TO:			
Owners of the Company		**358,911**	336,424
Non-controlling interests		**41,321**	10,192
		400,232	346,616
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	7		(Adjusted)
Basic		**HK$1.102**	HK$1.038
Diluted		**HK$1.096**	HK$1.037

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2018

	Note	For the six months ended 31 January 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
PROFIT FOR THE PERIOD		**400,232**	346,616
OTHER COMPREHENSIVE INCOME/(EXPENSES) TO BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange differences arising on translation to presentation currency		**1,138,251**	(537,468)
Share of other comprehensive income/(expenses) of joint ventures		**100,715**	(29,521)
Share of other comprehensive income of an associate		**23**	—
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period	13	**159,924**	(101,887)
Reclassification adjustments for exchange gain/(loss) included in the condensed consolidated income statement		**(134,959)**	69,653
		24,965	(32,234)
		1,263,954	(599,223)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD		**1,664,186**	(252,607)
ATTRIBUTABLE TO:			
Owners of the Company		**1,592,407**	(252,907)
Non-controlling interests		**71,779**	300
		1,664,186	(252,607)

Condensed Consolidated Statement of Financial Position

As at 31 January 2018

	Notes	**31 January 2018 (Unaudited) HK$'000**	31 July 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,101,172**	1,703,731
Prepaid land lease payments		**4,585**	4,397
Investment properties		**18,625,868**	16,457,221
Properties under development		**1,659,495**	1,341,974
Investments in joint ventures		**1,604,302**	1,387,570
Investments in associates		**805**	343
Total non-current assets		**23,996,227**	20,895,236
CURRENT ASSETS			
Properties under development		**327,218**	213,818
Completed properties for sale		**879,178**	904,811
Debtors, deposits and prepayments	8	**303,872**	256,671
Prepaid tax		**35,852**	42,844
Pledged and restricted time deposits and bank balances		**1,006,896**	571,022
Cash and cash equivalents		**4,033,149**	2,057,346
		6,586,165	4,046,512
Asset classified as held for sale	9	**—**	278,531
Total current assets		**6,586,165**	4,325,043
CURRENT LIABILITIES			
Creditors and accruals	10	**1,378,153**	957,047
Deposits received and deferred income		**196,700**	245,024
Interest-bearing bank loans, secured		**43,271**	82,031
Fixed rate senior notes	11	**2,219,658**	2,080,366
Derivative financial instruments	13	**46,378**	208,223
Loans from a joint venture		**205,196**	192,731
Tax payable		**126,898**	104,958
Total current liabilities		**4,216,254**	3,870,380
NET CURRENT ASSETS		**2,369,911**	454,663
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,366,138**	21,349,899
NON-CURRENT LIABILITIES			
Long-term deposits received		**151,800**	140,240
Interest-bearing bank loans, secured		**3,120,002**	2,814,062
Advances from a former substantial shareholder		**57,645**	54,143
Loans from a fellow subsidiary		**229,075**	218,279
Loans from a joint venture		**691,804**	649,779
Guaranteed notes	12	**2,712,910**	—
Derivative financial instruments	13	**1,921**	—
Deferred tax liabilities		**3,013,533**	2,704,032
Total non-current liabilities		**9,978,690**	6,580,535
		16,387,448	14,769,364

Condensed Consolidated Statement of Financial Position

(Continued)

As at 31 January 2018

	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**1,635,221**	1,628,509
Reserves	**14,495,195**	12,955,602
	16,130,416	14,584,111
Non-controlling interests	**257,032**	185,253
	16,387,448	14,769,364

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2018

	Attributable to owners of the Company											
	Issued capital^ HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 31 July 2017 and 1 August 2017 (Audited)	1,628,509	4,075,257	—	27,883	8,169	696,276	137,165	328,905	7,681,947	14,584,111	185,253	14,769,364
Profit for the period	—	—	—	—	—	—	—	—	358,911	358,911	41,321	400,232
Other comprehensive income for the period, net of tax:												
Exchange differences arising on translation to presentation currency	—	—	—	—	—	1,107,793	—	—	—	1,107,793	30,458	1,138,251
Share of other comprehensive income of joint ventures	—	—	—	—	—	100,715	—	—	—	100,715	—	100,715
Share of other comprehensive income of an associate	—	—	—	—	—	23	—	—	—	23	—	23
Net gain on cash flow hedges	—	—	—	—	24,965	—	—	—	—	24,965	—	24,965
Total comprehensive income for the period, net of tax	—	—	—	—	24,965	1,208,531	—	—	358,911	1,592,407	71,779	1,664,186
Issue of shares upon exercise of share options*	1,100	2,033	—	(625)	—	—	—	—	—	2,508	—	2,508
Equity-settled share option arrangements	—	—	—	2,441	—	—	—	—	—	2,441	—	2,441
Release of reserve upon lapse of share options	—	—	—	(170)	—	—	—	—	170	—	—	—
Transfer to statutory reserve	—	—	—	—	—	—	—	23,193	(23,193)	—	—	—
Share of statutory reserve of joint ventures	—	—	—	—	—	—	—	24,547	(24,547)	—	—	—
Shares issued in lieu of cash dividend**	5,612	8,521	—	—	—	—	—	—	—	14,133	—	14,133
Final 2017 dividend paid	—	—	—	—	—	—	—	—	(65,184)	(65,184)	—	(65,184)
As at 31 January 2018 (Unaudited)	**1,635,221**	**4,085,811#**	**—#**	**29,529#**	**33,134#**	**1,904,807#**	**137,165#**	**376,645#**	**7,928,104#**	**16,130,416**	**257,032**	**16,387,448**

These reserve accounts comprise the consolidated reserves of HK$14,495,195,000 (31 July 2017: HK$12,955,602,000) in the condensed consolidated statement of financial position.

* During the period ended 31 January 2018, 220,000 ordinary shares of HK$5.0 each were issued in respect of share options exercised under the Company' share option scheme at an exercise price of HK$11.40 per share and total cash consideration of HK$2,508,000 was received. The share option reserve of HK$625,000 was released to the share premium account.

** On 15 December 2017, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.20 per share payable in cash with a scrip dividend alternative (the "**2017 Scrip Dividend Scheme**") for the year ended 31 July 2017 (the "**2017 Final Dividend**"). During the period, 1,122,400 new shares were issued by the Company at a deemed price of HK$12.592 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2017 Scrip Dividend Scheme to settle HK$14,133,000 of the 2017 Final Dividend. The remainder of the 2017 Final Dividend of HK$51,051,000 was satisfied by cash.

Further details of the 2017 Scrip Dividend Scheme are set out in the Company's circular dated 3 January 2018.

^ The shareholders of the Company approved at the extraordinary general meeting held on 14 August 2017 that every fifty issued and unissued ordinary shares of HK$0.10 each in the share capital of the Company are consolidated into one ordinary share of HK$5.00 each in the share capital of the Company which became effective on 15 August 2017 (the "**Share Consolidation**").

Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 31 January 2018

	Attributable to owners of the Company											
	Issued capital HK$'000	**Share premium account** HK$'000	**Asset revaluation reserve** HK$'000	**Share option reserve** HK$'000	**Hedge reserve** HK$'000	**Exchange fluctuation reserve** HK$'000	**Capital reserve** HK$'000	**Statutory reserve** HK$'000	**Retained earnings** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
As at 31 July 2016 and 1 August 2016 (Audited)	1,619,770	4,069,257	68,959	29,424	40,403	827,098	137,165	241,397	6,281,294	13,314,767	72,847	13,387,614
Profit for the period	—	—	—	—	—	—	—	—	336,424	336,424	10,192	346,616
Other comprehensive expenses for the period, net of tax:												
Exchange differences arising on translation to presentation currency	—	—	—	—	—	(527,576)	—	—	—	(527,576)	(9,892)	(537,468)
Share of other comprehensive expenses of joint ventures	—	—	—	—	—	(29,521)	—	—	—	(29,521)	—	(29,521)
Net loss on cash flow hedges	—	—	—	—	(32,234)	—	—	—	—	(32,234)	—	(32,234)
Total comprehensive income/(expenses) for the period, net of tax	—	—	—	—	(32,234)	(557,097)	—	—	336,424	(252,907)	300	(252,607)
Issue of shares upon exercise of share options*	3,000	2,361	—	(1,371)	—	—	—	—	—	3,990	—	3,990
Release of reserve upon lapse of share options	—	—	—	(170)	—	—	—	—	170	—	—	—
Transfer to statutory reserve	—	—	—	—	—	—	—	6,380	(6,380)	—	—	—
Share of statutory reserve of joint ventures	—	—	—	—	—	—	—	24,931	(24,931)	—	—	—
Shares issued in lieu of cash dividend**	5,739	3,639	—	—	—	—	—	—	—	9,378	—	9,378
Final 2016 dividend paid	—	—	—	—	—	—	—	—	(58,420)	(58,420)	—	(58,420)
As at 31 January 2017 (Unaudited)	1,628,509	4,075,257#	68,959#	27,883#	8,169#	270,001#	137,165#	272,708#	6,528,157#	13,016,808	73,147	13,089,955

\# These reserve accounts comprise the consolidated reserves of HK$11,388,299,000 (31 July 2016: HK$11,694,997,000) in the condensed consolidated statement of financial position.

* During the period ended 31 January 2017, 30,000,000 ordinary shares of HK$0.10 each were issued in respect of a share option exercised under the Company's share option scheme at an exercise price of HK$0.133 per share and total cash consideration of HK$3,990,000 was received. The share option reserve of HK$1,371,000 was released to the share premium account.

** On 16 December 2016, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.0036 per share payable in cash with a scrip dividend alternative (the "**2016 Scrip Dividend Scheme**") for the year ended 31 July 2016 (the "**2016 Final Dividend**"). During the period, 57,394,650 new shares were issued by the Company at a deemed price of HK$0.1634 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2016 Scrip Dividend Scheme to settle HK$9,378,000 of the 2016 Final Dividend. The remainder of the 2016 Final Dividend of HK$49,042,000 was satisfied by cash.

Further details of the 2016 Scrip Dividend Scheme are set out in the Company's circular dated 4 January 2017.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2018

	For the six months ended 31 January 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	**93,034**	(119,149)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**10,539**	12,685
Additions to property, plant and equipment	**(211,727)**	(124,645)
Additions to investment properties	**(291,975)**	(463,370)
Advances of loans to a joint venture	**(691)**	(574)
Advances of a loan to an associate	**(540)**	—
Decrease/(increase) in pledged and restricted time deposits and bank balances	**(401,613)**	313,856
NET CASH FLOW USED IN INVESTING ACTIVITIES	**(896,007)**	(262,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**2,508**	3,990
Proceeds from issue of guaranteed notes, net of issue expenses	**2,712,758**	—
New bank loans, net of direct costs	**493,099**	214,000
Repayment of bank loans	**(307,636)**	(484,520)
Loans from a fellow subsidiary	**19,200**	3,648
Repayment of loans from a fellow subsidiary	**(19,200)**	(4,800)
Loans from a joint venture	**—**	420,489
Repayment of a loan from a joint venture	**—**	(154,078)
Interest and bank financing charges paid	**(175,022)**	(164,590)
Dividend paid	**(51,051)**	(49,042)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES	**2,674,656**	(214,903)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,871,683**	(596,100)
Cash and cash equivalents at beginning of period	**2,057,346**	2,546,240
Effect of foreign exchange rate changes, net	**104,120**	(67,996)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,033,149**	1,882,144
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	**1,262,828**	1,518,063
Non-pledged and non-restricted time deposits	**2,770,321**	364,081
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	**4,033,149**	1,882,144

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 2018 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 the 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 2017 (the "**2017 Financial Statements**"). These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2017.

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. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

3. OPERATING SEGMENT INFORMATION

	For the six months ended 31 January (Unaudited)					
	Property development		**Property investment**		**Consolidated**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**129,883**	133,192	**379,527**	345,830	**509,410**	479,022
Other revenue	**1,387**	1,132	**64,940**	59,945	**66,327**	61,077
Total	**131,270**	134,324	**444,467**	405,775	**575,737**	540,099
Segment results	**28,112**	31,447	**610,341**	304,699	**638,453**	336,146
Interest income from bank deposits					**10,539**	12,685
Unallocated gains					**4,041**	2,880
Unallocated expenses, net					**(79,134)**	(37,686)
Profit from operating activities					**573,899**	314,025
Finance costs					**(97,610)**	(78,024)
Share of profits of joint ventures	**115,282**	310,979	**—**	—	**115,282**	310,979
Share of losses of associates	**—**	—	**(101)**	—	**(101)**	—
Profit before tax					**591,470**	546,980
Tax					**(191,238)**	(200,364)
Profit for the period					**400,232**	346,616
Other segment information:						
Fair value gains on investment properties	**—**	—	**351,180**	123,995	**351,180**	123,995
Reversal of write-down/(write-down) of completed properties for sale to net realisable value	**692**	(618)	**—**	—	**692**	(618)
Compensation received on return of land use right to the local authority	**—**	6,813	**—**	—	**—**	6,813
Gain on swap of properties	**—**	—	**41,379**	—	**41,379**	—
Loss on disposal of items of property, plant and equipment	**11**	32	**145**	137	**156**	169

Notes to Condensed Consolidated Financial Statements
(Continued)

3. OPERATING SEGMENT INFORMATION *(CONTINUED)*

	Property development		Property investment		Consolidated	
	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000	**31 January 2018 (Unaudited) HK$'000**	31 July 2017 (Audited) HK$'000	**31 January 2018 (Unaudited) HK$'000**	31 July 2017 (Audited) HK$'000
Segment assets/liabilities:						
Segment assets	**2,903,311**	2,502,894	**20,811,311**	18,240,394	**23,714,622**	20,743,288
Investments in joint ventures	**1,604,302**	1,387,570	**—**	—	**1,604,302**	1,387,570
Investments in associates	**—**	—	**805**	343	**805**	343
Unallocated assets					**5,262,663**	2,810,547
Asset classified as held for sale					**—**	278,531
Total assets					**30,582,392**	25,220,279
Segment liabilities	**561,872**	439,278	**983,849**	767,616	**1,545,721**	1,206,894
Unallocated liabilities					**12,649,223**	9,244,021
Total liabilities					**14,194,944**	10,450,915

4. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	For the six months ended 31 January **2018 (Unaudited) HK$'000**	2017 (Unaudited) HK$'000
Cost of completed properties sold		**78,990**	61,184
Outgoings in respect of rental income		**84,693**	77,433
Depreciation#		**39,023**	35,292
Ineffective portion of the effective hedge recognised in profit or loss##	13	**—**	7,925
Foreign exchange differences, net##		**33,423**	(5,364)
Loss on disposal of items of property, plant and equipment##		**156**	169
Amortisation of prepaid land lease payments		**92**	89
Compensation received on return of land use right to the local authority##		**—**	(6,813)
Gain on swap of properties##	9	**(41,379)**	—
Write-down/(reversal of write-down) of completed properties for sale to net realisable value##		**(692)**	618

The depreciation charge of HK$30,472,000 (six months ended 31 January 2017: HK$29,935,000) for serviced apartments and related leasehold improvements is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

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

5. FINANCE COSTS

	For the six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on:		
Bank loans	**77,216**	66,910
Fixed rate senior notes	**71,415**	70,958
Guaranteed notes	**5,237**	—
Loans from a joint venture	**15,272**	11,592
Amortisation of:		
Bank loans	**9,337**	9,455
Fixed rate senior notes	**4,333**	4,034
Guaranteed notes	**152**	—
Bank financing charges and direct costs	**6,759**	6,364
	189,721	169,313
Less: Capitalised in properties under development	**(36,059)**	(51,103)
Capitalised in investment properties under construction	**(37,435)**	(28,496)
Capitalised in construction in progress	**(18,617)**	(11,690)
	(92,111)	(91,289)
Total finance costs	**97,610**	78,024

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 2017: 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current — Mainland China		
Corporate income tax	**35,311**	10,670
Land appreciation tax	**18,554**	110,217
Deferred	**137,373**	79,477
Total tax charge for the period	**191,238**	200,364

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 certain property interests attributable to the Group through its subsidiaries and its joint ventures as at 31 October 1997. During the period, no tax indemnity was received by the Group under the aforesaid indemnities (six months ended 31 January 2017: Nil).

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$358,911,000 (six months ended 31 January 2017: HK$336,424,000), and the weighted average number of ordinary shares of 325,820,865 (six months ended 31 January 2017: adjusted as 324,193,731) in issue during the period, as adjusted to reflect the effect of the Share Consolidation. Comparative figures have also been adjusted on the assumption that the Share Consolidation had been effective in the prior 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:

	For the six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**358,911**	336,424
	Number of shares	
		(Adjusted)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**325,820,865**	324,193,731
Effect of dilution — weighted average number of ordinary shares:		
Share options	**1,629,347**	244,222
	327,450,212	324,437,953

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 a 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. Trade receivables of the Group were interest-free.

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

	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000
Trade receivables, net:		
Within one month	**104,614**	103,530
One to three months	**1,974**	2,897
Over three months	**5,308**	3,794
	111,896	110,221
Other receivables, deposits and prepayments	**191,976**	146,450
Total	**303,872**	256,671

9. ASSET CLASSIFIED AS HELD FOR SALE

The Transaction (as defined and disclosed in note 22 to the 2017 Financial Statements) was completed during the period ended 31 January 2018 and a gain of HK$41,379,000 was recognised and included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

10. CREDITORS AND ACCRUALS

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

	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000
Trade payables:		
Within one month	**366,556**	201,075
One to three months	**14,888**	4,244
Over three months	**76**	552
	381,520	205,871
Accruals and other payables	**996,633**	751,176
Total	**1,378,153**	957,047

11. FIXED RATE SENIOR NOTES

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

On 25 April 2013, the Company issued RMB1,800,000,000 of 6.875% fixed rate senior notes, which will mature on 25 April 2018 for bullet repayment. The fixed rate senior 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 fixed rate senior notes are listed on the Stock Exchange.

12. GUARANTEED NOTES

US$350,000,000 5.65% Guaranteed Notes due 2023

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of the Company issued US$350,000,000 of 5.65% fixed rate guaranteed notes, which will mature on 18 January 2023 for bullet repayment. The guaranteed notes bear interest from 18 January 2018 and are payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2018 (each, an "**Interest Payment Date**"). The guaranteed notes are listed on the Stock Exchange.

The guaranteed notes are guaranteed by the Company and also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from LSD.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000
Financial liabilities — Cross currency swap agreements (the "**CCSs**")		
— For fixed rate senior notes (the "**CCS — Fixed Rate Senior Notes**")	**46,378**	208,223
— For guaranteed notes (the "**CCS — Guaranteed Notes**")	**1,921**	—
Carrying amount at end of the period	**48,299**	208,223
Amount classified as current liabilities	**(46,378)**	(208,223)
Non-current portion	**1,921**	—

The carrying amounts of the CCSs are the same as their fair values.

During the period, the Group has entered into the CCS — Guaranteed Notes with financial institutions with an aggregate nominal amount of US$350,000,000 in connection with the guaranteed notes as detailed in note 12 to this financial statements.

Pursuant to the terms of the CCS — Guaranteed Notes, the Company receives an amount semi-annually calculated based on a fixed rate of 5.65% per annum on the aggregate notional amount of US$350,000,000 during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date (as defined in note 12) of the guaranteed notes, and pays an amount semi-annually calculated based on a fixed rate of 5.37% per annum on the aggregate notional amount of HK$2,738,225,000 (being the HK$ equivalent amount of US$350,000,000 translated at a contracted exchange rate of US$1 to HK$7.8235) during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date. Before 18 January 2023, the Group will receive the aggregate notional amount of US$350,000,000 and will pay the aggregate notional amount of HK$2,738,225,000.

13. DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

The CCS — Fixed Rate Senior Notes and the CCS — Guaranteed Notes are designated as hedging instruments in respect of the fixed rate senior notes and the guaranteed notes, respectively. The CCSs balances vary with the changes in foreign exchange forward rates.

The effectiveness of the cash flow hedges is assessed semi-annually by the Group.

As at 31 January 2018, the cash flow hedges of the fixed rate senior notes and the guaranteed notes (31 January 2017: fixed rate senior notes) are assessed to be highly effective and the movements in the financial liabilities arising from the CCSs during the period are as follows:

For the six months ended 31 January 2018 (Unaudited)

	CCS — Guaranteed Notes HK$'000	**CCS — Fixed Rate Senior Notes HK$'000**	**Total HK$'000**
Carrying amount at beginning of the period	**—**	**208,223**	**208,223**
Fair value losses/(gains) charged/(credited) to the hedge reserve	**1,921**	**(161,845)**	**(159,924)**
Carrying amount at end of the period	**1,921**	**46,378**	**48,299**

For the six months ended 31 January 2017 (Unaudited)

	Note	CCS — Fixed Rate Senior Notes HK$'000
Carrying amount at beginning of the period		210,068
Fair value losses charged to the hedge reserve		101,887
Ineffective portion of the effective hedge recognised in profit or loss	4	7,925
Carrying amount at end of the period		319,880

14. COMMITMENTS

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

	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000
Contracted, but not provided for:		
Construction and development costs	**2,076,637**	2,697,150

15. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	For the six months ended 31 January 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Lai Sun Garment (International) Limited ("**LSG**") and its subsidiaries:			
Rental and management fee expenses paid or payable	(i)	**1,344**	1,267
Rental and management fee income received or receivable	(ii)	**33**	32
Sharing of corporate salaries on a cost basis allocated from		**12,956**	11,236
Sharing of administrative expenses on a cost basis allocated from		**1,813**	1,194
Sharing of corporate salaries on a cost basis allocated to		**1,637**	1,678
Sharing of administrative expenses on a cost basis allocated to		**276**	200
eSun and its subsidiaries excluding the Group:			
Rental and management fee income received or receivable	(iii)	**4,292**	4,123
Advance of loans received	(iv)	**19,200**	3,648
Repayment of loans	(iv)	**19,200**	4,800
Sharing of corporate salaries on a cost basis allocated from		**1,229**	1,129
Sharing of administrative expenses on a cost basis allocated from		**61**	—
Sharing of corporate salaries on a cost basis allocated to		**529**	404
Sharing of administrative expenses on a cost basis allocated to		**11**	—
A subsidiary of CapitaLand Limited:			
Management and other service fees paid or payable	(v)	**5,140**	4,786

15. RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	Notes	For the six months ended 31 January **2018** **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000
A joint venture of the Group:			
Advance of loans received	(vi)	**—**	420,489
Advance of a loan repaid	(vi)	**—**	154,078
Advances of loans		**691**	574
Interest expenses paid or payable	(vi)	**15,272**	11,592

Notes:

(i) *The related companies are LSD and a subsidiary of LSD, which are the subsidiaries of LSG. eSun, an associate of LSD, is the ultimate holding company of the Company. The Company is therefore also 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.*

(ii) *The related company is a subsidiary of LSD. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related company.*

(iii) *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.*

(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. The related company is a 20% shareholder of Rosy Commerce Holdings Limited ("**RCHL**", a subsidiary of the Company in which the Group has the remaining 80% interest). During the period, the related company advanced loans amounting to HK$19,200,000 (six months ended 31 January 2017: HK$3,648,000) and received repayment of loans amounting to HK$19,200,000 (six months ended 31 January 2017: HK$4,800,000) according to its percentage of interest in RCHL.*

(v) *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.*

(vi) *The related company is a joint venture of the Group, Guangzhou Beautiwin Real Estate Development Company Limited ("**Guangzhou Beautiwin**"). The terms of the loans are determined based on the agreements entered into between the Group and Guangzhou Beautiwin. During the period, interest expenses were charged at fixed interest rates of 3.045%-4.20% per annum (six months ended 31 January 2017: 3.045%-4.20% per annum) for loans advanced from Guangzhou Beautiwin to the Group.*

15. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Compensation of key management personnel of the Group

	For the six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**14,041**	13,581
Pension scheme contributions	**65**	65
Total	**14,106**	13,646

16. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's certain financial instruments are as follows:

	Carrying amounts		Fair values	
	31 January 2018	31 July 2017	**31 January 2018**	31 July 2017
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Derivative financial instruments	**48,299**	208,223	**48,299**	208,223
Fixed rate senior notes	**2,219,658**	2,080,366	**2,232,449**	2,090,492
Guaranteed notes	**2,712,910**	—	**2,723,890**	—
	4,980,867	2,288,589	**5,004,638**	2,298,715

Each year, the Group's management appoints external valuers to be responsible for the external valuations of the Group's derivative financial instruments (the "**Financial Instrument Valuers**"). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the Financial Instrument Valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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 and guaranteed 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.

Other than the above financial liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 January 2018 and 31 July 2017.

16. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

31 January 2018

	Valuation techniques	**Significant unobservable inputs**	**Value of unobservable inputs**	**Notes**
Derivative financial instruments — CCS Fixed Rate Senior Notes	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$0.00 to HK$1.47 million	1
		Expected exposure at default — the Company	HK$0.00 to HK$24.88 million	2
		Credit spread — counterparty	4.05 basis point to 108.61 basis point	3
		Credit spread — the Company	389.54 basis point to 658.23 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6
Derivative financial instruments — CCS Guaranteed Notes	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$4.44 million to HK$25.04 million	1
		Expected exposure at default — the Company	HK$10.59 million to HK$44.98 million	2
		Credit spread — counterparty	4.05 basis point to 109.27 basis point	3
		Credit spread — the Company	389.54 basis point to 662.31 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

31 July 2017

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS Fixed Rate Senior Notes	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$0.00 to HK$460.53	1
		Expected exposure at default — the Company	HK$107.41 million to HK$107.76 million	2
		Credit spread — counterparty	10.33 basis point to 116.82 basis point	3
		Credit spread — the Company	372.67 basis point to 661.30 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

Notes:

1. *The higher the expected exposure at default — counterparty, the lower the fair value of CCS*
2. *The higher the expected exposure at default — the Company, the higher the fair value of CCS*
3. *The higher the credit spread — counterparty, the lower the fair value of CCS*
4. *The higher the credit spread — the Company, the higher the fair value of CCS*
5. *The higher the loss given default ratio — counterparty, the lower the fair value of CCS*
6. *The higher the loss given default ratio — the Company, the higher the fair value of CCS*

16. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Liabilities measured at fair value

As at 31 January 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (unaudited) HK$'000	**Significant observable inputs (Level 2) (unaudited) HK$'000**	**Significant unobservable inputs (Level 3) (unaudited) HK$'000**	**Total (unaudited) HK$'000**
Derivative financial instruments	**—**	**—**	**48,299**	**48,299**

As at 31 July 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) HK$'000	Significant observable inputs (Level 2) (Audited) HK$'000	Significant unobservable inputs (Level 3) (Audited) HK$'000	Total (Audited) HK$'000
Derivative financial instruments	—	—	208,223	208,223

The Group did not have any financial assets measured at fair value as at 31 January 2018 and 31 July 2017.

During the period and the year ended 31 July 2017, 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.

Liabilities for which fair values are disclosed

The Group's financial liabilities for which fair values are disclosed includes fixed rate senior notes and guaranteed notes, fair value of which are based on quoted market prices and are categorised in Level 1 as at 31 January 2018 and 31 July 2017.

17. SHARE OPTION SCHEME

On 18 December 2012, the Company adopted a new share option scheme and terminated the share option scheme previously adopted on 21 August 2003. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme.

The table below disclosed movement of the Company's share options held by the Company's directors and other eligible participants:

	Number of underlying shares comprised in share options
Outstanding as at 1 August 2017	**10,064,117**
Granted during the period	**450,000**
Exercised during the period	**(220,000)**
Lapsed during the period	**(60,000)**
Outstanding as at 31 January 2018	**10,234,117**

The outstanding number of underlying shares comprised in share options as at 1 August 2017 is adjusted to reflect the effect of the Share Consolidation.

17. SHARE OPTION SCHEME *(CONTINUED)*

The closing price of the Company's shares immediately before the date of grant of share options granted during the period was HK$13.50.

The fair value of the share options granted during the period was approximately HK$2,441,000 (HK$5.4236 each) which was recognised as a share option expense of approximately HK$2,441,000 and HK$806,000 (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) for the six months ended 31 January 2018 (six months ended 31 January 2017: Nil).

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using the Binomial Option Pricing Model ("**Binominal Model**"), taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	**19 January 2018**
Closing share price of the date of grant (HK$ per share)	**13.52**
Exercise price (HK$ per share)	**13.52**
Option life (years)	**10**
Risk-free interest rate (%)	**2.0181**
Dividend yield (%)	**1.5129**
Expected volatility (%)	**47.6430**
Historical volatility (%)	**47.6430**
Forfeiture rate (%)	**2.7848**

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The value of the share options is subject to a number of assumptions and with regard to the limitation of the Binominal Model. Therefore, the value may be subjective and would change should any of the assumptions change.

18. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 22 March 2018.

Interim Dividend

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2018 (six months ended 31 January 2017: Nil).

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Major economies around the world continue to navigate in uncertain waters during the period under review. The capital market has demonstrated robustness despite a delicate economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the United States and Europe and the geopolitical situation in the Korean peninsula. Some of these events are likely to linger in the near future and continue to cast a shadow on the outlook.

Notwithstanding the seemingly turbulent environment, the Central Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. However some sectors such as exports, weakened as a result of lackluster global economic performance. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption. The property sector has been a beneficiary of this as observed in various land auctions and transaction values recently. We believe the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The Central Government's approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike. With the first session of the 13^{th} National People's Congress and the first session of the 13^{th} National Committee of the Chinese People's Political Consultative Conference came to a conclusion, it is reassuring that we can expect continued stability and continuity going forward.

The Group's regional focus and rental-led strategy has demonstrated resilience in recent years. The rental portfolio of approximately 3.3 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. The asset swap transaction as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. The total gross floor area ("**GFA**") of this property owned by the Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

The Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.3 million square feet to approximately 6.6 million square feet through developing the existing projects on hand over the next few years. Demolition of Shanghai Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works for the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building commenced in September 2017. The redevelopment plan includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group.

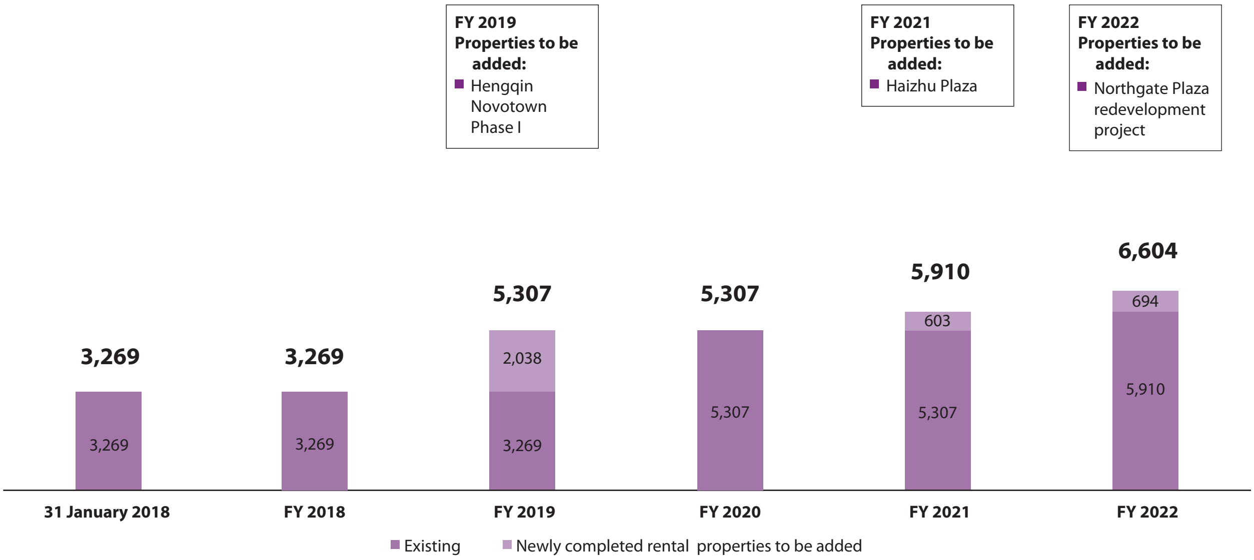
The construction works of Phase I of the Novotown project in Hengqin ("**Novotown**") commenced at the end of 2015 and is now progressing at a good pace. In June 2017, the Group entered into a licence agreement with Real Madrid Club de Fútbol ("**Real Madrid**") in relation to the development and operation of a location based entertainment centre ("**Real Madrid LBE**") in Novotown. In September 2017, the Group entered into a framework agreement with Dr. Ing. h.c. F. Porsche AG ("**Porsche**") in relation to the development and operation of an auto experience theme centre named Porsche City ("**Porsche City**") in Novotown. In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up an Innovation Leadership Academy Hengqin ("**ILA Hengqin**") in Hengqin, Zhuhai. The cooperation aims to enhance the general education experience in Hengqin and across the region catering for learning needs of local and overseas families residing within the Pearl River Delta area, including Hengqin, Zhuhai, Macau and the Greater Bay Area. The Real Madrid LBE, Porsche City and ILA Hengqin are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

BUSINESS REVIEW AND OUTLOOK *(CONTINUED)*

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I are expected to contribute to the income of the Group in the coming financial years. The Group will continue its prudent and flexible approach in growing its landbank.

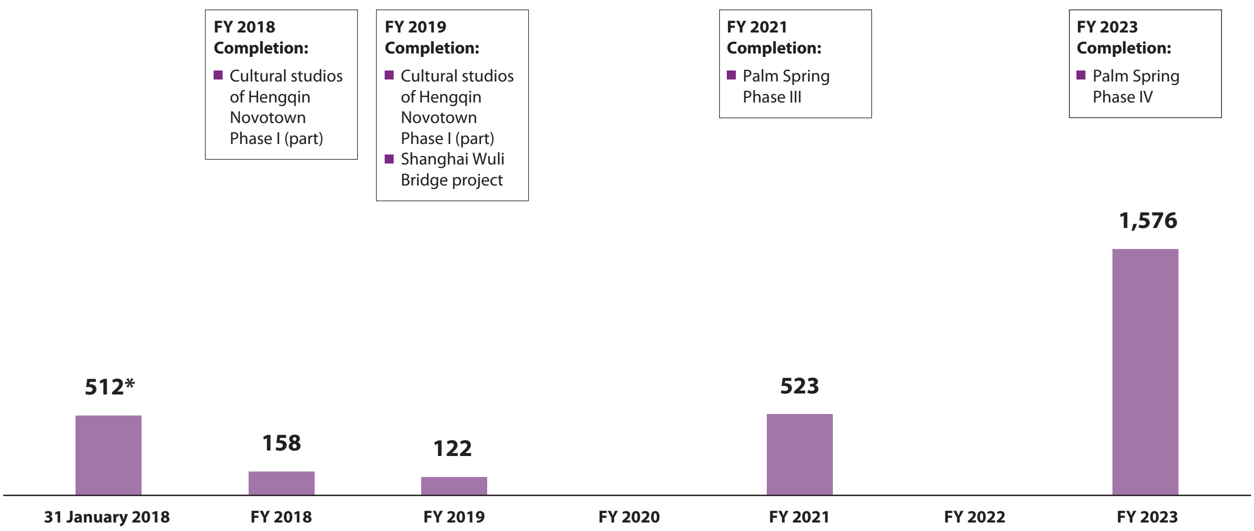
Set out below is the expected growth of the rental portfolio of the Group and the pipeline of development projects of the Group as at 31 January 2018:

Rental Portfolio



Attributable rental GFA ('000 sq.ft.)

For-sale Projects



Attributable saleable GFA ('000 sq.ft.)

* *Excluding commercial portion of the Zhongshan Palm Spring for self-use.*

BUSINESS REVIEW AND OUTLOOK *(CONTINUED)*

The share consolidation on a 1-for-50 basis ("**Share Consolidation**") and change in board lot size from 20,000 shares to 400 shares announced by the Group on 18 July 2017 is effective from 15 August 2017. It is hoped that this will make investing in the shares of the Group more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor and thus help to further broaden the shareholder base of the Company.

As at 31 January 2018, the Group has a landbank of 5.7 million square feet. The Group's strong cash position of HK$5,040.0 million of cash on hand and undrawn facilities of HK$4,473.6 million with a net debt to equity ratio of 26% as at 31 January 2018 provides the Group with full confidence and the means to review opportunities more actively. The financial liquidity of the Group has been bolstered by the US$350 million guaranteed notes issued in January 2018 which is listed on the Stock Exchange of Hong Kong Limited. The proceeds from this guaranteed notes will help to refinance the CNY1,800 million fixed rate senior notes issued by the Company in 2013 which will mature in April 2018. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2018, the Group recorded a turnover of HK$509.4 million (2017: HK$479.0 million) and a gross profit of HK$345.7 million (2017: HK$340.4 million), representing an increase of approximately 6.3% and 1.6%, respectively over the same period last year. The average Renminbi exchange rate for the period under review appreciated by approximately 3.9% over the same period last year. Excluding the effect of currency translation, the increase in Renminbi denominated turnover was 2.4%. Set out below is the turnover by segment:

	For the six months ended 31 January			**For the six months ended 31 January**		
	2018* **(HK$ million)**	2017* (HK$ million)	% change	**2018** **(RMB million)**	2017 (RMB million)	% change
Rental income	**379.5**	345.8	9.7%	**320.1**	303.0	5.6%
Sales of properties	**129.9**	133.2	-2.5%	**109.5**	116.7	-6.2%
Total:	**509.4**	479.0	6.3%	**429.6**	419.7	2.4%

* *The exchange rates adopted for the six months ended 31 January 2018 and 2017 are 0.8433 and 0.8762, respectively*

Net profit attributable to owners of the Company was approximately HK$358.9 million (2017: HK$336.4 million), representing an increase of approximately 6.7% over the same period last year. The increase is due to a mix of: i) higher revaluation gain arising from the revaluation of the Group's investment properties for the six months ended 31 January 2018 as compared to the same period last year; and ii) decreased profit contribution from the sales of Guangzhou Dolce Vita, the joint venture project with CapitaLand China Holdings Pte Ltd ("**CapitaLand China**") as compared to the same period last year, which has been substantially sold and is recognised as a component of "Share of profits of joint ventures" in the condensed consolidated income statement.

Basic earnings per share was HK$1.102 (2017 (adjusted): HK$1.038).

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$132.7 million (2017: HK$246.3 million), representing a decrease of approximately 46.1% over the same period last year. Basic earnings per share excluding the effect of property revaluations decreased to HK$0.4075 (2017 (adjusted): HK$0.7597).

Adjustment has been made to the weighted average number of issued shares of the Company for the six months ended 31 January 2017 for the calculations of basic earnings per share and adjusted basic earnings per share as above due to the Share Consolidation of the Company being effective on 15 August 2017.

OVERVIEW OF INTERIM RESULTS *(CONTINUED)*

Profit attributable to owners of the Company (HK$ million)	**Six months ended 31 January** **2018**	2017
Reported	**358.9**	336.4
Adjustments in respect of investment properties		
Revaluation of properties	**(351.2)**	(124.0)
Deferred tax on investment properties	**87.8**	31.0
Non-controlling interests' share of revaluation movements less deferred tax	**37.2**	2.9
Net profit after tax excluding revaluation gains of investment properties	**132.7**	246.3

Net assets attributable to owners of the Company as at 31 January 2018 amounted to HK$16,130.4 million (31 July 2017: HK$14,584.1 million). The increase is primarily due to increase in exchange fluctuation reserve arising from RMB appreciation during the period under review. Net asset value per share attributable to owners of the Company increased to HK$49.32 per share as at 31 January 2018 from HK$44.78 per share (adjusted) as at 31 July 2017. Adjustment has been made to the total number of issued shares of the Company as at 31 July 2017 due to the Share Consolidation of the Company being effective on 15 August 2017.

PROPERTY PORTFOLIO COMPOSITION

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 January 2018:

	Commercial/ Retail	**Office**	**Serviced apartments**	**Residential**	**Total (excluding car-parking spaces & ancillary facilities)**	**No. of car-parking spaces**
Completed Properties Held for Rental[1]	1,623	1,048	—	—	2,671	799
Completed Hotel Properties and Serviced Apartments	—	—	598	—	598	—
Properties under Development[2]	1,100	1,740	821	2,052	5,713	4,380
Completed Properties Held for Sale	66[3]	—	—	500	566	2,234
Total GFA of major properties of the Group	**2,789**	**2,788**	**1,419**	**2,552**	**9,548**	**7,413**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale, including 53,223 square feet of commercial space in Zhongshan Palm Spring Rainbow Mall which is currently for self-use.*

PROPERTY INVESTMENT

Rental Income

For the six months ended 31 January 2018, the Group's rental operations recorded a turnover of HK$379.5 million (2017: HK$345.8 million), representing a 9.7% increase over the same period last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 5.6%. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January			**Six months ended 31 January**			
	2018# **(HK$ million)**	2017# (HK$ million)	% Change	**2018** **(RMB million)**	2017 (RMB million)	% Change	**Period end occupancy (%)**
Shanghai							
Shanghai Hong Kong Plaza	**206.3**	201.3	2.5	**174.0**	176.4	-1.4	Retail: 93.7% Office: 93.4% Serviced Apartments: 80.7%
Shanghai May Flower Plaza	**38.8**	37.8	2.6	**32.7**	33.1	-1.2	Retail: 100.0% Hotel: 69.9%
Shanghai Regents Park	**12.4**	7.0	77.1	**10.5**	6.1	72.1	100.0%
Guangzhou							
Guangzhou May Flower Plaza	**55.0**	55.8	-1.4	**46.4**	48.9	-5.1	99.2%
Guangzhou West Point	**9.9**	9.1	8.8	**8.3**	8.0	3.8	98.8%
Guangzhou Lai Fung Tower	**51.9**	30.3	71.3	**43.8**	26.5	65.3	Retail: 100.0% Office: 100.0%*
Zhongshan							
Zhongshan Palm Spring	**5.2**	4.5	15.6	**4.4**	4.0	10.0	Retail: 86.0%* Serviced Apartments: 49.6%
Total:	**379.5**	345.8	9.7	**320.1**	303.0	5.6	

The exchange rates adopted for the six months ended 31 January 2018 and 2017 are 0.8433 and 0.8762, respectively
* *Excluding self-use area*

PROPERTY INVESTMENT *(CONTINUED)*

Rental Income *(Continued)*

Breakdown of turnover by usage of our major rental properties is as follows:

	Six months ended 31 January 2018			Six months ended 31 January 2017		
	Group interest	**Turnover (HK$ million)**	**Attributable GFA (square feet)**	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		**90.4**	**468,434**		91.8	468,434
Office		**50.0**	**362,096**		48.2	360,687
Serviced Apartments (room revenue and F&B)		**62.0**	**355,267**		58.1	355,267
Car-parking Spaces		**3.9**	**N/A**		3.2	N/A
		206.3	**1,185,797**		201.3	1,184,388
Shanghai May Flower Plaza	100%			100%		
Retail		**17.3**	**320,314**		17.6	320,314
Hotel (room revenue and F&B)		**19.4**	**143,846**		18.3	143,846
Car-parking Spaces		**2.1**	**N/A**		1.9	N/A
		38.8	**464,160**		37.8	464,160
Shanghai Regents Park	95%			95%		
Retail		**10.3**	**77,959**		5.5	77,959
Car-parking Spaces		**2.1**	**N/A**		1.5	N/A
		12.4	**77,959**		7.0	77,959
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		**47.8**	**357,424**		48.8	357,424
Office		**5.7**	**79,431**		5.3	79,431
Car-parking Spaces		**1.5**	**N/A**		1.7	N/A
		55.0	**436,855**		55.8	436,855
Guangzhou West Point	100%			100%		
Retail		**9.9**	**171,968**		9.1	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		**6.3**	**99,399**		4.6	100,701
Office		**42.7**	**606,495**		24.7	525,463
Car-parking Spaces		**2.9**	**N/A**		1.0	N/A
		51.9	**705,894**		30.3	626,164
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail*		**2.1**	**127,884**		2.0	112,124
Serviced Apartments (room revenue)		**3.1**	**98,556**		2.5	98,556
		5.2	**226,440**		4.5	210,680
Total:		**379.5**	**3,269,073**		345.8	3,172,174

* *Excluding self-use area*

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 strong growth from Guangzhou Lai Fung Tower is primarily due to its being fully leased during the period under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Limited ("**Guangzhou Light Industry**") as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. The total GFA of this property owned by the Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

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 1.19 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 362,100 square feet, 468,400 square feet and 355,300 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, Tiffany and internationally renowned luxury brands and a wide array of dining options.

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.

The Group 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 Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

The Group owns 100% 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.

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 almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

The Group owns 100% of this property.

PROPERTY INVESTMENT *(CONTINUED)*

Review of Major Rental Properties *(Continued)*

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 sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

The asset swap transaction with Guangzhou Light Industry as announced on 15 January 2015 was completed in August 2017. The total GFA of this property owned by the Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring Rainbow Mall is the commercial element of the Group's wholly-owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at period end was approximately 86.0%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it 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 357,000 square feet and approximately 355,300 square feet GFA attributable to the Group has 308 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 luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 86.9% was achieved during the period under review and the average room tariff was approximately HK$1,221.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 78.6% was achieved during the period under review and the average room tariff was approximately HK$537.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type: one- and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has an F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 56.4% was achieved during the period under review and the average room tariff was approximately HK$370.

PROPERTY DEVELOPMENT

Recognised Sales

For the six months ended 31 January 2018, the Group's property development operations recorded a turnover of HK$129.9 million (2017: HK$133.2 million) from sale of properties, representing a 2.5% decrease in sales revenue over the same period last year. Total recognised sales was primarily driven by the sales performance of residential units of Zhongshan Palm Spring.

For the six months ended 31 January 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$1,282 per square foot (2017: HK$3,075 per square foot), which is driven by lower average selling price in Zhongshan compared to Guangzhou. Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$3,474 per square foot (2017: HK$2,416 per square foot). This is recognised as a component of "Share of profits of joint ventures" in the condensed consolidated income statement.

Breakdown of turnover for the six months ended 31 January 2018 from property sales is as follows:

Recognised basis	**No. of units**	**Approximate GFA** (square feet)	**Average selling price#** (HK$/square foot)	**Turnover*** (HK$ million##)	(RMB million)
Guangzhou Eastern Place					
Residential Units — Phase V	2	2,460	6,435	14.9	12.5
Zhongshan Palm Spring					
Residential High-rise Units	69	83,629	1,131	90.1	76.0
Others				0.5	0.4
Subtotal	**71**	**86,089**	**1,282**	**105.5**	**88.9**
Guangzhou Eastern Place					
Car-parking Spaces	19			21.3	18.0
Guangzhou King's Park					
Car-parking Spaces	4			3.1	2.6
Total				**129.9**	**109.5**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	40	85,278	3,460	277.4	233.9
Retail Units**(47.5% basis)	—	665	5,365	3.3	2.8
Subtotal	**40**	**85,943**	**3,474**	**280.7**	**236.7**
Car-parking Spaces**(47.5% basis)	39			13.6	11.5
Total				**294.3**	**248.2**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the six months ended 31 January 2018 is 0.8433*

* *After business tax and value-added tax exclusive*

** *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. For the six months ended 31 January 2018, the recognised sales (after business tax and value-added tax exclusive) attributable to the project on 100% basis is HK$591.0 million (excluding car-parking spaces) and approximately 180,932 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the project on 100% basis is HK$28.7 million.*

PROPERTY DEVELOPMENT *(CONTINUED)*

Contracted Sales

As at 31 January 2018, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$35.9 million and HK$3.2 million from sales of residential units in Guangzhou Eastern Place Phase V and Zhongshan Palm Spring, respectively and HK$6.3 million from sales of car-parking spaces in Guangzhou Eastern Place and Guangzhou King's Park. Sales of the remainder of the completed residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring were strong and achieved an average selling price of HK$7,092 and HK$1,225 per square foot, respectively. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 January 2018 amounted to RMB38.3 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of the Group as at 31 January 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$79.9 million (31 July 2017: HK$402.8 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 January 2018 amounted to RMB67.4 million (31 July 2017: RMB353.6 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2018 is as follows:

Contracted basis	**No. of units**	**Approximate GFA** (square feet)	**Average selling price#** (HK$/square foot)	**Turnover#** (HK$ million##)	(RMB million)
Guangzhou Eastern Place					
Residential Units — Phase V	5	5,062	7,092	35.9	30.3
Zhongshan Palm Spring					
Residential High-rise Units	2	2,613	1,225	3.2	2.7
Subtotal	**7**	**7,675**	**5,094**	**39.1**	**33.0**
Guangzhou Eastern Place					
Car-parking Spaces	4			4.7	4.0
Guangzhou King's Park					
Car-parking Spaces	2			1.6	1.3
Subtotal				**45.4**	**38.3**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	2	7,010	4,822	33.8	28.5
Car-parking Spaces**(47.5% basis)	2			0.7	0.6
Subtotal				**34.5**	**29.1**
Total (excluding car-parking spaces)	**9**	**14,685**	**4,964**	**72.9**	**61.5**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the six months ended 31 January 2018 is 0.8433*

** *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 2018, the contracted but not yet recognised sales attributable to the project on 100% basis is HK$71.1 million (excluding car-parking spaces) and approximately 14,757 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the project on 100% basis is HK$1.5 million.*

Management Discussion and Analysis *(Continued)*

PROPERTY DEVELOPMENT *(CONTINUED)*

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. Demolition of Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works commenced in September 2017. This project is expected to complete in the third quarter of 2021.

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 Jing'an 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. As of 31 January 2018, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$110.9 million.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 83,700 square feet and is intended to be developed into a high end luxury residential project. Construction works commenced in August 2017. This project is expected to complete in the first quarter of 2019.

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. Phase V has a total GFA of approximately 1,025,300 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 705,900 square feet approximately). Construction work of residential blocks was completed during the year ended 31 July 2015 and the office block was completed in June 2016.

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the six months ended 31 January 2018, 2,460 square feet was recognised at an average selling price of HK$6,435 per square foot, which contributed HK$14.9 million to the turnover. As at 31 January 2018, completed residential units held for sale in this development amounted to approximately 5,062 square feet with a carrying amount of approximately HK$14.2 million.

PROPERTY DEVELOPMENT *(CONTINUED)*

Review of Major Properties Completed for Sale and under Development *(Continued)*

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou has a total project GFA of approximately 5.459 million square feet. The project comprises of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.833 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.

During the period under review, 85,943 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK$280.7 million. As at 31 January 2018, contracted but not yet recognised sales excluding car-parking spaces amounted to HK$33.8 million at average selling prices of HK$4,822 per square foot. Construction of this project has been completed.

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. The project was launched for sale in January 2014.

During the period under review, the sales of 4 car-parking spaces contributed HK$3.1 million to the turnover. As at 31 January 2018, the contracted but not yet recognised sales of the 2 car-parking spaces amounted to approximately HK$1.6 million.

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 602,800 square feet and is intended to be developed for rental purposes. The completion is expected to be in the first half of 2021.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

During the period under review, 83,629 square feet of high-rise residential units were recognised at average selling prices of HK$1,131 per square foot, which contributed a total of HK$90.1 million to the sales turnover. As at 31 January 2018, contracted but not yet recognised sales for high-rise residential units amounted to HK$3.2 million, at average selling prices of HK$1,225 per square foot. As at 31 January 2018, completed units held for sale in this development amounted to 488,000 square feet with a carrying amount of approximately HK$425.0 million. The remaining GFA under development was approximately 2,099,200 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2022

* *Excluding car-parking spaces and ancillary facilities*

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

PROPERTY DEVELOPMENT *(CONTINUED)*

Review of Major Properties Completed for Sale and under Development *(Continued)*

Hengqin Novotown

On 25 September 2013, the Company announced it had successfully won Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by eSun Holdings Limited. The Phase I of Novotown has a total GFA of 4.2 million square feet including car-parking spaces and ancillary facilities. The minimum investment requirement for the Phase I of Novotown is approximately RMB3.0 billion (equivalent to approximately HK$3.7 billion), of which approximately RMB523.3 million (equivalent to approximately HK$645.9 million) is land cost as per the land grant contract entered into between the Group and The Land and Resources Bureau of Zhuhai on 27 September 2013. The master layout plan for Phase I of Novotown has been approved in January 2015 and construction work commenced at the end of 2015. Completion is expected to be in the fourth quarter of 2018.

The expected GFA breakdown by usage is set out below:

Usage	GFA (square feet)
Cultural themed hotel	596,727
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	167,982
Cultural attractions	286,247
Office	542,447
Cultural studios (for sale)	244,936
Car-parking spaces	582,827
Ancillary facilities and others	844,817
Total:	**4,219,467**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment World™ in one of the two performance halls in the Phase I of Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, oversee its preopening and to operate the Lionsgate Entertainment World™ for a minimum of ten years. The Lionsgate Entertainment World™ is expected to feature attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer, the size of which is expected to be approximately 50,200 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

In June 2017, the Group entered into a cooperation agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

PROPERTY DEVELOPMENT *(CONTINUED)*

Review of Major Properties Completed for Sale and under Development *(Continued)*

Hengqin Novotown (Continued)

In January 2017, the Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company co-developing a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximate 80,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

In June 2017, the Group entered into a licence agreement with Real Madrid in relation to the development and operation of the Real Madrid LBE in Novotown. In September 2017, the Group entered into a framework agreement with Porsche in relation to the development and operation of Porsche City in Novotown. In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. Real Madrid LBE, the Porsche City and the ILA Hengqin are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE

As at 31 January 2018, cash and bank balances held by the Group amounted to HK$5,040.0 million and undrawn facilities of the Group was HK$4,473.6 million.

As at 31 January 2018, the Group had total borrowings amounting to HK$9,279.6 million (as at 31 July 2017: HK$6,091.4 million), representing an increase of HK$3,188.2 million from 31 July 2017. The consolidated net assets attributable to the owners of the Company amounted to HK$16,130.4 million (as at 31 July 2017: HK$14,584.1 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 26% (as at 31 July 2017: 24%). The maturity profile of the Group's borrowings of HK$9,279.6 million is well spread with HK$2,468.1 million repayable within 1 year, HK$1,357.3 million repayable in the second year, HK$5,285.0 million repayable in the third to fifth years and HK$169.2 million repayable beyond the fifth year.

Approximately 63% and 34% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 3% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes and guaranteed notes, the Group's other borrowings of HK$4,347.0 million were 60% denominated in Renminbi ("**RMB**"), 29% in Hong Kong dollars ("**HKD**") and 11% in United States Dollars ("**USD**").

The Group's fixed rate senior notes of HK$2,219.7 million were denominated in RMB. The Group has entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the fixed rate notes have been effectively converted into USD denominated debts. The Group's guaranteed notes of HK$2,712.9 million were denominated in USD. The Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

The Group's cash and bank balances of HK$5,040.0 million were 45% denominated in RMB, 6% in HKD and 49% in USD.

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$11,673.0 million, properties under development with a total carrying amount of approximately HK$1,333.6 million, serviced apartments and related properties with a total carrying amount of approximately HK$507.2 million, construction in progress with a total carrying amount of approximately HK$754.1 million and bank balances of approximately HK$555.2 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 2017.

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR RENTAL

Property name	Location	Group interest	Tenure	Approximate attributable GFA (square feet) Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Shanghai							
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	362,096	830,530	350
May Flower Plaza	Sujiaxiang, Jing'an District	100%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	320,314	—	320,314	—
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	—
Subtotal of major completed properties held for rental in Shanghai:				**866,707**	**362,096**	**1,228,803**	**350**
Guangzhou							
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	357,424	79,431	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	171,968	—	171,968	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	99,399	606,495	705,894	313
Subtotal of major completed properties held for rental in Guangzhou:				**628,791**	**685,926**	**1,314,717**	**449**
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	100%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses.	127,884	—	127,884	—
Subtotal of major completed properties held for rental in Zhongshan:				**127,884**	**—**	**127,884**	**—**
Total of major completed properties held for rental:				**1,623,382**	**1,048,022**	**2,671,404**	**799**

Particulars of Major Properties *(Continued)*

COMPLETED HOTEL PROPERTIES AND SERVICED APARTMENTS

Property name	Location	Group interest	Tenure	No. of rooms	Approximate attributable GFA (square feet)	No. of car-parking spaces attributable to the Group
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	300	355,267	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	100%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	143,846	—
Subtotal of major completed hotel properties and serviced apartments in Shanghai:				**539**	**499,113**	**—**
Zhongshan						
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District	100%	The property is held for a term expiring on 23 October 2073	90	98,556	—
Subtotal of major completed hotel properties and serviced apartments in Zhongshan:				**90**	**98,556**	**—**
Total of major completed hotel properties and serviced apartments:				**629**	**597,669**	**—**

Particulars of Major 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 GFA (square feet) Commercial/ Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Guangzhou											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	H1 2021 *(Note 2)*	90,708	91,925	510,860 *(Note 3)*	–	–	602,785	299
Subtotal of major properties under development in Guangzhou:						**91,925**	**510,860**	**–**	**–**	**602,785**	**299**
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase III: Q3 2020 Phase IV: Q3 2022	2,547,298 *(Note 4)*	131,493	–	–	1,967,670	2,099,163	1,761
Subtotal of major properties under development in Zhongshan:						**131,493**	**–**	**–**	**1,967,670**	**2,099,163**	**1,761**
Shanghai											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	100%	Construction work in progress	Q3 2021	107,223	94,174	599,426	–	–	693,600	554
Wuli Bridge project	Wuliqiao Road, 104 Jie Fang, Huangpu District	100%	Construction work in progress	Q1 2019	74,112	–	–	–	83,697	83,697	96
Subtotal of major properties under development in Shanghai:						**94,174**	**599,426**	**–**	**83,697**	**777,297**	**650**
Hengqin											
Novotown 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, Zhuhai City	80%	Construction work in progress	Q4 2018	1,401,184	782,458	629,906	821,094	–	2,233,458	1,670
Subtotal of major properties under development in Hengqin:						**782,458**	**629,906**	**821,094**	**–**	**2,233,458**	**1,670**
Total of major properties under development:						**1,100,050**	**1,740,192**	**821,094**	**2,051,367**	**5,712,703**	**4,380**

Note 1: On project basis
Note 2: In the process of negotiating the buildable area for the site with the city government
Note 3: Office/office apartments
Note 4: Including portions of the projects that have been completed for sale/lease

Particulars of Major Properties *(Continued)*

COMPLETED PROPERTIES HELD FOR SALE

Property name	Location	Group interest	Approximate attributable GFA (square feet) Commercial/ Retail	Residential	Office	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	100%	53,223	487,997	—	541,220	1,186
Subtotal of major completed properties held for sale in Zhongshan:			**53,223**	**487,997**	**—**	**541,220**	**1,186**
Shanghai							
May Flower Plaza	Sujiaxiang, Jing'an District	100%	—	—	—	—	458
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	386
Subtotal of major completed properties held for sale in Shanghai:			**—**	**—**	**—**	**—**	**844**
Guangzhou							
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	—	5,062	—	5,062	27
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	47.5%	8,932	7,004	—	15,936	33
King's Park	Donghua Dong Road, Yuexiu District	100%	3,337	—	—	3,337	16
Eastern Place	787 Dongfeng East Road, Yuexiu District	100%	—	—	—	—	1
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	127
Subtotal of major completed properties held for sale in Guangzhou:			**12,269**	**12,066**	**—**	**24,335**	**204**
Total of major completed properties held for sale:			**65,492**	**500,063**	**—**	**565,555**	**2,234**

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out from time to time 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 throughout the six months ended 31 January 2018 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 ("**Articles of Association**") 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, in accordance with the provisions of the Articles of Association, any person appointed by the Board as a Director (including a NED) either to fill a casual vacancy or as an addition to the Board will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election. 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 ("**EDs**"). 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.

Board

The Board oversees the overall management of the Company's business and affairs. The Board's primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of its Shareholders as a whole while taking into account the interests of other stakeholders.

The Board has delegated the day-to-day management of the Company's business to the management and the Executive Committee, and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

The Board currently comprises fourteen members, of whom seven are EDs, two are NEDs and the remaining five are INEDs. The current composition of the Board is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills.

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

CORPORATE GOVERNANCE *(CONTINUED)*

Board *(Continued)*

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

Chairman and Chief Executive

During the six months ended 31 January 2018 and up to the date of this Interim Report, Mr. Chew Fook Aun was the Chairman of the Board while Mr. Lam Hau Yin, Lester acted as the Chief Executive Officer of the Company. This segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is defined.

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 2018.

SHARE OPTION SCHEMES

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 on 21 August 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.

As at 31 January 2018, share options comprising a total of 10,234,117 underlying shares were outstanding, of which a share option comprising 1,009,591 underlying shares was granted under the 2003 Share Option Scheme and share options comprising 9,224,526 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 2018 is as follows:

		Number of underlying shares comprised in share options						
Name or category of participants	**Date of grant** *(Note 1)*	**As at 1 August 2017 (adjusted)** *(Note 2)*	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**As at 31 January 2018**	**Exercise period**	**Exercise price per share (HK$)** *(Note 3)*
Directors								
Chew Fook Aun	12/06/2012	1,009,591	—	—	—	1,009,591	12/06/2012 — 11/06/2020	6.65
Lam Hau Yin, Lester	18/01/2013	3,219,182	—	—	—	3,219,182	18/01/2013 — 17/01/2023	11.40
Cheng Shin How	18/01/2013	643,836	—	—	—	643,836	18/01/2013 — 17/01/2023	11.40
Lee Tze Yan, Ernest	18/01/2013	640,000	—	—	—	640,000	18/01/2013 — 17/01/2023	11.40
Subtotal		**5,512,609**	**—**	**—**	**—**	**5,512,609**		
Other Eligible Participants (in aggregate)								
Batch 1	18/01/2013	4,151,508 *(Note 4)*	—	(220,000) *(Note 5)*	(60,000)	3,871,508	18/01/2013 — 17/01/2023	11.40
Batch 2	26/07/2013	220,000	—	—	—	220,000	26/07/2013 — 25/07/2023	9.50
Batch 3	16/01/2015	180,000	—	—	—	180,000	16/01/2015 — 15/01/2025	8.00
Batch 4 *(Note 6)*	19/01/2018	—	450,000	—	—	450,000	19/01/2018 — 18/01/2028	13.52
Subtotal		**4,551,508**	**450,000**	**(220,000)**	**(60,000)**	**4,721,508**		
Total		**10,064,117**	**450,000**	**(220,000)**	**(60,000)**	**10,234,117**		

Notes:

1. *The share options vested on the date of grant.*
2. *The shareholders of the Company approved at the extraordinary general meeting held on 14 August 2017 that every fifty (50) issued and unissued ordinary shares of HK$0.10 each in the share capital of the Company be consolidated into one (1) ordinary share of HK$5.00 each in the share capital of the Company which became effective on 15 August 2017 ("**Share Consolidation**"). The number of underlying shares comprised in outstanding share options has been adjusted as a result of the Share Consolidation.*
3. *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. Save for the share options granted on 19 January 2018, the exercise price of the outstanding share options has been adjusted as a result of the Share Consolidation.*
4. *Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong) was granted a share option to subscribe for a total of 321,918 shares of the Company (after the effect of the Share Consolidation) on 18 January 2013.*
5. *During the Period, a total of 220,000 ordinary shares of HK$5.00 each were issued in respect of share options exercised under the 2012 Share Option Scheme by eligible participants of the Company (not being a director of the Company) at an exercise price of HK$11.40 per share. The weighted average closing price of the shares of the Company immediately before the dates of exercises of the share options was HK$13.17 per share.*
6. *The closing price of the Company's shares immediately before the date of grant of the share options was HK$13.50.*

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.

DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 January 2018 and their respective close associates (as defined in the Listing Rules) were interested or 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 adopted by the Company; or (d) as known to the Directors:

(1) The Company

(A) Long positions in the ordinary shares of HK$5.00 each of the Company ("**Shares**") and underlying Shares

Name of Director	Capacity	Number of Shares: Personal interests	Number of Shares: Corporate interests	Number of underlying Shares: Personal interests *(Note 1)*	Total	Approximate percentage of total issued Shares *(Note 2)*
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	600,000 *(Note 3)*	1,009,591	1,609,591	0.49%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	3,219,182	3,219,182	0.98%
Cheng Shin How	Beneficial owner	Nil	Nil	643,836	643,836	0.20%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	640,000	640,000	0.20%

Notes:

1. *These 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 Schemes" of this Interim Report.*

2. *The percentage has been compiled based on the total number of issued Shares as at 31 January 2018 (i.e. 327,044,134 Shares).*

3. *These Shares are held by The Orchid Growers Association Limited, the entire issued share capital of which is beneficially owned by Mr. Chew Fook Aun.*

(B) 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.

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	Number of eSun Shares Personal interests	Number of underlying eSun Shares Personal interests	Total	Approximate percentage of total issued eSun Shares *(Note 1)*
Chew Fook Aun	Beneficial owner	Nil	6,216,060 *(Note 2)*	6,216,060	0.42%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	12,432,121 *(Note 3)*	15,226,564	1.02%

Notes:

1. *The percentage has been compiled based on the total number of issued eSun Shares as at 31 January 2018 (i.e. 1,491,854,598 eSun Shares).*

2. *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.*

3. *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 2018, none of the Directors and chief executive of the Company and their respective close associates 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 to the Directors.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 January 2018, so far as is known 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 percentage of total issued Shares *(Note 1)*
Substantial Shareholders				
eSun Holdings Limited ("**eSun**")	Owner of controlled corporations	Corporate	165,485,406 *(Note 2)*	50.60%
Lai Sun Development Company Limited ("**LSD**")	Owner of controlled corporations	Corporate	165,485,406 *(Note 2)*	50.60%
Lai Sun Garment (International) Limited ("**LSG**")	Owner of controlled corporations	Corporate	165,485,406 *(Note 2)*	50.60%
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	165,485,406 *(Note 3)*	50.60%
Merit Worth Limited ("**MWL**")	Beneficial owner and owner of controlled corporation	Corporate	165,485,406 *(Note 4)*	50.60%
Silver Glory Securities Limited ("**SGS**")	Beneficial owner	Corporate	77,780,773 *(Note 4)*	23.78%
CapitaLand China Holdings Pte Ltd ("**CapitaLand China**")	Owner of controlled corporation	Corporate	64,400,000 *(Note 5)*	19.69%
CapitaLand China Investments Limited ("**CapitaLand Investments**")	Owner of controlled corporations	Corporate	64,400,000 *(Note 5)*	19.69%
CapitaLand LF (Cayman) Holdings Co., Ltd. ("**CapitaLand Cayman**")	Beneficial owner	Corporate	64,400,000	19.69%
CapitaLand Limited	Owner of controlled corporations	Corporate	64,400,000 *(Note 5)*	19.69%
Temasek Holdings (Private) Limited ("**Temasek**")	Owner of controlled corporations	Corporate	64,400,000 *(Note 5)*	19.69%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(CONTINUED)*

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

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares *(Note 1)*
Other Persons				
Third Avenue Management LLC	Investment manager	Corporate	23,941,600 *(Note 6)*	7.32%
Third Avenue Management LLC, on behalf of Whitman High Conviction Fund	Beneficial owner	Corporate	23,941,600 *(Note 6)*	7.32%
Yu Cheuk Yi	Beneficial owner	Personal	22,881,036 *(Note 7)*	7.00%
Yu Siu Yuk	Beneficial owner	Personal	22,881,036 *(Note 7)*	7.00%

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at 31 January 2018 (i.e. 327,044,134 Shares).*

2. *These interests in the Company represented all the Shares beneficially owned by MWL (87,704,633 Shares or approximately 26.82% of the total issued Shares) and SGS (77,780,773 Shares or approximately 23.78% of the total issued Shares), both being wholly-owned subsidiaries of eSun. eSun is owned as to approximately 36.94% by LSD which in turn is owned as to approximately 53.24% by LSG. As such, both LSD and LSG were deemed to be interested in the same 165,485,406 Shares held by eSun.*

3. *Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 165,485,406 Shares held by eSun by virtue of his personal and deemed interests in approximately 41.86% (excluding share option) of the issued share capital of LSG.*

4. *SGS is wholly owned by MWL which in turn is wholly owned by eSun. Therefore, MWL was deemed to be interested in the 77,780,773 Shares held by SGS and eSun was deemed to be interested in the 165,485,406 Shares held and deemed to be held by MWL.*

5. *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 Investments while CapitaLand Investments is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 64,400,000 Shares held by CapitaLand Cayman by virtue of its approximate 39.99% interest in the issued share capital of CapitaLand Limited.*

6. *Third Avenue Management LLC, on behalf of Whitman High Conviction Fund held 23,941,600 Shares (after the effect of the Share Consolidation).*

7. *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 22,881,036 Shares which were held jointly by them.*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(CONTINUED)*

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

Name	Capacity	Number of underlying Shares	Approximate percentage of total issued Shares *(Note 1)*
Lam Kin Ngok, Peter	Beneficial Owner	321,918 *(Note 2)*	0.10%

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at 31 January 2018 (i.e. 327,044,134 Shares).*

2. *The interests in underlying Shares represented interests in a share option granted to Dr. Lam Kin Ngok, Peter under the share option scheme of the Company. Particulars of which are set out in the section headed "Share Option Schemes" of this Interim Report.*

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 January 2018, 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 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

On 7 January 2016, a non-wholly owned subsidiary of the Company, as borrower, entered into a facility agreement pursuant to which a 5-year term loan facility of an amount up to RMB1,800,000,000 was granted to the borrower. Pursuant to this agreement, the Company and eSun shall maintain, in aggregate, 100% direct or indirect holding interest in the borrower. Upon a breach of this covenant, the lender may, inter alia, declare that the outstanding liability under the facility becomes immediately due and cancel the remaining undrawn facility.

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 2016-2017 are set out as follows:

(a) Mr. Mak Wing Sum, Alvin has been an independent non-executive director of Crystal International Limited (now known as Crystal International Group Limited ("**CIGL**")) since 1 July 2012. The issued shares of CIGL were listed and traded on the Main Board of the Stock Exchange with effect from 3 November 2017.

(b) Mr. Shek Lai Him, Abraham has been appointed as an independent non-executive director of Everbright Grand China Assets Limited, a listed public company in Hong Kong, with effect from 16 January 2018. Mr. Shek resigned as an independent non-executive director of Midas International Holdings Limited, a listed public company in Hong Kong, with effect from 27 January 2018.

(c) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Messrs. Chew Fook Aun, Lam Hau Yin, Lester, Cheng Shin How and Lee Tze Yan, Ernest have been adjusted upward within the range from 3.0% to 4.0% with effect from 1 January 2018. Directors' remuneration for the six months ended 31 January 2018 and 2017 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
For the six months ended 31 January 2018					
Executive directors:					
Chew Fook Aun	—	2,493	—	9	2,502
Lam Kin Ming	—	570	—	—	570
Lam Kin Hong, Matthew	—	570	—	29	599
Lam Hau Yin, Lester	—	879	—	9	888
Cheng Shin How	—	4,009	—	9	4,018
Lee Tze Yan, Ernest	—	873	—	9	882
U Po Chu	—	2,156	—	—	2,156
		11,550	—	65	11,615
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Puah Tze Shyang	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors:					
Ku Moon Lun	150	—	—	—	150
Lam Bing Kwan	150	—	—	—	150
Law Kin Ho	150	—	—	—	150
Mak Wing Sum, Alvin	150	—	—	—	150
Shek Lai Him, Abraham	150	—	—	—	150
	750	—	—	—	750
Total	750	11,550	—	65	12,365

UPDATE OF DIRECTORS' INFORMATION *(CONTINUED)*

(c) *(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
For the six months ended 31 January 2017					
Executive directors:					
Chew Fook Aun	—	2,397	—	9	2,406
Lam Kin Ming	—	570	—	—	570
Lam Kin Hong, Matthew	—	570	—	29	599
Lam Hau Yin, Lester	—	853	—	9	862
Cheng Shin How	—	3,893	—	9	3,902
Lee Tze Yan, Ernest	—	840	—	9	849
U Po Chu	—	2,138	—	—	2,138
	—	11,261	—	65	11,326
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Chan Boon Seng	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors:					
Ku Moon Lun	150	—	—	—	150
Lam Bing Kwan	150	—	—	—	150
Law Kin Ho	150	—	—	—	150
Mak Wing Sum, Alvin	150	—	—	—	150
Shek Lai Him, Abraham	150	—	—	—	150
	750	—	—	—	750
Total	750	11,261	—	65	12,076

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2018, the Group employed a total of around 1,300 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.

During the six months ended 31 January 2018, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
October 2017	Post results non-deal roadshow	CLSA	Hong Kong
October 2017	Post results non-deal roadshow	DBS	Singapore
November 2017	Post results non-deal roadshow	BNP	London
November 2017	Post results non-deal roadshow	BNP	New York/ Los Angeles
January 2018	Deal roadshow — Lai Fung USD guaranteed notes	DBS/HSBC/OCBC/UBS	Singapore
January 2018	Deal roadshow — Lai Fung USD guaranteed notes	DBS/HSBC/OCBC/UBS	Hong Kong
January 2018	The Pulse of Asia Conference	DBS	Singapore

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

Firm	Analyst	Publication Date
HSBC	Keith CHAN	23 October 2017

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. Lucas Ignatius Loh Jen Yuh (alternate: Mr. Puah Tze Shyang). The Audit Committee has reviewed the unaudited interim report (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2018.

By Order of the Board
Chew Fook Aun
Chairman

Hong Kong, 22 March 2018