



L A I S U N D E V E L O P M E N T

Lai Sun Development Company Limited
(Stock Code: 488)

Interim Report

For the six months ended 31 January 2018



Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ngok, Peter, *GBS (Chairman)*
Chew Fook Aun (*Deputy Chairman*)
Lau Shu Yan, Julius (*Chief Executive Officer*)
Lam Hau Yin, Lester

Non-executive Directors

Lam Kin Ming
U Po Chu

Independent Non-executive Directors

Ip Shu Kwan, Stephen, *GBS, JP*
Lam Bing Kwan
Leung Shu Yin, William

AUDIT COMMITTEE

Leung Shu Yin, William (*Chairman*)
Lam Bing Kwan
Lam Kin Ming

REMUNERATION COMMITTEE

Leung Shu Yin, William (*Chairman*)
Chew Fook Aun
Lam Bing Kwan

COMPANY SECRETARY

Chow Kwok Wor

REGISTERED OFFICE / PRINCIPAL OFFICE

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

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AUTHORISED REPRESENTATIVES

Chew Fook Aun
Chow Kwok Wor

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Co., Ltd.,
Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited

SHARES INFORMATION

Place of Listing

The Main Board of The Stock Exchange
of Hong Kong Limited

Stock Code / Board Lot

488 / 300 Shares

American Depositary Receipt

CUSIP Number:	50731V102
Trading Symbol:	LSNVY
ADR to Ordinary Share Ratio:	1:8
Depository Bank:	The Bank of New York Mellon

WEBSITE

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INVESTOR RELATIONS

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The board of directors (the “**Board**”) of Lai Sun Development Company Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 January 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	Six months ended	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
TURNOVER	3	863,780	818,436
Cost of sales		(366,937)	(333,965)
Gross profit		496,843	484,471
Other revenue		73,273	21,776
Selling and marketing expenses		(10,901)	(20,212)
Administrative expenses		(155,237)	(136,132)
Other operating expenses		(148,823)	(132,907)
Fair value gains on investment properties		575,044	502,876
PROFIT FROM OPERATING ACTIVITIES	4	830,199	719,872
Finance costs	5	(138,522)	(84,488)
Share of profits and losses of associates		(11,832)	6,960
Share of profits and losses of joint ventures		612,585	333,817
PROFIT BEFORE TAX		1,292,430	976,161
Tax	6	(41,176)	(43,653)
PROFIT FOR THE PERIOD		1,251,254	932,508
Attributable to:			
Owners of the Company		1,223,639	913,135
Non-controlling interests		27,615	19,373
		1,251,254	932,508
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		(Adjusted)
Basic		HK\$2.022	HK\$1.513
Diluted		HK\$2.013	HK\$1.510

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2018

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	1,251,254	932,508
OTHER COMPREHENSIVE INCOME/(EXPENSE) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Changes in fair values of available-for-sale financial assets	167,315	52,177
Exchange realignments	114,518	(50,324)
Share of other comprehensive income/(expense) of associates	267,994	(135,542)
Share of other comprehensive income of a joint venture	962	—
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(5,728)	—
Reclassification adjustments for exchange loss included in the condensed consolidated income statement	(3,535)	—
	(9,263)	—
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	541,526	(133,689)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,792,780	798,819
Attributable to:		
Owners of the Company	1,765,183	779,318
Non-controlling interests	27,597	19,501
	1,792,780	798,819

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		4,742,709	4,034,466
Prepaid land lease payments		19,359	19,873
Investment properties		17,233,922	16,447,014
Properties under development for sale		815,394	1,571,635
Goodwill		5,161	5,161
Interests in associates		3,807,340	3,555,876
Interests in joint ventures		7,925,439	7,224,183
Available-for-sale financial assets		1,785,379	1,589,670
Pledged bank balances and time deposits		62,404	69,675
Deposits paid and other receivables		338,128	231,868
Total non-current assets		36,735,235	34,749,421
CURRENT ASSETS			
Properties under development for sale		965,856	—
Completed properties for sale		252,121	252,121
Inventories		33,549	31,327
Debtors, deposits paid and other receivables	8	639,319	530,416
Pledged bank balances and time deposits		239,690	213,640
Cash and cash equivalents		2,025,409	2,664,066
Total current assets		4,155,944	3,691,570
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9	1,445,838	452,005
Tax payable		99,557	119,062
Guaranteed notes	10	—	2,731,230
Bank borrowings		172,486	157,582
Total current liabilities		1,717,881	3,459,879
NET CURRENT ASSETS		2,438,063	231,691
TOTAL ASSETS LESS CURRENT LIABILITIES		39,173,298	34,981,112
NON-CURRENT LIABILITIES			
Bank borrowings		6,403,514	6,748,399
Guaranteed notes	10	3,105,184	—
Derivative financial instruments		5,728	—
Deferred tax		146,453	141,291
Provision for tax indemnity		93,000	93,000
Long term deposits received and other payables		591,141	886,435
Deferred rental		6,083	7,448
Total non-current liabilities		10,351,103	7,876,573
		28,822,195	27,104,539
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,076,816	4,063,736
Investment revaluation reserve		1,621,161	1,442,513
Share option reserve		64,490	64,693
Hedging reserve		(2,552)	1,852
Capital reduction reserve		4,692	4,692
General reserve		646,700	646,700
Other reserve		202,822	215,998
Statutory reserve		55,211	46,240
Exchange fluctuation reserve		(15,027)	(382,327)
Retained profits		21,650,060	20,495,693
Total equity		28,304,373	26,599,790
Non-controlling interests		517,822	504,749
		28,822,195	27,104,539

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2018

	Attributable to owners of the Company												Non-controlling interests	Total
	Share capital ^a	Investment revaluation reserve	Share option reserve	Hedging reserve	Capital reduction reserve	General reserve	Other reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 31 July 2017 and 1 August 2017 (Audited)	4,063,736	1,442,513	64,693	1,852	4,692	646,700	215,998	46,240	(382,327)	20,495,693	26,599,790	504,749	27,104,539	
Profit for the period	—	—	—	—	—	—	—	—	—	1,223,639	1,223,639	27,615	1,251,254	
Other comprehensive income/ (expense) for the period:														
Changes in fair values of available-for-sale financial assets	—	167,315	—	—	—	—	—	—	—	—	167,315	—	167,315	
Exchange realignments	—	—	—	—	—	—	—	—	114,518	—	114,518	—	114,518	
Share of other comprehensive income/(expense) of associates	—	11,333	—	4,859	—	—	—	—	251,820	—	268,012	(18)	267,994	
Share of other comprehensive income of a joint venture	—	—	—	—	—	—	—	—	962	—	962	—	962	
Net loss on cash flow hedges	—	—	—	(9,263)	—	—	—	—	—	—	(9,263)	—	(9,263)	
Total comprehensive income/ (expense) for the period	—	178,648	—	(4,404)	—	—	—	—	367,300	1,223,639	1,765,183	27,597	1,792,780	
Final 2017 dividend declared	—	—	—	—	—	—	—	—	—	(60,509)	(60,509)	—	(60,509)	
Share of reserve movements of an associate	—	—	(88)	—	—	—	(13,176)	8,971	—	(8,763)	(13,056)	—	(13,056)	
Shares issued in lieu of cash dividend*	12,683	—	—	—	—	—	—	—	—	—	12,683	—	12,683	
Dividend paid to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(14,524)	(14,524)	
Share options exercised ^f	397	—	(115)	—	—	—	—	—	—	—	282	—	282	
At 31 January 2018 (Unaudited)	4,076,816	1,621,161	64,490	(2,552)	4,692	646,700	202,822	55,211	(15,027)	21,650,060	28,304,373	517,822	28,822,195	

^a With effect from 15 August 2017, every fifty issued shares are consolidated into one share in the share capital of the Company as approved by the shareholders of the Company in the General Meeting (the "Share Consolidation"). Further details of the Share Consolidation are set out in the Company's announcements dated 27 April 2017 and 18 July 2017, and the Company's circular dated 26 July 2017.

* On 15 December 2017, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.10 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 six months ended 31 January 2018, 990,515 new shares were issued by the Company at a deemed price of HK\$12.804 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\$12,683,000 of the 2017 Final Dividend. The remaining of the 2017 Final Dividend of HK\$47,826,000 was satisfied by cash.

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

During the period ended 31 January 2018, 60,000 ordinary shares were issued in respect of share options exercised under the Company's share option scheme at an exercise price of HK\$4.7 per share and total cash consideration of HK\$282,000 was received. The share option reserve of HK\$115,000 was released to the share capital.

Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 31 January 2018

	Attributable to owners of the Company												Total HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Capital reduction reserve HK\$'000	General reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
At 31 July 2016 and 1 August 2016 (Audited)	4,050,252	1,241,566	65,633	9,114	4,692	646,700	233,252	28,996	(399,139)	18,476,669	24,357,735	534,115	24,891,850
Profit for the period	—	—	—	—	—	—	—	—	—	913,135	913,135	19,373	932,508
Other comprehensive income/(expense) for the period:													
Changes in fair values of available-for-sale financial assets	—	52,177	—	—	—	—	—	—	—	—	52,177	—	52,177
Exchange realignments	—	—	—	—	—	—	—	—	(50,324)	—	(50,324)	—	(50,324)
Share of other comprehensive income/(expense) of associates	—	3,677	—	(6,892)	—	—	—	—	(132,455)	—	(135,670)	128	(135,542)
Total comprehensive income/ (expense) for the period	—	55,854	—	(6,892)	—	—	—	—	(182,779)	913,135	779,318	19,501	798,819
Final 2016 dividend declared	—	—	—	—	—	—	—	—	—	(57,340)	(57,340)	—	(57,340)
Share of reserve movements of an associate	—	—	—	—	—	—	(17,249)	6,696	—	(6,660)	(17,213)	—	(17,213)
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	484	484
Shares issued in lieu of cash dividend*	9,651	—	—	—	—	—	—	—	—	—	9,651	—	9,651
Dividend paid to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(38,220)	(38,220)
Share options exercised [†]	3,038	—	(898)	—	—	—	—	—	—	—	2,140	—	2,140
At 31 January 2017 (Unaudited)	4,062,941	1,297,420	64,735	2,222	4,692	646,700	216,003	35,692	(581,918)	19,325,804	25,074,291	515,880	25,590,171

* On 16 December 2016, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.0019 per share before the effect of the Share Consolidation (or HK\$0.095 per share after the effect of the Share Consolidation) 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 six months ended 31 January 2017, 66,196,277 new shares before the effect of the Share Consolidation (or 1,323,925 new shares after the effect of the Share Consolidation) were issued by the Company at a deemed price of HK\$0.1458 per share before the effect of the Share Consolidation (or HK\$7.290 per share after the effect of the Share Consolidation), 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\$9,651,000 of the 2016 Final Dividend. The remaining of the 2016 Final Dividend of HK\$47,689,900 was satisfied by cash.

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

During the period ended 31 January 2017, 20,000,000 ordinary shares before the effect of the Share Consolidation (or 400,000 ordinary shares after the effect of the Share Consolidation) were issued in respect of a share option exercised under the Company's share option scheme at an exercise price of HK\$0.107 per share before the effect of the Share Consolidation (or HK\$5.350 per share after the effect of the Share Consolidation) and total cash consideration of HK\$2,140,000 was received. The share option reserve of HK\$898,000 was released to the share capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2018

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	321,931	(54,146)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(688,202)	(367,109)
Additions to investment properties	(1,392)	(9,418)
Deposits paid for additions to investment properties	(5,648)	(6,577)
Acquisition of unlisted available-for-sale financial assets	(30,311)	(2,270)
Acquisition of an associate	—	(89,102)
Advances to associates	—	(4,519)
Advances to joint ventures	(84,651)	(24,000)
Repayment from a joint venture	—	637,091
Dividends received from unlisted available-for-sale financial assets	23,240	36,215
Increase in pledged bank balances and time deposits	(18,779)	(72,562)
Others	(7,100)	5,517
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(812,843)	103,266
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	689,000	354,500
Guaranteed notes issued	3,124,800	—
Repayment of bank borrowings	(1,156,606)	(91,758)
Repayment of guaranteed notes	(2,734,550)	—
Guaranteed note issue expenses	(24,861)	—
Bank financing charges	(7,294)	(10,562)
Dividend paid	(47,826)	(47,689)
Dividend paid to a non-controlling shareholder of a subsidiary	(14,524)	(38,220)
Capital contribution from non-controlling shareholders of subsidiaries	—	484
Others	282	2,140
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(171,579)	168,895
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(662,491)	218,015
Cash and cash equivalents at beginning of period	2,664,066	2,354,682
Effect of foreign exchange rate changes, net	23,834	(4,516)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,025,409	2,568,181
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged cash and bank balances	981,815	857,363
Non-pledged time deposits	1,043,594	1,710,818
	2,025,409	2,568,181

Notes to Condensed Consolidated Interim Financial Statements

31 January 2018

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 “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the year ended 31 July 2017 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group’s audited consolidated financial statements for the year ended 31 July 2017.

The Group has adopted the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include HKASs and Interpretations) which are applicable to the Group and are effective in the current period. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

3. SEGMENT INFORMATION

The following table presents revenue and results for the Group’s reportable segments:

	Six months ended 31 January (Unaudited)													
	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue:														
Sales to external customers	—	—	349,482	345,839	231,933	209,081	268,469	248,653	13,896	14,863	—	—	863,780	818,436
Intersegment sales	—	—	10,120	7,955	—	90	—	—	13,556	12,547	(23,676)	(20,592)	—	—
Other revenue	2,041	3,637	548	757	564	16	168	180	17,971	4,683	—	—	21,292	9,273
Total	2,041	3,637	360,150	354,551	232,497	209,187	268,637	248,833	45,423	32,093	(23,676)	(20,592)	885,072	827,709
Segment results	(6,711)	(18,751)	273,059	283,832	37,814	37,777	(5,705)	(7,800)	12,948	(6,927)	—	—	311,405	288,131
Interest income from bank deposits — unallocated													31,633	5,487
Unallocated revenue													20,348	7,016
Fair value gains on investment properties	—	—	575,044	502,876	—	—	—	—	—	—	—	—	575,044	502,876
Unallocated expenses													(108,231)	(83,638)
Profit from operating activities													830,199	719,872
Finance costs													(138,522)	(84,488)
Share of profits and losses of associates	28	16	—	—	(251)	—	(1,288)	(2,147)	—	1,749	—	—	(1,511)	(382)
Share of profits and losses of associates — unallocated													(10,321)	7,342
Share of profits and losses of joint ventures	(2,314)	(26,026)	623,873	359,843	—	—	(577)	—	(8,397)	—	—	—	612,585	333,817
Profit before tax													1,292,430	976,161
Tax													(41,176)	(43,653)
Profit for the period													1,251,254	932,508

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2018

3. SEGMENT INFORMATION (CONTINUED)

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

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Consolidated	
	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000										
Segment assets	2,607,315	2,233,477	17,473,374	16,657,105	4,921,206	4,076,803	578,672	586,663	264,984	242,782	25,845,551	23,796,830
Interests in associates	5,876	5,890	—	—	172,957	159,478	(10,992)	(9,078)	—	—	167,841	156,290
Interests in associates — unallocated											3,639,499	3,399,586
Interests in joint ventures	1,188,983	1,116,246	6,610,320	5,986,447	—	—	(577)	—	126,713	121,490	7,925,439	7,224,183
Unallocated assets											3,312,849	3,864,102
Total assets											40,891,179	38,440,991
Segment liabilities	1,482,643	777,431	180,020	194,047	247,390	279,216	40,772	43,158	9,198	9,932	1,960,023	1,303,784
Bank borrowings											6,576,000	6,905,981
Guaranteed notes											3,105,184	2,731,230
Other unallocated liabilities											427,777	395,457
Total liabilities											12,068,984	11,336,452

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Depreciation [#]	42,145	37,005
Interest income from bank deposits	(31,633)	(5,487)
Other interest income	(6,404)	(3,872)
Dividend income from unlisted available-for-sale financial assets	(10,700)	(7,740)
Foreign exchange (gains)/losses, net	(9,105)	9,734*

[#] Depreciation charge of approximately HK\$39,648,000 (Six months ended 31 January 2017: HK\$34,884,000) for property, plant and equipment is included in "other operating expenses" on the condensed consolidated income statement.

* Foreign exchange losses, net was included in "other operating expenses" on the condensed consolidated income statement in prior period.

(b) Other than those mentioned in note 4(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operation in Vietnam of approximately HK\$36,664,000 (Six months ended 31 January 2017: HK\$31,994,000).

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

5. FINANCE COSTS

	Six months ended	
	31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	75,483	57,356
Interest on guaranteed notes	127,168	79,490
Bank financing charges	21,599	24,256
	224,250	161,102
Less: Amount capitalised in a hotel development project	(60,306)	(48,441)
Amount capitalised in properties under development for sale	(25,422)	(28,173)
	138,522	84,488

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong	20,398	21,999
Overseas	16,101	14,041
	36,499	36,040
Deferred tax	4,609	7,800
Prior years' underprovision/(overprovision)		
Hong Kong	75	(85)
Overseas	(7)	(102)
	68	(187)
Tax charge for the period	41,176	43,653

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	1,223,639	913,135
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share	(202)	(47)
Earnings for the purpose of diluted earnings per share	1,223,437	913,088
	'000	'000 (Adjusted)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	605,075	603,327
Effect of dilutive potential ordinary shares arising from share options	2,593	1,227
Weighted average number of ordinary shares for the purpose of diluted earnings per share	607,668	604,554

The weighted average number of shares for the purpose of earnings per share were adjusted to reflect the Share Consolidation. Comparative figures have also been adjusted on the assumption that the Share Consolidation had been effective in the prior period.

8. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

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

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

	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
Trade debtors:		
Not yet due or less than 30 days past due	14,176	11,468
31 - 60 days past due	3,434	2,269
61 - 90 days past due	1,555	655
Over 90 days past due	5,658	4,611
	24,823	19,003
Other receivables	498,625	436,939
Deposits paid and prepayments	115,871	74,474
	639,319	530,416

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

9. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
Trade creditors:		
Not yet due or less than 30 days past due	25,433	18,966
31 - 60 days past due	1,609	865
61 - 90 days past due	420	120
Over 90 days past due	433	74
	27,895	20,025
Other payables and accruals	174,070	267,498
Deposits received and other provisions	1,243,873	164,482
	1,445,838	452,005

10. GUARANTEED NOTES

US\$350,000,000 5.7% Guaranteed Notes due 2018

On 18 January 2013, Lai Sun International Finance (2012) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US\$350,000,000 (the "2013 Notes"). The 2013 Notes were guaranteed by the Company, had a maturity term of five years and bear a fixed interest rate of 5.7% per annum with interest payable semi-annually in arrears. The 2013 Notes were listed on the Stock Exchange and have been fully redeemed in January 2018 upon maturity.

US\$400,000,000 4.6% Guaranteed Notes due 2022

On 13 September 2017, LSD Bonds (2017) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US\$400,000,000 (the "2017 Notes"). The 2017 Notes are guaranteed by the Company, have a maturity term of five years and bear a fixed interest rate of 4.6% per annum with interest payable semi-annually in arrears. The 2017 Notes are listed on the Stock Exchange.

The net proceeds from the offering of the 2017 Notes are approximately US\$397,000,000. Apart from refinancing the 2013 Notes, the proceeds will be used for general corporate purposes.

11. CAPITAL COMMITMENTS

The Group had the following commitments not provided for in the condensed consolidated interim financial statements at the end of the reporting period:

	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
Contracted, but not provided for		
Purchase of items of property, plant and equipment	3,257	6,691
Development and operation of a hotel project	557,600	1,187,063
Additions to investment properties	10,213	3,479
	571,070	1,197,233

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

12. CONTINGENT LIABILITIES

Saved as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following contingent liabilities at the end of the reporting period:

- (a) Contingent liabilities not provided for in the condensed consolidated interim financial statements:

	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to and utilised by joint ventures	787,000	1,092,000

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

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

After taking into account the Property Interests currently held by Lai Fung as at 31 January 2018 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be approximately HK\$0.8 billion (31 July 2017: HK\$0.8 billion).

As at 31 January 2018 and 31 July 2017, the Company recorded an aggregate provision for tax indemnity of approximately HK\$93,000,000.

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

13. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following material transactions with related parties during the period:

(a) Transactions with related parties

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Rental income and building management fee received or receivable from eSun Holdings Limited ("eSun") and its subsidiaries (collectively the "eSun Group"), an associate (Note)	6,646	6,488
Sharing of corporate salaries on a cost basis allocated to:		
— LSG	4,795	4,275
— the eSun Group	28,199	24,787
Sharing of administrative expenses on a cost basis allocated to:		
— LSG	1,052	644
— the eSun Group	3,622	2,186
Rental expenses and building management fees paid or payable to:		
— a fellow subsidiary (Note)	—	2,905
— an associate of LSG (Note)	1,157	1,082
— the eSun Group (Note)	33	32
Sharing of corporate salaries on a cost basis allocated from:		
— LSG	3,063	3,137
— the eSun Group	3,489	3,402
Sharing of administrative expenses on a cost basis allocated from:		
— LSG	—	11
— the eSun Group	891	269

Note: These transactions were entered into based on terms stated in the respective agreements or contracts and were charged on bases mutually agreed by the respective parties.

(b) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Short term employee benefits	17,918	16,945
Post-employment benefits	137	134
Total compensation paid to key management personnel	18,055	17,079

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments for which fair value is disclosed

Except for the guaranteed notes with a fair value in aggregate of approximately HK\$3,112,789,000 (31 July 2017: HK\$2,759,600,000), of which the fair value was determined by reference to the closing price of the guaranteed notes published by a leading global financial market data provider as at the end of the reporting period, the directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximate to their fair values as at the end of the reporting period.

Financial instruments measured at fair value

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 31 January 2018				
Financial assets				
Available-for-sale financial assets, at fair value	—	243,382	1,516,912	1,760,294
Financial liabilities				
Derivative financial instruments	—	—	5,728	5,728
	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	Total (Audited) HK\$'000

As at 31 July 2017

Financial assets				
Available-for-sale financial assets, at fair value	—	171,123	1,394,371	1,565,494

The movements in fair value measurements in Level 3 during the period are as follows:

(i) Available-for-sale financial assets

	Six months ended 31 January 2018		2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Available-for-sale financial assets, at fair value			
At beginning of period	1,394,371		1,204,693
Total gains recognised in other comprehensive income	122,541		47,455
At end of period	1,516,912		1,252,148

(ii) Derivative financial instruments

	Six months ended 31 January 2018		2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Carrying amount at beginning of the period	—		—
Fair value losses charged to the hedging reserve	5,728		—
Carrying amount at end of the period	5,728		—

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques

Fair value measurement using significant unobservable inputs (Level 3)

Each year, the Group's management appoints external valuers to be responsible for the external valuations of the Group's 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) Fair value of the equity interest in the investee company has been estimated using the fair value of investment properties held by an investee company, which is determined by the direct comparison and the income capitalisation methods detailed below.

The properties are valued by the direct comparison method on the assumption that each property can be sold in its existing state subject to existing tenancies or otherwise with the benefit of vacant possession and by referring to comparable sales transactions as available in the relevant markets. Comparison is based on prices realised on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analysed, and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

The properties are also valued by the income capitalisation approach taking into account the rents passing of the properties and the reversionary potential of the tenancies, and reconciling the two approaches, if applicable.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2018

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques (Continued)

Information about fair value measurement using significant unobservable inputs (Level 3)

31 January 2018	Valuation technique	Significant unobservable inputs	Value of unobserved inputs	Notes
Available-for-sale financial assets	Income capitalisation method	Average monthly market rent per square foot	HK\$148	1
		Capitalisation rate	3.0%	2
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$2.71 million to HK\$46.36 million	3
		Expected exposure at default — the Group	HK\$3.76 million to HK\$77.91 million	4
		Credit spread — counterparty	4.05 basis point to 108.61 basis point	5
		Credit spread — the Group	18.02 basis point to 117.28 basis point	6
		Loss given default ratio — counterparty non-performance risk	80%	7
		Loss given default ratio — own credit risk	60%	8
31 July 2017	Valuation technique	Significant unobservable inputs	Value of unobserved inputs	Notes
Available-for-sale financial assets	Income capitalisation method	Average monthly market rent per square foot	HK\$141	1
		Capitalisation rate	3.0%	2

Notes:

1. The higher the market rent, the higher the fair value
2. The higher the capitalisation rate, the lower the fair value
3. The higher the expected exposure at default — counterparty, the lower the fair value of CCS
4. The higher the expected exposure at default — the Group, the higher the fair value of CCS
5. The higher the credit spread — counterparty, the lower the fair value of CCS
6. The higher the credit spread — the Group, the higher the fair value of CCS
7. The higher the loss given default ratio — counterparty, the lower the fair value of CCS
8. The higher the loss given default ratio — the Group, the higher the fair value of CCS

Interim Ordinary Dividend

The Board of the Company has resolved not to declare the payment of an interim ordinary dividend for the financial year ending 31 July 2018. No interim ordinary dividend was declared in respect of the last corresponding period.

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 markets 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 US and Europe, and 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.

The property sector in Hong Kong as a whole continued to show resilience and robustness. During the period under review, the slowdown in the luxury end of the retail market has been recovering due to improving visitor numbers while rent has yet to catch up with improved sales. The office leasing market continues to stabilise due to tight supply and continuing demand to consolidate office space in Central as well as general improvement in business sentiment and therefore the need to expand. The residential market was robust, underpinned by a lack of supply with record prices being achieved in recent land tenders, as well as a sustained period of low interest rates. The effect of the recent rate hike since the beginning of last year has yet to be seen, however, interest rates remain low relative to recent history. Labour supply shortages in the construction industry continues to drive wage inflation and pose a challenge on the cost management side.

The management believes it is paramount to prepare the Group for the challenges and opportunities ahead. The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider Lai Sun Group since refocusing the strategy in 2012. Set out below are the projects the Group secured after the implementation of the new rental focused strategy:

Date	Secured Projects	Total Gross Floor Area ("GFA") (square feet)	Use	Expected Construction Completion Date
Hong Kong				
Development Properties				
November 2012	Alto Residences	573,268	Commercial/Residential	Q2 2018
April 2014	93 Pau Chung Street	111,354	Commercial/Residential	Q2 2018
May 2014	Hong Kong Ocean Park Marriott Hotel	365,974	Hotel	Q2 2018
September 2015	Sai Wan Ho Street Project	59,799	Residential	Q3 2019
May 2016	Novi	42,851	Commercial/Residential	Q3 2019
London, United Kingdom				
Investment Properties				
April 2014	107 Leadenhall Street	146,606	Commercial/Office	N/A
November 2014	100 Leadenhall Street	177,700	Office	N/A
December 2015	106 Leadenhall Street	19,924	Commercial/Office	N/A

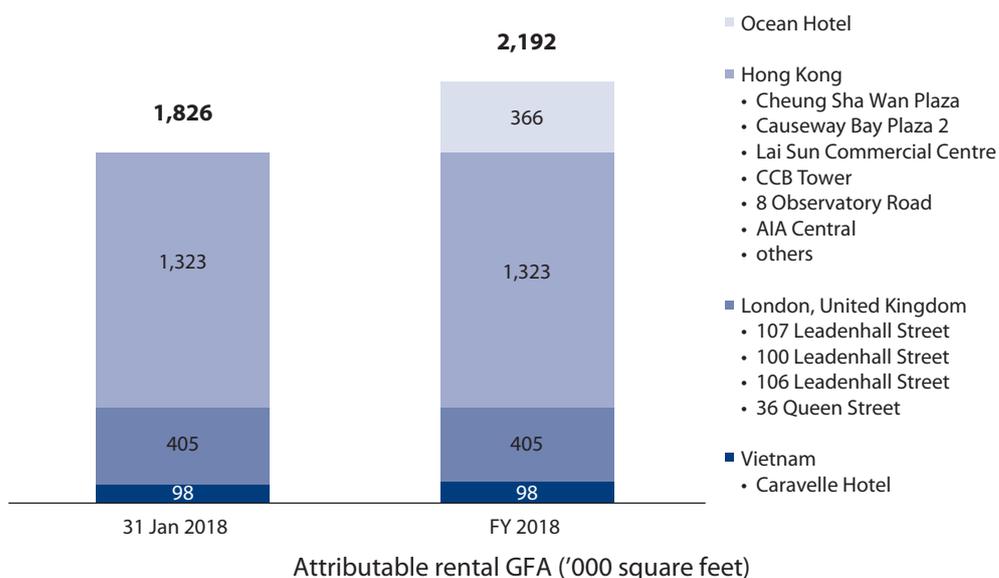
The Group as a whole performed steadily against this challenging environment. The rental portfolio comprises of approximately 1.8 million square feet attributable to the Group, of which about 1.3 million square feet is located in Hong Kong. Despite the softened economic sentiment and weakened retail activity, the Group's Hong Kong properties performed steadily at nearly full occupancy levels.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

The London properties weathered the uncertainties of Brexit well during the period under review. As at the date of this Report, over 70% of the floor area of 106 Leadenhall Street in London has been leased out. This multi-tenanted property located adjacent to our other two wholly-owned properties, namely 100 and 107 Leadenhall Street, is expected to enhance and enlarge the Group's strategic property investment portfolio in the City of London. All leases of 100, 106 and 107 Leadenhall Street in London has been aligned to expire in 2023. The Group has appointed DP9, one of the leading professional consultancies in planning, development and regeneration in the United Kingdom to advise on the redevelopment of the site comprising 100, 106 and 107 Leadenhall Street. Skidmore, Owings & Merrill LLP has also been engaged as architect for this project. A planning application was submitted to the City of London Corporation in February 2018 and the proposed new building will rise to 263 meters above ordnance datum, made up of basement storeys, a ground floor and 56 floors above and is expected to provide up to 1.2 million square feet gross external area of high quality, flexible office accommodation to meet forecast demands in the City of London.

The Hong Kong Ocean Park Marriott Hotel ("**Ocean Hotel**"), to be operated by the Marriott group, will provide a total of 471 rooms and approximately 365,974 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.8 million square feet. Its construction is expected to be completed in the second quarter of 2018. The hotel project in Phuket, Thailand that the Group invested in June 2017 is at the start of the development stage and the Group will provide material updates on this project as and when available. Set out below is the expected growth of the rental portfolio of the Group:



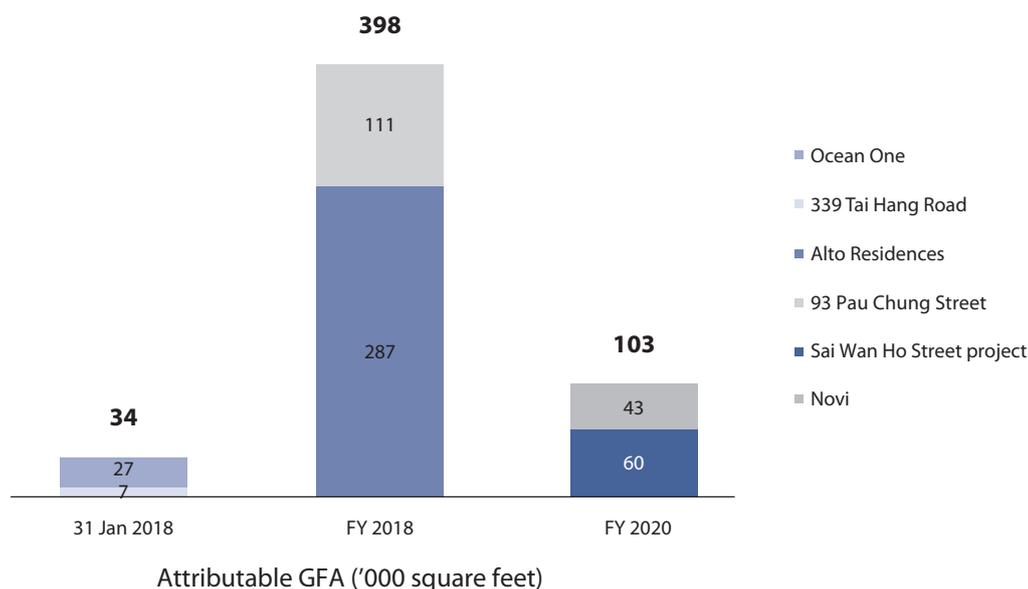
The Urban Renewal Authority project in Ma Tau Kok, Kowloon, named "93 Pau Chung Street" and the joint venture project in Tseung Kwan O named "Alto Residences" were launched for pre-sale in September 2016 and October 2016, respectively. The 93 Pau Chung Street project offers 209 flats in total, including studios, one and two-bedroom units. Up to 18 March 2018, the Group has pre-sold 207 units in 93 Pau Chung Street with saleable area of approximately 74,500 square feet at an average selling price of approximately HK\$16,300 per square foot. The Alto Residences project provides 605 flats, including 23 detached houses. Up to 18 March 2018, the Group has pre-sold 532 units in Alto Residences with saleable area of approximately 298,600 square feet at an average selling price of approximately HK\$15,600 per square foot. The Ki Lung Street project in Mong Kok, Kowloon, named "Novi", offering 138 flats in total was launched for pre-sale in July 2017. Up to 18 March 2018, the Group has pre-sold 135 units in Novi with saleable area of approximately 28,000 square feet at an average selling price of approximately HK\$18,700 per square foot. The Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong is planned to provide about 144 residential units upon completion with a total GFA of 59,799 square feet.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

The Group is encouraged by the sales of 93 Pau Chung Street, Alto Residences and Novi which will be recognised in coming financial years. The Group will continue to participate in government tenders to grow the pipeline.

Set out below is the pipeline of development projects for sale based on construction completion timetable of the Group:



The share consolidation on a 1-for-50 basis ("**Share Consolidation**") and change in board lot size from 15,000 shares to 300 shares announced by the Group on 27 April 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.

The Group's strong cash position of HK\$2,327.5 million of cash on hand and HK\$4,129.5 million of undrawn facilities with a net debt to equity ratio of 26.0% as at 31 January 2018 provides the Group with full confidence and the means to review opportunities more actively. The Group's gearing excluding the net debt of the London portfolio all of which have a positive carry net of financing costs is 20.2%. The financial liquidity of the Group has been bolstered by the US\$400 million guaranteed notes issued in September 2017 which is listed on The Stock Exchange of Hong Kong Limited. The proceeds from this new bond helped to refinance the US\$350 million guaranteed notes issued by the Group in 2013 which matured in January 2018. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

Management Discussion and Analysis (Continued)

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2018, the Group recorded turnover of HK\$863.8 million (2017: HK\$818.4 million) and a gross profit of HK\$496.8 million (2017: HK\$484.5 million), representing an increase of approximately 5.5% and 2.5%, respectively over the same period last year.

Set out below is the turnover by segment:

	Six months ended 31 January		Difference (HK\$ million)	% change
	2018 (HK\$ million)	2017 (HK\$ million)		
Property investment	349.5	345.8	3.7	1.1%
Property development and sales	—	—	—	N/A
Restaurant operation	268.5	248.7	19.8	8.0%
Hotel operation and others	245.8	223.9	21.9	9.8%
Total	863.8	818.4	45.4	5.5%

For the six months ended 31 January 2018, net profit attributable to owners of the Company was approximately HK\$1,223.6 million (2017: HK\$913.1 million), representing an increase of approximately 34.0% over the same period last year. The increase is primarily due to a substantial increase in the revaluation of investment properties owned by the Group and held through joint ventures of the Group during the period under review.

Basic earnings per share was HK\$2.022 (Adjusted 2017: HK\$1.513).

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$30.0 million (2017: HK\$80.0 million). Net profit per share excluding the effect of property revaluations was HK\$0.050 (Adjusted 2017: HK\$0.133 per share).

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 calculation of basic earnings per share and adjusted net profit per share as above due to the Share Consolidation of the Company being effective on 15 August 2017.

	Six months ended 31 January	
	2018 HK\$ million	2017 HK\$ million
Profit attributable to owners of the Company		
Reported	1,223.6	913.1
Less: Adjustments in respect of revaluation gains of investment properties held by		
— the Company and subsidiaries	(575.0)	(502.9)
— associates and joint ventures	(618.6)	(330.2)
Net profit after tax excluding revaluation gains of investment properties	30.0	80.0

Equity attributable to owners of the Company as at 31 January 2018 amounted to HK\$28,304.4 million, up from HK\$26,599.8 million as at 31 July 2017. Net asset value per share attributable to owners of the Company increased by 6.2% to HK\$46.701 per share as at 31 January 2018 from HK\$43.965 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.

Management Discussion and Analysis (Continued)

PROPERTY PORTFOLIO COMPOSITION

As at 31 January 2018, the Group maintained a property portfolio with attributable GFA of approximately 2.7 million square feet. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces is as follows:

	Commercial/ Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental ¹	536	1,128	64	—	—	1,728	1,027
Completed Hotel Properties	—	—	—	—	98	98	—
Properties Under Development ²	80	—	—	421	366	867	196
Completed Properties Held for Sale	27	—	—	7	—	34	10
Total GFA of major properties of the Group	643	1,128	64	428	464	2,727	1,233

1. Completed and rental generating properties
2. All properties under construction

The above table does not include GFA of properties held by Lai Fung Holdings Limited ("Lai Fung").

PROPERTY INVESTMENT

Rental Income

During the period under review, the Group's rental operations recorded a turnover of HK\$349.5 million (2017: HK\$345.8 million), representing a 1.1% increase over the same period last year.

The Group wholly owns three major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. The 50:50 joint venture with Henderson Land Development Company Limited ("Henderson Land") at 8 Observatory Road, Kowloon is now fully leased. This is recognised as a component of "Share of profits and losses of joint ventures" in the condensed consolidated income statement.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

Breakdown of rental turnover by major investment properties is as follows:

	Six months ended 31 January			Period end occupancy (%)
	2018 HK\$ million	2017 HK\$ million	% Change	
Hong Kong				
Cheung Sha Wan Plaza (including car-parking spaces)	153.7	151.5	1.5	95.0
Causeway Bay Plaza 2 (including car-parking spaces)	89.0	90.2	-1.3	98.2
Lai Sun Commercial Centre (including car-parking spaces)	25.4	29.3	-13.3	84.1
Others	6.3	6.2	1.6	
Subtotal:	274.4	277.2	-1.0	
London, United Kingdom				
36 Queen Street	12.6	11.5	9.6	100.0
107 Leadenhall Street	27.4	22.8	20.2	100.0
100 Leadenhall Street	32.4	31.6	2.5	100.0
106 Leadenhall Street	2.7	2.7	—	73.6
Subtotal:	75.1	68.6	9.5	
Total:	349.5	345.8	1.1	
Rental proceeds from joint venture projects				
Hong Kong				
CCB Tower [#] (50% basis)	66.1	60.4	9.4	100.0
8 Observatory Road ^{##} (50% basis)	28.4	26.3	8.0	100.0
Total:	94.5	86.7	9.0	

[#] CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of the Group and CCB has an effective 50% interest. For the six months ended 31 January 2018, the rental proceeds recorded by the joint venture is HK\$132.2 million (2017: HK\$120.7 million).

^{##} 8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the six months ended 31 January 2018, the rental proceeds recorded by the joint venture is HK\$56.8 million (2017: HK\$52.6 million).

Management Discussion and Analysis (Continued)

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)
Hong Kong						
Cheung Sha Wan Plaza	100%			100%		
Commercial		80.4	233,807		79.1	233,807
Office		63.7	409,896		63.8	409,896
Car-parking spaces		9.6	N/A		8.6	N/A
Subtotal:		153.7	643,703		151.5	643,703
Causeway Bay Plaza 2	100%			100%		
Commercial		60.1	109,770		61.5	109,770
Office		26.4	96,268		26.2	96,268
Car-parking spaces		2.5	N/A		2.5	N/A
Subtotal:		89.0	206,038		90.2	206,038
Lai Sun Commercial Centre	100%			100%		
Commercial		11.9	95,063		15.6	95,063
Office		4.2	74,181		5.0	74,181
Car-parking spaces		9.3	N/A		8.7	N/A
Subtotal:		25.4	169,244		29.3	169,244
Others		6.3	63,592*		6.2	63,592*
Subtotal:		274.4	1,082,577*		277.2	1,082,577*
London, United Kingdom						
36 Queen Street	100%			100%		
Office		12.6	60,816		11.5	60,816
107 Leadenhall Street	100%			100%		
Commercial		2.5	48,182		2.0	48,149
Office		24.9	98,424		20.8	98,457
Subtotal:		27.4	146,606		22.8	146,606
100 Leadenhall Street	100%			100%		
Office		32.4	177,700		31.6	177,700
106 Leadenhall Street	100%			100%		
Commercial		0.6	3,540		0.5	3,540
Office		2.1	16,384		2.2	16,384
Subtotal:		2.7	19,924		2.7	19,924
Subtotal:		75.1	405,046		68.6	405,046
Total:		349.5	1,487,623*		345.8	1,487,623*

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

	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)
Joint Venture Projects						
Hong Kong						
CCB Tower [#] (50% basis)	50%			50%		
Office		65.8	114,603**		60.1	114,555**
Car-parking spaces		0.3	N/A		0.3	N/A
Subtotal:		66.1	114,603**		60.4	114,555**
8 Observatory Road ^{##} (50% basis)	50%			50%		
Commercial		23.0	45,312***		21.1	45,312***
Office		4.2	37,273***		4.0	37,273***
Car-parking spaces		1.2	N/A		1.2	N/A
Subtotal:		28.4	82,585***		26.3	82,585***
Total:		94.5	197,188		86.7	197,140

* Excluding 10% interest in AIA Central.

** Referring to GFA attributable to the Group. The total GFA of CCB Tower is 229,206 square feet.

*** Referring to GFA attributable to the Group. The total GFA of 8 Observatory Road is 165,170 square feet.

[#] CCB Tower is a joint venture project with CCB in which each of the Group and CCB has an effective 50% interest. For the six months ended 31 January 2018, the rental proceeds recorded by the joint venture is HK\$132.2 million (2017: HK\$120.7 million).

^{##} 8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the six months ended 31 January 2018, the rental proceeds recorded by the joint venture is HK\$56.8 million (2017: HK\$52.6 million).

The average Sterling exchange rate for the period under review appreciated by approximately 4.4% compared with the same period last year. Excluding the effect of currency translation, the Sterling denominated turnover from London properties increased by 4.8% during the period under review. Breakdown of rental turnover of London portfolio for the six months ended 31 January 2018 is as follows:

	2018 HK\$'000	2017 HK\$'000	% Change	2018 GBP'000	2017 GBP'000	% Change
36 Queen Street	12,612	11,514	9.5	1,206	1,149	5.0
107 Leadenhall Street	27,370	22,818	19.9	2,617	2,277	14.9
100 Leadenhall Street	32,344	31,570	2.5	3,092	3,151	-1.9
106 Leadenhall Street	2,734	2,721	0.5	261	272	-4.0
Total:	75,060	68,623	9.4	7,176	6,849	4.8

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza

The asset comprises of a 8-storey and a 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of 643,703 square feet (excluding car-parking spaces). The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.

Causeway Bay Plaza 2

The asset comprises of a 28-storey commercial/office building with car-parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of 206,038 square feet (excluding car-parking spaces). Key tenants include a HSBC branch and commercial offices and major restaurants.

Lai Sun Commercial Centre

The asset comprises a 13-storey commercial/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of 169,244 square feet (excluding car-parking spaces).

CCB Tower

The Group has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This 27-storey office tower is a landmark property in Central featuring underground access to the Central MTR station. The property has a total GFA of 229,206 square feet (excluding car-parking spaces). CCB Tower was completed in 2012 and added 114,603 square feet of attributable GFA to the rental portfolio of the Group. CCB Tower is now fully leased out with 18 floors of the office floors and 2 banking hall floors leased to CCB for its Hong Kong operations.

8 Observatory Road

The Group has a 50:50 interest with Henderson Land in this joint development project at Observatory Road, Kowloon. The property is a 19-storey commercial building with a total GFA of 165,170 square feet (excluding car-parking spaces). The property was completed in June 2015 and is now fully leased out.

AIA Central

The Group has 10% interest in AIA Central which is situated in the central business district of Hong Kong and commands spectacular views over Victoria Harbour, to Kowloon Peninsula to the north, and across Charter Garden and The Peak to the south. This 39-storey office tower provides prime office space with a total GFA of approximately 428,962 square feet (excluding car-parking spaces).

Overseas Properties

36 Queen Street, London EC4, United Kingdom

In February 2011, the Group acquired an office building in the City in central London located at 36 Queen Street. Completed in 1986, it comprises 60,816 square feet gross internal area of office accommodation extending over basement, ground and six upper floors. The building is currently fully leased out.

107 Leadenhall Street, London EC3, United Kingdom

In April 2014, the Group acquired a property located at the core of the insurance district in the City of London, surrounded by 30 St Mary Axe (commonly known as the Gherkin), Lloyd's of London and the Willis Building at 51 Lime Street. It is a freehold commercial property housing commercial, offices and retail space. The building comprises 146,606 square feet gross internal area of office accommodation extending over basement, ground, mezzanine and seven upper floors. The building is currently fully leased out.

Management Discussion and Analysis *(Continued)*

PROPERTY INVESTMENT *(CONTINUED)*

Review of major investment properties *(Continued)*

Overseas Properties (Continued)

100 Leadenhall Street, London EC3, United Kingdom

Following the acquisition of 107 Leadenhall Street in April 2014, the Group announced the acquisition of 100 Leadenhall Street in November 2014 which was completed in January 2015. This property comprises a basement, a lower ground floor, ground floor and nine upper floors and provides 177,700 square feet gross internal area of offices and ancillary accommodation. The property is currently fully let to Chubb Market Company Limited.

106 Leadenhall Street, London EC3, United Kingdom

In December 2015, the Group acquired the property located adjacent to 100 and 107 Leadenhall Street, namely 106 Leadenhall Street, which is a multi-tenanted asset with approximately 19,924 square feet gross internal area of commercial and offices including ancillary space. Up to the date of this Report, over 70% floor area of the property has been leased out.

PROPERTY DEVELOPMENT

No turnover from sales of properties was recognised for the six months ended 31 January 2018 (2017: Nil).

Review of major projects for sale

339 Tai Hang Road, Hong Kong

The Group wholly owns the development project located at 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of approximately 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is approximately HK\$670 million. Up to the date of this Report, 8 out of 9 units of this project have been sold.

Ocean One, 6 Shung Shun Street, Yau Tong

The Group wholly owns this development project, namely "Ocean One" located at No. 6 Shung Shun Street, Yau Tong, Kowloon. This property is a residential-cum-commercial property with a total GFA of about 122,000 square feet (excluding car-parking spaces) or 124 residential units and 2 commercial units. All units have been sold other than 2 shops and 7 car-parking spaces.

Review of major projects under development

Ocean Hotel

The Group was named the most preferred proponent by Ocean Park for the Ocean Hotel project in October 2013 and was officially awarded the project in May 2014. The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and add 365,974 square feet of attributable rental space to the existing rental portfolio of the Group of approximately 1.8 million square feet. The total development cost is estimated to be approximately HK\$4.4 billion. Construction is expected to be completed in the second quarter of 2018.

Alto Residences

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of 229,338 square feet with a total GFA of 573,268 square feet split into 458,874 square feet for residential use and 114,394 square feet for commercial use. Construction is expected to be completed in the second quarter of 2018.

This project providing 605 flats, including 23 detached houses was named "Alto Residences" and was launched for pre-sale in October 2016. Up to 18 March 2018, the Group has pre-sold 532 units in Alto Residences with saleable area of approximately 298,600 square feet at an average selling price of approximately HK\$15,600 per square foot.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

Review of major projects under development (Continued)

93 Pau Chung Street

In April 2014, the Group was successful in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority in Ma Tau Kok, Kowloon, Hong Kong. The lot has an area of 12,599 square feet with a total GFA of 111,354 square feet split into 94,486 square feet for residential use and 16,868 square feet for commercial use. The total development cost is estimated to be approximately HK\$1 billion and construction is expected to be completed in the second quarter of 2018.

This project was named “93 Pau Chung Street” and launched for pre-sale in September 2016, offering 209 flats in total, including studios, one and two-bedroom units. Up to 18 March 2018, the Group has pre-sold 207 units in this project with saleable area of approximately 74,500 square feet at an average selling price of HK\$16,300 per square foot.

Novi

On 16 May 2016, the Group has completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Mong Kok, Kowloon. The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet. It is planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,851 square feet. The total development cost is expected to be approximately HK\$0.4 billion and construction is expected to be completed in the third quarter of 2019.

This project was named “Novi” and launched for pre-sale in July 2017, offering 138 flats in total, including studios, one and two-bedroom units. Up to 18 March 2018, the Group has pre-sold 135 units in this project with saleable area of approximately 28,000 square feet at an average selling price of HK\$18,700 per square foot.

Sai Wan Ho Street project

The Group was successful in September 2015 in its bid for the development rights to the Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. The project site covers an area of 7,642 square feet. Upon completion, it is planned to provide about 144 residential units with a total residential GFA of 59,799 square feet. The total development cost is estimated to be approximately HK\$0.9 billion and construction is expected to be completed in the third quarter of 2019.

RESTAURANT OPERATIONS

For the six months ended 31 January 2018, restaurant operations contributed HK\$268.5 million to the Group's turnover (2017: HK\$248.7 million), representing an increase of approximately 8.0% from the same period last year. The turnover from the restaurants segment was primarily boosted by contributions from the newly opened restaurants, including Chiu Tang in Central, Hong Kong and Old Bazaar Kitchen in Wanchai, Hong Kong.

Management Discussion and Analysis (Continued)

RESTAURANT OPERATIONS (CONTINUED)

Up to the date of this Report, restaurant operations include the Group's interests in 18 restaurants in Hong Kong and mainland China and 2 restaurants in Macau and Las Vegas under management.

Cuisine	Restaurant	Location	Attributable interest to the Group	Award
Owned restaurants				
Western Cuisine	8½ Otto e Mezzo BOMBANA Hong Kong	Hong Kong	37%	Three Michelin stars (2012-2018)
	8½ Otto e Mezzo BOMBANA Shanghai	Shanghai	13%	Two Michelin stars (2017)
	Opera BOMBANA	Beijing	20%	
	CIAK - In The Kitchen	Hong Kong	62%	One Michelin star (2015-2017)
	CIAK - All Day Italian	Hong Kong	67%	Michelin Bib Gourmand (2017)
	Beefbar	Hong Kong	62%	One Michelin star (2017-2018)
	Operetta	Hong Kong	67%	
	Grubers	Hong Kong	34%	
Asian Cuisine	China Tang Landmark	Hong Kong	50%	
	China Tang Harbour City	Hong Kong	60%	
	Howard's Gourmet	Hong Kong	50%	
	Beijing Howard's Gourmet	Beijing	67%	
	Chiu Tang Central	Hong Kong	67%	
	Tang ²	Hong Kong	67%	
	Old Bazaar Kitchen	Hong Kong	63%	
Japanese Cuisine	Kaiseki Den by Saotome (formally known as "Wagyu Kaiseki Den")	Hong Kong	59%	One Michelin star (2010-2018)
	Takumi by Daisuke Mori (formally known as "Wagyu Takumi")	Hong Kong	63%	One Michelin star (2017-2018)
	Sushi Masataka (formally known as "Rozan")	Hong Kong	63%	
Managed restaurants				
Western Cuisine	8½ Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2018)
Asian Cuisine	China Tang Las Vegas	Las Vegas	N/A	

HOTEL OPERATIONS

Turnover from hotel operations was mainly derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam. For the six months ended 31 January 2018, the hotel operation contributed HK\$231.9 million to the Group's turnover (2017: HK\$209.1 million).

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Vietnam. It is an elegant 24-storey tower with a mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and a specially equipped room for the disabled. Total GFA attributable to the Group is 98,376 square feet.

The Group was awarded the hotel tender at Ocean Park in May 2014 and the Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms upon its completion in 2018. The Group is optimistic about the prospects of the Ocean Hotel project given the strong popularity of Ocean Park, which is underpinned by robust growth in visitor numbers to Hong Kong coinciding with its expansion.

Management Discussion and Analysis (Continued)

HOTEL OPERATIONS (CONTINUED)

The hotel operation team has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou, Zhongshan and Hengqin. The hotel division manages Lai Fung's serviced apartments in Shanghai and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks with 90 fully furnished serviced apartment units located in the Palm Lifestyle complex in Zhongshan Western district at Cui Sha Road, opposite to the new Zhongshan traditional Chinese medical centre. STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel with 239 fully furnished and equipped hotel units with kitchenette located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways.

INTEREST IN ASSOCIATES (eSun)

As at 31 January 2018, the Group's interest in eSun Holdings Limited ("eSun") is 36.94%.

During the period under review, share of loss of eSun amounting to HK\$5.3 million (2017: share of profit of HK\$11.6 million). The decrease is primarily due to (a) a consolidated loss from Media Asia Group Holdings Limited ("MAGHL") owing to unsatisfactory performance of the films released by MAGHL Group during the period under review and (b) lower profit contribution from a joint venture of Lai Fung as sale of the project has been substantially completed, despite a higher fair value gain arising from the revaluation of Lai Fung's investment properties during the period under review.

INTERESTS IN JOINT VENTURES

During the period ended 31 January 2018, contribution from joint ventures amounted to HK\$612.6 million (2017: HK\$333.8 million), representing an increase of 83.5%. This is primarily due to strong revaluation gains of CCB Tower and 8 Observatory Road being recognised during the period under review as compared to the same period last year.

	Six months ended 31 January	
	2018	2017
	(HK\$ million)	(HK\$ million)
Revaluation gains	562.6	303.0
Operating profits	50.0	30.8
Contribution from joint ventures	612.6	333.8

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2018, cash and bank balances and undrawn facilities held by the Group amounted to HK\$2,327.5 million and HK\$4,129.5 million, respectively.

The Group's sources of funding comprise mainly internal funds generated from the Group's business operations, loan facilities provided by banks and guaranteed notes issued to investors.

Management Discussion and Analysis *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

As at 31 January 2018, the Group had bank borrowings of approximately HK\$6,576.0 million and guaranteed notes of approximately HK\$3,105.2 million. The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings and guaranteed notes less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company, was approximately 26.0%. The Group's gearing excluding the net debt of the London portfolio all of which had a positive carry net of financing costs was approximately 20.2%. As at 31 January 2018, the maturity profile of the bank borrowings of HK\$6,576.0 million was spread over a period of less than 5 years with HK\$172.5 million repayable within 1 year, HK\$676.7 million repayable in the second year and HK\$5,726.8 million repayable in the third to fifth years. All the Group's borrowings carried interest on a floating rate basis except for the guaranteed notes issued in 2017 which has a fixed rate of 4.6% per annum.

On 13 September 2017, the Group issued guaranteed notes in an aggregate principal amount of US\$400 million ("**2017 Notes**"). The 2017 Notes are guaranteed by the Company, have a maturity term of five years and bear a fixed interest rate of 4.6% per annum with interest payable semi-annually in arrears. The net proceeds from the offering of the 2017 Notes are approximately US\$397 million. Apart from refinancing the guaranteed notes of US\$350 million issued in 2013, the proceeds will be used for general corporate purposes. The Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from the 2017 Notes.

As at 31 January 2018, certain investment properties with carrying amounts of approximately HK\$16,983.3 million, certain property, plant and equipment with carrying amounts of approximately HK\$4,173.2 million, and certain bank balances and time deposits with banks of approximately HK\$302.1 million were pledged to banks to secure banking facilities granted to the Group and its joint venture. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars and United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has investments in United Kingdom with the assets and liabilities denominated in Pounds Sterling. These investments were primarily financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the additional need arise.

CONTINGENT LIABILITIES

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

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR RENTAL

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
Hong Kong Properties								
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	233,807	409,896	—	643,703	355
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D,E,G,H,K,L,M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	109,770	96,268	—	206,038	57
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	95,063	74,181	—	169,244	538
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	50%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	114,603	—	114,603	19
8 Observatory Road	2,4,6,8,10 and 12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong (Inland Lot No. 11231)	50%	The property is held for a term of 50 years commencing on 10 January 2014	45,312	37,273	—	82,585	30
Wylar Centre, Phase II (20/F and 27/F and car-parking spaces nos. 17, 18 and 59 on 2/F)	192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	47,932	47,932	3
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	—	42,896	—	42,896	6
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking space nos. 1, 2, 13 and 14 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	11,370	11,370	4
Luen Fat Loong Factory Building (4/F)	19 Cheung Lee Street, Chai Wan, Hong Kong	100%	The property is held for a term of 75 years commencing on 4 November 1963 and renewable for a further term of 75 years	—	—	4,290	4,290	—
Subtotal of Hong Kong properties held for rental:				483,952	775,117	63,592	1,322,661	1,012

Particulars of Major Properties (Continued)

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
Overseas Properties								
107 Leadenhall Street London	107 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	48,182	98,424	—	146,606	—
100 Leadenhall Street London	100 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	—	177,700	—	177,700	15
36 Queen Street London	36 Queen Street, London, EC4, United Kingdom	100%	The property is held freehold	—	60,816	—	60,816	—
106 Leadenhall Street London	106 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	3,540	16,384	—	19,924	—
Subtotal of overseas properties held for rental:				51,722	353,324	—	405,046	15
Total of completed properties held for rental:				535,674	1,128,441	63,592	1,727,707	1,027

COMPLETED HOTEL PROPERTY

Hotel Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)		No. of car-parking spaces attributable to the Group
				Hotel		
Caravelle Hotel	19 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	26.01%	The property is held under a land use right due to expire on 8 October 2040	98,376		—

Particulars of Major Properties (Continued)

PROPERTIES UNDER DEVELOPMENT

Location	Stage of Construction	Group Interest	Site Area (approximate square feet) (Note)	Expected Completion Date	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
					Commercial/Retail	Hotel	Residential		
Hong Kong Ocean Park Marriott Hotel, Hong Kong	Superstructure works in progress	100%	183,460	Q2 2018	—	365,974	—	365,974	16
Alto Residences, 29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong	Superstructure works in progress	50%	229,338	Q2 2018	57,197	—	229,437	286,634	150
93 Pau Chung Street, 20-32 San Shan Road and 93 Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	Superstructure works in progress	100%	12,599	Q2 2018	16,868	—	94,486	111,354	22
9-11 and 15 Sai Wan Ho Street, Shau Kei Wan, Hong Kong	Superstructure works in progress	100%	7,642	Q3 2019	—	—	59,799	59,799	8
Novi, 50 Ki Lung Street, Kowloon, Hong Kong	Superstructure works in progress	100%	5,054	Q3 2019	5,196	—	37,655	42,851	—
Total of properties under development:					79,261	365,974	421,377	866,612	196

Note: On project basis

COMPLETED PROPERTIES HELD FOR SALE

Property Name	Location	Group Interest	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Residential	Hotel		
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	27,306	—	—	27,306	7
339 Tai Hang Road	339 Tai Hang Road, Hong Kong	100%	—	6,458	—	6,458	3
Total of completed properties held for sale:			27,306	6,458	—	33,764	10

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) throughout the six months ended 31 January 2018 save for the deviations from code provisions A.4.1, A.5.1 and E.1.2.

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 shareholders of the Company (“**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company (“**AGM**”) and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy would/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**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.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended to by Dr. Lam Kin Ngok, Peter, the Chairman, Dr. Lam was not present at the AGM held on 15 December 2017. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

Corporate Governance and Other Information *(Continued)*

CORPORATE GOVERNANCE *(CONTINUED)*

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 overall business and commercial strategy of the Company and its subsidiaries ("**Group**") as well as overall policies and guidelines.

The Board currently comprises nine members, of whom four are EDs, two are NEDs and three 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.

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 Officer

During the six months ended 31 January 2018 and up to the date of this Report, Dr. Lam Kin Ngok, Peter (an ED) was the Chairman of the Company while Mr. Chew Fook Aun (an ED) and Mr. Lau Shu Yan, Julius (an ED) was the Deputy Chairman and Chief Executive Officer of the Company, respectively. The 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 businesses. 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 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.

Corporate Governance and Other Information *(Continued)*

DIRECTORS' INTERESTS

The following Directors and the 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; or (d) as known by the Directors:

(1) The Company

Long positions in the ordinary shares of the Company (“Shares”) and the underlying Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	429,232 (Note 1)	Nil	322,704,572 (Note 1)	417,308 (Note 5)	323,551,112	53.38%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	400,000 (Note 3)	3,773,081 (Note 5)	4,173,081	0.69%
Lau Shu Yan, Julius	Beneficial owner	263,500 (Note 4)	Nil	Nil	2,086,540 (Note 5)	2,350,040	0.39%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	4,173,081 (Note 5)	4,173,081	0.69%
U Po Chu (Note 2)	Beneficial owner	26,919 (Note 2)	Nil	Nil	Nil	26,919	0.01%

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(1) The Company (Continued)

Notes:

- (1) *Lai Sun Garment (International) Limited ("LSG") and two of its wholly-owned subsidiaries, namely Zimba International Limited ("Zimba International") and Joy Mind Limited ("Joy Mind"), beneficially owned 322,704,572 Shares, representing approximately 53.24% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 322,704,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 41.86% in the issued share capital of LSG. LSG is approximately 12.49% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.37% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Lam Kin Ngok, Peter.*

On 15 August 2017, the Company implemented the Share Consolidation on the basis that every fifty (50) issued shares in the share capital of the Company were consolidated into one (1) consolidated share in the share capital of the Company ("Share Consolidation"). The issued share capital of the Company was decreased from 30,251,304,984 to 605,026,099 as a result of the Share Consolidation.

During the period under review, 60,000 ordinary shares were issued in respect of share options exercised under the Company's shares option scheme increasing the number of issued shares from 605,026,099 to 605,086,099.

On 30 January 2018, the Company allotted and issued 990,515 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in the Company from 605,086,099 to 606,076,614.

LSG placed up to 50,934,000 Shares of the Company under the secondary block trade agreement dated 16 August 2017 which was completed on 21 August 2017 ("Placing").

The personal interests of Dr. Lam Kin Ngok, Peter were changed from 21,461,617 Shares to 429,232 Shares following the completion of the Share Consolidation.

LSG pledged approximately 208,513,987 Shares (10,425,699,353 issued shares of the Company before the Share Consolidation) held by LSG, Zimba International and Joy Mind as security pursuant to its 7.70% secured guaranteed notes due 2018 under a Share Charge dated 24 July 2014.

LSG and Joy Mind acquired in aggregate 102,000 Shares of the Company on the market in November 2017, thereby increasing their shareholding interests in the Company from 322,602,572 Shares to 322,704,572 Shares.

- (2) *Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 3,957,189 Shares (197,859,550 Shares before the Share Consolidation), representing approximately 0.65% of the issued share capital of the Company.*

The personal interests of Madam U Po Chu were changed from 1,345,974 Shares to 26,919 Shares following the completion of the Share Consolidation.

- (3) *The 20,000,000 Shares owned by The Orchid Growers Association Limited changed to 400,000 Shares following the completion of the Share Consolidation. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. Chew Fook Aun was deemed to be interested in these 400,000 Shares.*

- (4) *The personal interests of Mr. Lau Shu Yan, Julius were changed from 13,175,000 Shares to 263,500 Shares following the completion of the Share Consolidation.*

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(1) The Company (Continued)

Notes: (Continued)

(5) A share option was granted by the Company to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option before the Share Consolidation	Number of underlying shares comprised in the option after the Share Consolidation	Option period	Subscription price before the Share Consolidation	Subscription price after the Share Consolidation
Lam Kin Ngok, Peter	18/01/2013	20,865,408	417,308	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share
Chew Fook Aun	05/06/2012	188,654,089	3,773,081	05/06/2012-04/06/2022	HK\$0.107 per Share	HK\$5.350 per Share
Lau Shu Yan, Julius	18/01/2013	104,327,044	2,086,540	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share
Lam Hau Yin, Lester	18/01/2013	208,654,089	4,173,081	18/01/2013-17/01/2023	HK\$0.322 per Share	HK\$16.100 per Share

(2) Associated Corporations

(i) Lai Sun Garment (International) Limited (“LSG”) – the ultimate holding company of the Company

Long positions in the ordinary shares and the underlying shares in LSG

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	48,116,366 (Note 1)	Nil	113,127,277 (Note 1)	708,575 (Note 6)	161,952,218	42.05%
Chew Fook Aun	Owner of controlled corporations	Nil	Nil	202,422 (Note 2)	3,819,204 (Note 6)	4,021,626	1.04%
Lam Hau Yin, Lester	Beneficial owner	12,283,938 (Note 3)	Nil	Nil	7,571,626 (Note 6)	19,855,564	5.16%
Lam Kin Ming	Beneficial owner	1,007,075 (Note 4)	Nil	Nil	Nil	1,007,075	0.26%
U Po Chu	Beneficial owner	825,525 (Note 5)	Nil	Nil	Nil	825,525	0.21%

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(i) Lai Sun Garment (International) Limited (“LSG”) – the ultimate holding company of the Company (Continued)

Notes:

- (1) On 15 August 2017, LSG implemented the share consolidation on the basis that every five (5) issued shares in the share capital of LSG were consolidated into one (1) consolidated share in the share capital of LSG (“**LSG Share Consolidation**”).

On 30 January 2018, LSG allotted and issued 1,917,209 new ordinary shares (“**Scrip Shares**”) pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in LSG from 383,220,448 to 385,137,657.

The interests of Wisdoman Limited were changed from 562,590,430 shares to 112,518,086 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Wisdoman Limited has elected to receive a total of 609,191 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing Wisdoman’s interests in LSG from 112,518,086 shares to 113,127,277 shares. Dr. Lam Kin Ngok, Peter was deemed to be interested in 113,127,277 shares (representing approximately 29.37% of LSG’s issued share capital) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.

The personal interests of Dr. Lam Kin Ngok, Peter were changed from 239,286,305 shares to 47,857,260 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Dr. Lam Kin Ngok, Peter has elected to receive a total of 259,106 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing his personal interests in LSG from 47,857,260 shares to 48,116,366 shares.

- (2) The 1,012,111 shares held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun changed to 202,422 shares following the completion of the LSG Share Consolidation. Mr. Chew Fook Aun was deemed to be interested in these 202,422 shares.
- (3) The personal interests of Mr. Lam Hau Yin, Lester were changed from 61,088,946 shares to 12,217,789 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Mr. Lam Hau Yin, Lester has elected to receive a total of 66,149 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing his personal interests in LSG from 12,217,789 shares to 12,283,938 shares.
- (4) The personal interests of Dr. Lam Kin Ming were changed from 5,008,263 shares to 1,001,652 shares following the completion of the LSG Share Consolidation. On 30 January 2018, Dr. Lam Kin Ming has elected to receive a total of 5,423 Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing his personal interests in LSG from 1,001,652 shares to 1,007,075 shares.
- (5) The personal interests of Madam U Po Chu were changed from 4,127,625 shares to 825,525 shares following the completion of the LSG Share Consolidation.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(i) Lai Sun Garment (International) Limited (“LSG”) – the ultimate holding company of the Company (Continued)

Notes: (Continued)

(6) Share options were granted by LSG to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option before the LSG Share Consolidation	Number of underlying shares comprised in the option after the LSG Share Consolidation	Option period	Subscription price before the LSG Share Consolidation	Subscription price after the LSG Share Consolidation
Lam Kin Ngok, Peter	18/01/2013	1,876,211	375,242	18/01/2013-17/01/2023	HK\$1.21 per share	HK\$6.05 per share
	19/06/2017	1,666,666	333,333	19/06/2017-18/06/2027	HK\$3.00 per share	HK\$15.00 per share
Chew Fook Aun	19/06/2017	19,096,022	3,819,204	19/06/2017-18/06/2027	HK\$3.00 per share	HK\$15.00 per share
Lam Hau Yin, Lester	18/01/2013	18,762,111	3,752,422	18/01/2013-17/01/2023	HK\$1.21 per share	HK\$6.05 per share
	19/06/2017	19,096,022	3,819,204	19/06/2017-18/06/2027	HK\$3.00 per share	HK\$15.00 per share

(ii) eSun Holdings Limited (“eSun”) - an associate of the Company

Long positions in the ordinary shares and the underlying shares in eSun

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	551,040,186 (Note 1)	1,243,212 (Note 2)	555,077,841	37.21%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 (Note 2)	6,216,060	0.42%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 (Note 2)	15,226,564	1.02%

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(ii) eSun Holdings Limited (“eSun”) - an associate of the Company (Continued)

Notes:

- (1) *Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, was interested in 551,040,186 shares in eSun, representing approximately 36.94% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 551,040,186 shares in eSun by virtue of, in aggregate, his personal and deemed interests of approximately 41.86% and 53.31% in the issued share capital of LSG and the Company, respectively.*
- (2) *A share option was granted by eSun to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:*

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	1,243,212	18/01/2013-17/01/2023	HK\$1.612 per share
Chew Fook Aun	05/06/2012	6,216,060	05/06/2012-04/06/2022	HK\$0.92 per share
Lam Hau Yin, Lester	18/01/2013	12,432,121	18/01/2013-17/01/2023	HK\$1.612 per share

(iii) Lai Fung Holdings Limited (“Lai Fung”) – a subsidiary of eSun

Long positions in the ordinary shares and the underlying shares in Lai Fung

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	165,485,406 (Note 1)	321,918 (Note 4)	165,807,324	50.70%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	600,000 (Note 2)	1,009,591 (Note 4)	1,609,591	0.49%
Lau Shu Yan, Julius	Beneficial owner	235 (Note 3)	Nil	Nil	965,754 (Note 4)	965,989	0.30%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	3,219,182 (Note 4)	3,219,182	0.98%

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(iii) Lai Fung Holdings Limited (“Lai Fung”) – a subsidiary of eSun (Continued)

Notes:

- (1) On 15 August 2017, Lai Fung implemented the share consolidation on the basis that every fifty (50) issued shares in the share capital of Lai Fung were consolidated into one (1) consolidated share in the share capital of Lai Fung (“Lai Fung Share Consolidation”).

On 30 January 2018, Lai Fung allotted and issued 1,122,400 new ordinary shares pursuant to its Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2017, increasing the total number of issued shares in Lai Fung from 325,921,734 to 327,044,134.

The 8,274,270,422 shares held by eSun were changed to 165,485,406 shares in Lai Fung following the completion of the Lai Fung Share Consolidation. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 165,485,406 issued shares in Lai Fung by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 37.13% in the issued share capital of eSun.

- (2) The deemed interests of Mr. Chew Fook Aun were changed from 30,000,000 shares to 600,000 shares following the completion of the Lai Fung Share Consolidation. These shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun.
- (3) The personal interests of Mr. Lau Shu Yan, Julius were changed from 11,772 shares to 235 shares following the completion of the Lai Fung Share Consolidation.
- (4) A share option was granted by Lai Fung to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option before the Lai Fung Share Consolidation	Number of underlying shares comprised in the option after the Lai Fung Share Consolidation	Option period	Subscription price before the Lai Fung Share Consolidation	Subscription price after the Lai Fung Share Consolidation
Lam Kin Ngok, Peter	18/01/2013	16,095,912	321,918	18/01/2013-17/01/2023	HK\$0.228 per share	HK\$11.400 per share
Chew Fook Aun	12/06/2012	50,479,564	1,009,591	12/06/2012-11/06/2020	HK\$0.133 per share	HK\$6.650 per share
Lau Shu Yan, Julius	18/01/2013	48,287,738	965,754	18/01/2013-17/01/2023	HK\$0.228 per share	HK\$11.400 per share
Lam Hau Yin, Lester	18/01/2013	160,959,129	3,219,182	18/01/2013-17/01/2023	HK\$0.228 per share	HK\$11.400 per share

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(iv) Media Asia Group Holdings Limited ("MAGH") - a subsidiary of eSun

Long positions in the shares and underlying shares in MAGH

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total number of issued shares and underlying shares	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	1,443,156,837 (Note 1)	218,340,611 (Note 2)	1,661,497,448	77.78%

Notes:

- (1) As at 31 January 2018, these interests in MAGH represented the shares beneficially owned by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun, representing approximately 67.56% of the issued share capital of MAGH. eSun is owned as to approximately 36.94% by the Company which in turn is owned as to approximately 53.24% by LSG. As LSG is approximately 12.68% owned by Dr. Lam Kin Ngok, Peter and approximately 29.37% owned by Wisdoman Limited which is turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 1,443,156,837 shares in MAGH.
- (2) By virtue of Dr. Lam Kin Ngok, Peter's interests through the controlled corporations described in Note (1) above, he was also deemed to be interested in the 218,340,611 underlying shares of MAGH comprised in the convertible notes issued to Perfect Sky by MAGH pursuant to a subscription agreement dated 17 April 2015.

Save as disclosed above, as at 31 January 2018, none of the Directors and the 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/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, or recorded in the Register of Directors and Chief Executive as aforesaid, notified under the Securities Code or otherwise known by the Directors.

Corporate Governance and Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at 31 January 2018, so far as was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (are being a Director), who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded 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:

Long positions in the Shares and the underlying Shares of the Company

Name	Capacity	Nature of interests	Number Shares and underlying Shares	Approximate % of Shares in issue
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	322,704,572 (Note 1)	53.24%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Personal and corporate	323,551,112 (Note 1)	53.38%
Yu Cheuk Yi	Beneficial owner	Personal	85,313,623 (Note 2)	14.08%
Yu Siu Yuk	Beneficial owner	Personal	85,313,623 (Note 2)	14.08%

Notes:

- (1) As at the date of this Report, LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 322,704,572 Shares, representing approximately 53.24% of the issued share capital of the Company following the completion of the Share Consolidation and the Placing. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 322,704,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 41.86% in the issued share capital of LSG.
- (2) As at the date of this Report, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 85,313,623 Shares (14.08 %) according to shareholding shown in last Individual Substantial Notice (Form 1) filed for an event on 16 January 2018 following the completion of the Share Consolidation.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 January 2018, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 11 December 2015, the shareholders of the Company approved the adoption of a new share option scheme ("**New Scheme**"). The share option scheme adopted by the Company on 22 December 2006 ("**Old Scheme**") terminated when the New Scheme became effective on 23 December 2015 ("**Effective Date**"). No more options will be granted under the Old Scheme but the subsisting options granted prior to its termination will continue to be valid and exercisable in accordance with the terms of the Old Scheme.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

The purpose of the New Scheme is to provide incentives or rewards to any eligible employee and director of the Company or any of its subsidiaries, any agent or consultant of any member of the Group or any employee of the shareholder of any member of the Group or any holder of any securities issued by any member of the Group for their contribution or would be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Unless otherwise altered or terminated, the New Scheme will be valid and effective for a period of 10 years commencing on the Effective Date.

During the six-month period ended 31 January 2018, there were 60,000 options exercised by an eligible employee under the New Scheme. Apart from that, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the schemes during the six-month period ended 31 January 2018. Particulars of the outstanding options at the beginning and at the end of the financial period are as follows:

Name and category of participant	Date of grant of options	Outstanding at 01/08/2017	Granted during the period	Number of underlying shares comprised in share options		Exercised during the period	Lapsed during the period	*Outstanding at 31/01/2018	Exercisable period of share options
				Exercise price of share options HK\$ per share	*Adjusted exercise price of share options per share after the Share Consolidation HK\$				
Directors									
Lam Kin Ngok, Peter	18/01/2013	20,865,408	—	0.322	16.100	—	—	417,308	18/01/2013 - 17/01/2023
Chew Fook Aun	05/06/2012	188,654,089	—	0.107	5.350	—	—	3,773,081	05/06/2012 - 04/06/2022
Lau Shu Yan, Julius	18/01/2013	104,327,044	—	0.322	16.100	—	—	2,086,540	18/01/2013 - 17/01/2023
Lam Hau Yin, Lester	18/01/2013	208,654,089	—	0.322	16.100	—	—	4,173,081	18/01/2013 - 17/01/2023
Other employees	18/01/2013	173,876,227	—	0.322	16.100	—	—	3,477,524	18/01/2013 - 17/01/2023
Other employees	26/07/2013	4,160,000	—	0.225	11.250	—	—	83,200	26/07/2013 - 25/07/2023
Other employees	21/01/2015	11,440,000	—	0.167	8.350	—	—	228,800	21/01/2015 - 20/01/2025
Other employees	22/01/2016	6,000,000	—	0.094	4.700	60,000	—	60,000	22/01/2016 - 21/01/2026
Other employees	20/01/2017	3,000,000	—	0.163	8.150	—	—	60,000	20/01/2017 - 19/01/2027
Total:		720,976,857	—	—	—	60,000	—	14,359,534	

* Note:

On 15 August 2017, the exercise price of and the number of shares entitled to be subscribed for under the outstanding share options granted under the share option schemes have been adjusted following the completion of the Share Consolidation.

Corporate Governance and Other Information *(Continued)*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2018, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

UPDATE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' and Chief Executive Officer's information since the disclosure made in the Company's annual report 2016-2017 are set out as follows:

- (1) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester were adjusted upward with effect from 1 January 2018 (within the range from 3% to 4%). 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	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
For the six months ended 31 January 2018				
EDs:				
Lam Kin Ngok, Peter (<i>Chairman</i>)	—	8,705	9	8,714
Chew Fook Aun (<i>Deputy Chairman</i>)	—	4,986	9	4,995
Lau Shu Yan, Julius (<i>Chief Executive Officer</i>)	—	2,562	110	2,672
Lam Hau Yin, Lester	—	965	9	974
	—	17,218	137	17,355
NEDs:				
Lam Kin Ming	125	—	—	125
U Po Chu	125	—	—	125
	250	—	—	250
INEDs:				
Ip Shu Kwan, Stephen	150	—	—	150
Lam Bing Kwan	150	—	—	150
Leung Shu Yin, William	150	—	—	150
	450	—	—	450
	700	17,218	137	18,055

Corporate Governance and Other Information (Continued)

UPDATE OF DIRECTORS' INFORMATION (CONTINUED)

(1) (Continued)

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
For the six months ended 31 January 2017				
EDs:				
Lam Kin Ngok, Peter (<i>Chairman</i>)	—	7,850	9	7,859
Chew Fook Aun (<i>Deputy Chairman</i>)	—	4,794	9	4,803
Lau Shu Yan, Julius (<i>Chief Executive Officer</i>)	—	2,664	107	2,771
Lam Hau Yin, Lester	—	937	9	946
	—	16,245	134	16,379
NEDs:				
Lam Kin Ming	125	—	—	125
U Po Chu	125	—	—	125
	250	—	—	250
INEDs:				
Ip Shu Kwan, Stephen	150	—	—	150
Lam Bing Kwan	150	—	—	150
Leung Shu Yin, William	150	—	—	150
	450	—	—	450
	700	16,245	134	17,079

(2) Dr. Lam Kin Ngok, Peter

- (a) was re-appointed the member of Aviation Development and Three-runway System Advisory Committee for a term of two years with effect from 1 August 2017;
- (b) was appointed a non-official member of the Trade and Industry Advisory Board from 1 September 2017 to 31 December 2019;
- (c) was appointed a Standing Committee member of the 13th National Committee of the Chinese People's Political Consultative Conference on 24 January 2018;
- (d) was re-appointed a non-official member of Lantau Development Advisory Committee for a term of two years with effect from 1 February 2018; and
- (e) was appointed the chairman of The Hong Kong Trade Development Council Entertainment Industry Advisory Committee for a term of two years from 1 April 2018 to 31 March 2020.

Corporate Governance and Other Information *(Continued)*

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2018, the Group employed a total of approximately 1,600 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 six months ended 31 January 2018, the Company has met with a number of research analysts and investors and attended 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	The Pulse of Asia Conference	DBS	Singapore

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

Firm	Analyst	Publication Date
DBS	Jeff YAU, Ian CHUI	20 October 2017
HSBC	Roanna CHAU, Keith CHAN	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@laisun.com.

Corporate Governance and Other Information *(Continued)*

REVIEW OF INTERIM REPORT

The audit committee of the Company (“**Audit Committee**”) currently comprises two INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and a NED, Dr. Lam Kin Ming. 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
Lam Kin Ngok, Peter
Chairman

Hong Kong, 22 March 2018