



LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Stock Code: 191)

Interim Report

For the six months ended 31 January 2018



Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter, *GBS* (*Deputy Chairman*)

Chew Fook Aun (*Deputy Chairman*)

Lam Hau Yin, Lester

(also alternate director to U Po Chu)

Lam Kin Hong, Matthew

U Po Chu

Independent Non-executive Directors

Chow Bing Chiu

Lam Bing Kwan

Leung Shu Yin, William

AUDIT COMMITTEE

Leung Shu Yin, William (*Chairman*)

Chow Bing Chiu

Lam Bing Kwan

REMUNERATION COMMITTEE

Lam Bing Kwan (*Chairman*)

Chew Fook Aun

Chow Bing Chiu

Leung Shu Yin, William

COMPANY SECRETARY

Tse Pik Ha

REGISTERED OFFICE/PRINCIPAL OFFICE

11th Floor

Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon, Hong Kong

Tel: (852) 2741 0391

Fax: (852) 2785 2775

AUTHORISED REPRESENTATIVES

Lam Kin Ming

Chew Fook Aun

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

Oversea-Chinese Banking Corporation 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

191 / 1,000 shares

American Depositary Receipt

CUSIP Number:

50171P102

Trading Symbol:

LGRTY

ADR to Ordinary Share Ratio:

1:20

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 Garment (International) 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	917,890	871,978
Cost of sales		(374,257)	(340,852)
Gross profit		543,633	531,126
Other revenue		79,479	36,284
Selling and marketing expenses		(10,901)	(17,307)
Administrative expenses		(213,371)	(154,924)
Other operating expenses		(161,036)	(132,336)
Fair value gains on investment properties		655,144	607,850
PROFIT FROM OPERATING ACTIVITIES	4	892,948	870,693
Finance costs	5	(183,740)	(130,691)
Share of profits and losses of associates		(6,881)	11,472
Share of profits and losses of joint ventures		612,585	333,817
PROFIT BEFORE TAX		1,314,912	1,085,291
Tax	6	(44,704)	(47,609)
PROFIT FOR THE PERIOD		1,270,208	1,037,682
Attributable to:			
Owners of the Company		674,672	673,776
Non-controlling interests		595,536	363,906
		1,270,208	1,037,682
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		(Adjusted)
Basic		HK\$1.762	HK\$1.774
Diluted		HK\$1.738	HK\$1.760

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	1,270,208	1,037,682
OTHER COMPREHENSIVE INCOME/(EXPENSE) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Changes in fair values of available-for-sale financial assets	165,713	49,928
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	539,924	(135,938)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,810,132	901,744
Attributable to:		
Owners of the Company	961,821	588,654
Non-controlling interests	848,311	313,090
	1,810,132	901,744

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		5,025,106	4,322,054
Prepaid land lease payments		19,359	19,873
Investment properties		20,112,722	19,245,714
Properties under development for sale		890,697	1,646,938
Goodwill		5,161	5,161
Interests in associates		3,884,553	3,628,138
Interests in joint ventures		7,925,439	7,224,183
Available-for-sale financial assets		2,029,282	1,717,665
Pledged and restricted bank balances and time deposits		80,039	86,892
Deposits paid and other receivables		339,354	232,664
Total non-current assets		40,311,712	38,129,282
CURRENT ASSETS			
Properties under development for sale		965,856	—
Completed properties for sale		264,914	264,914
Inventories		33,549	31,327
Debtors, deposits paid and other receivables	8	656,959	543,893
Pledged and restricted bank balances and time deposits		312,351	314,152
Cash and cash equivalents		2,772,167	3,176,636
Total current assets		5,005,796	4,330,922
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9	1,469,328	477,301
Tax payable		103,664	127,541
Guaranteed notes	10	800,275	3,480,606
Bank borrowings		186,486	171,582
Total current liabilities		2,559,753	4,257,030
NET CURRENT ASSETS		2,446,043	73,892
TOTAL ASSETS LESS CURRENT LIABILITIES		42,757,755	38,203,174
NON-CURRENT LIABILITIES			
Bank borrowings		6,701,767	7,503,652
Guaranteed notes	10	3,105,184	—
Other borrowing, note payable and interest payable		390,009	384,293
Derivative financial instruments		5,728	—
Deferred tax		212,816	207,962
Provision for tax indemnity		344,251	344,251
Long term deposits received and other payables		679,618	902,034
Deferred rental		6,083	7,448
Total non-current liabilities		11,445,456	9,349,640
		31,312,299	28,853,534
EQUITY			
Equity attributable to owners of the Company			
Share capital		1,232,007	1,198,360
Investment revaluation reserve		460,710	367,057
Share option reserve		100,916	70,925
Hedging reserve		(1,138)	1,210
Capital reduction reserve		6,973	6,973
Asset revaluation reserve		55,494	55,494
Other reserve		1,159,282	2,759,760
Statutory reserve		30,405	25,622
Exchange fluctuation reserve		(32,901)	(228,745)
Retained profits		14,424,529	13,780,780
		17,436,277	18,037,436
Non-controlling interests		13,876,022	10,816,098
		31,312,299	28,853,534

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2018

	Attributable to owners of the Company											Non-controlling interests HK\$'000	Total HK\$'000
	Share capital ¹ HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Capital reduction reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		
At 31 July 2017 and 1 August 2017 (Audited)	1,198,360	367,057	70,925	1,210	6,973	55,494	2,759,760	25,622	(228,745)	13,780,780	18,037,436	10,816,098	28,853,534
Profit for the period	—	—	—	—	—	—	—	—	—	674,672	674,672	595,536	1,270,208
Other comprehensive income/(expense) for the period:													
Changes in fair values of available-for-sale financial assets	—	87,610	—	—	—	—	—	—	—	—	87,610	78,103	165,713
Exchange realignments	—	—	—	—	—	—	—	—	61,061	—	61,061	53,457	114,518
Share of other comprehensive income of associates	—	6,043	—	2,591	—	—	—	—	134,270	—	142,904	125,090	267,994
Share of other comprehensive income of a joint venture	—	—	—	—	—	—	—	—	513	—	513	449	962
Net loss on cash flow hedges	—	—	—	(4,939)	—	—	—	—	—	—	(4,939)	(4,324)	(9,263)
Total comprehensive income/(expense) for the period	—	93,653	—	(2,348)	—	—	—	—	195,844	674,672	961,821	848,311	1,810,132
Final 2017 dividend declared	—	—	—	—	—	—	—	—	—	(26,250)	(26,250)	—	(26,250)
Share of reserve movements of an associate	—	—	(47)	—	—	—	(7,025)	4,783	—	(4,673)	(6,962)	(6,094)	(13,056)
Recognition of share-based payments	—	—	31,909	—	—	—	—	—	—	—	31,909	—	31,909
Shares issued in lieu of cash dividend*	24,256	—	—	—	—	—	—	—	—	—	24,256	—	24,256
Shares issued by a subsidiary in lieu of cash dividend	—	—	—	—	—	—	(18,627)	—	—	—	(18,627)	31,310	12,683
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(42,762)	(42,762)
Share options exercised [†]	9,391	—	(1,871)	—	—	—	—	—	—	—	7,520	—	7,520
Share options exercised in a subsidiary	—	—	—	—	—	—	212	—	—	—	212	70	282
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	1,442	—	—	—	1,442	(2,821)	(1,379)
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	(1,576,480)	—	—	—	(1,576,480)	2,231,910	655,430
At 31 January 2018 (Unaudited)	1,232,007	460,710	100,916	(1,138)	6,973	55,494	1,159,282	30,405	(32,901)	14,424,529	17,436,277	13,876,022	31,312,299

¹ With effect from 15 August 2017, every five 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\$0.0685 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, 1,917,209 new shares were issued by the Company at a deemed price of HK\$12.652 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\$24,256,000 of the 2017 Final Dividend. The remaining of the 2017 Final Dividend of HK\$1,994,000 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, 1,173,600 ordinary shares and 80,000 ordinary shares were issued in respect of share option exercised under the Company’s share option scheme at exercise prices of HK\$6.05 per share and HK\$5.25 per share, respectively and total cash considerations of HK\$7,100,000 and HK\$420,000, respectively, were received. The share option reserve of HK\$1,766,000 and HK\$105,000, respectively, were 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											Non-controlling interests HK\$'000	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	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		
At 31 July 2016 and 1 August 2016 (Audited)	1,179,703	245,724	14,286	5,707	6,973	55,494	2,809,724	14,962	(238,798)	12,359,569	16,453,344	9,949,302	26,402,646
Profit for the period	—	—	—	—	—	—	—	—	—	673,776	673,776	363,906	1,037,682
Other comprehensive income/ (expense) for the period:													
Changes in fair values of available-for-sale financial assets	—	30,064	—	—	—	—	—	—	—	—	30,064	19,864	49,928
Exchange realignments	—	—	—	—	—	—	—	—	(31,165)	—	(31,165)	(19,159)	(50,324)
Share of other comprehensive income/(expense) of associates	—	2,277	—	(4,268)	—	—	—	—	(82,030)	—	(84,021)	(51,521)	(135,542)
Total comprehensive income/ (expense) for the period	—	32,341	—	(4,268)	—	—	—	—	(113,195)	673,776	588,654	313,090	901,744
Final 2016 dividend declared	—	—	—	—	—	—	—	—	—	(23,018)	(23,018)	—	(23,018)
Share of reserve movements of an associate	—	—	—	—	—	—	(10,682)	4,147	—	(4,125)	(10,660)	(6,553)	(17,213)
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	484	484
Shares issued in lieu of cash dividend*	12,727	—	—	—	—	—	—	—	—	—	12,727	—	12,727
Shares issued by a subsidiary in lieu of cash dividend	—	—	—	—	—	—	(29,005)	—	—	—	(29,005)	38,656	9,651
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(60,074)	(60,074)
Share options exercised [†]	5,579	—	(1,565)	—	—	—	—	—	—	—	4,014	—	4,014
Share options exercised in a subsidiary	—	—	—	—	—	—	(7,666)	—	—	—	(7,666)	9,806	2,140
At 31 January 2017 (Unaudited)	1,198,009	278,065	12,721	1,439	6,973	55,494	2,762,371	19,109	(351,993)	13,006,202	16,988,390	10,244,711	27,233,101

* On 16 December 2016, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.0121 per share before the effect of the Share Consolidation (or HK\$0.0605 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, 8,067,652 new shares before the effect of the Share Consolidation (or 1,613,530 new shares after the effect of the Share Consolidation) were issued by the Company at a deemed price of HK\$1.5776 per share before the effect of the Share Consolidation (or HK\$7.888 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\$12,727,000 of the 2016 Final Dividend. The remaining of the 2016 Final Dividend of HK\$10,291,000 was satisfied by cash.

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

During the period ended 31 January 2017, 8,012,111 ordinary shares before the effect of the Share Consolidation (or 1,602,422 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\$0.501 per share before the effect of the Share Consolidation (or HK\$2.505 per share after the effect of the Share Consolidation) and total cash consideration of HK\$4,014,000 was received. The share option reserve of HK\$1,565,000 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	403,987	(85,505)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(688,208)	(367,113)
Additions to investment properties	(1,392)	(9,744)
Deposits paid for additions to investment properties	—	(6,577)
Acquisition of unlisted available-for-sale financial assets	(147,590)	(2,270)
Acquisition of an associate	—	(89,102)
Advances to associates	—	(4,820)
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
Decrease/(increase) in pledged bank balances and time deposits	8,654	(37,470)
Net proceeds from disposal of partial interest in a subsidiary	655,430	—
Others	(4,983)	5,593
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(239,500)	137,803
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	689,000	354,500
Guaranteed notes issued	3,124,800	—
Repayment of bank borrowings	(1,614,606)	(99,758)
Repayment of guaranteed notes	(2,734,550)	—
Guaranteed note issue expenses	(24,861)	—
Bank financing charges	(8,302)	(10,827)
Dividend paid	(1,994)	(10,291)
Dividends paid to non-controlling shareholders of subsidiaries	(30,079)	(50,423)
Capital contribution from non-controlling shareholders of subsidiaries	—	484
Others	7,802	6,154
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(592,790)	189,839
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(428,303)	242,137
Cash and cash equivalents at beginning of period	3,176,636	2,911,657
Effect of foreign exchange rate changes, net	23,834	(4,516)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,772,167	3,149,278
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	1,087,312	914,674
Non-pledged and non-restricted time deposits	1,684,855	2,234,604
	2,772,167	3,149,278

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 HK\$’000	2017 HK\$’000	2018 HK\$’000	2017 HK\$’000	2018 HK\$’000	2017 HK\$’000	2018 HK\$’000	2017 HK\$’000	2018 HK\$’000	2017 HK\$’000	2018 HK\$’000	2017 HK\$’000	2018 HK\$’000	2017 HK\$’000
Segment revenue:														
Sales to external customers	—	—	405,715	400,399	231,933	209,081	268,469	248,653	11,773	13,845	—	—	917,890	871,978
Intersegment sales	—	—	10,978	11,736	—	90	—	—	15,679	13,565	(26,657)	(25,391)	—	—
Other revenue	2,041	3,637	548	757	85	16	168	180	7,193	4,683	—	—	10,035	9,273
Total	2,041	3,637	417,241	412,892	232,018	209,187	268,637	248,833	34,645	32,093	(26,657)	(25,391)	927,925	881,251
Segment results	(6,711)	(18,751)	321,973	331,505	33,921	33,884	(5,872)	(7,967)	10,825	(7,945)	—	—	354,136	330,726
Interest income from bank deposits — unallocated													40,607	15,880
Unallocated revenue													28,837	11,131
Fair value gains on investment properties	—	—	655,144	607,850	—	—	—	—	—	—	—	—	655,144	607,850
Unallocated expenses													(185,776)	(94,894)
Profit from operating activities													892,948	870,693
Finance costs													(183,740)	(130,691)
Share of profits and losses of associates	28	16	5,092	4,653	(251)	—	(1,288)	(2,147)	—	1,749	—	—	3,581	4,271
Share of profits and losses of associates — unallocated													(10,462)	7,201
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													1,314,912	1,085,291
Tax													(44,704)	(47,609)
Profit for the period													1,270,208	1,037,682

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	31 July	31 January	31 July	31 January	31 July	31 January	31 July	31 January	31 July	31 January	31 July
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	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 assets	2,695,411	2,321,573	20,352,388	19,456,032	5,106,134	4,261,731	593,399	601,724	264,984	242,782	29,012,316	26,883,842
Interests in associates	5,876	5,890	72,065	66,973	172,957	159,478	(10,992)	(9,078)	—	—	239,906	223,263
Interests in associates — unallocated											3,644,647	3,404,875
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											4,495,200	4,724,041
Total assets											45,317,508	42,460,204
Segment liabilities	1,482,643	777,431	213,418	229,379	247,390	279,216	40,772	43,158	9,198	9,932	1,993,421	1,339,116
Bank borrowings											6,888,253	7,675,234
Guaranteed notes											3,905,459	3,480,606
Other borrowing, note payable and interest payable											390,009	384,293
Other unallocated liabilities											828,067	727,421
Total liabilities											14,005,209	13,606,670

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January	2017
	2018	(Unaudited)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation [#]	47,342	42,197
Interest income from bank deposits	(40,607)	(15,880)
Other interest income	(12,733)	(7,977)
Dividend income from unlisted available-for-sale financial assets	(10,700)	(7,740)
Foreign exchange losses, net*	7,069	3,610

[#] Depreciation charge of approximately HK\$44,793,000 (Six months ended 31 January 2017: HK\$40,029,000) for property, plant and equipment is included in "other operating expenses" on the condensed consolidated income statement.

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

(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 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on bank borrowings	79,899	65,776
Interest on guaranteed notes	159,397	110,306
Interest on other borrowing and note payable	5,716	5,702
Interest on other payable	849	—
Bank financing charges	23,607	25,521
	269,468	207,305
Less: Amount capitalised in a hotel development project	(60,306)	(48,441)
Amount capitalised in properties under development for sale	(25,422)	(28,173)
	183,740	130,691

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 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax		
Hong Kong	24,233	26,213
Overseas	16,101	14,041
	40,334	40,254
Deferred tax	4,302	7,542
Prior years' underprovision/(overprovision)		
Hong Kong	75	(85)
Overseas	(7)	(102)
	68	(187)
Tax charge for the period	44,704	47,609

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	674,672	673,776
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	(2,927)	(1,177)
Earnings for the purpose of diluted earnings per share	671,745	672,599
	'000	'000 (Adjusted)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	382,864	379,703
Effect of dilutive potential ordinary shares arising from share options	3,637	2,498
Weighted average number of ordinary shares for the purpose of diluted earnings per share	386,501	382,201

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.

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

8. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES (CONTINUED)

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	14,382	11,749
31 - 60 days past due	3,436	2,270
61 - 90 days past due	1,562	655
Over 90 days past due	5,991	6,792
	25,371	21,466
Other receivables	511,711	444,611
Deposits paid and prepayments	119,877	77,816
	656,959	543,893

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	26,264	20,592
31 - 60 days past due	2,428	2,119
61 - 90 days past due	420	950
Over 90 days past due	433	75
	29,545	23,736
Other payables and accruals	181,334	274,095
Deposits received and other provisions	1,258,449	179,470
	1,469,328	477,301

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 Lai Sun Development Company Limited ("LSD"), issued guaranteed notes in an aggregate principal amount of US\$350,000,000 (the "LSD 2013 Notes"). The LSD 2013 Notes were guaranteed by LSD, 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 LSD 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 LSD, issued guaranteed notes in an aggregate principal amount of US\$400,000,000 (the "LSD 2017 Notes"). The LSD 2017 Notes are guaranteed by LSD, 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 LSD 2017 Notes are listed on the Stock Exchange.

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

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2018

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

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 LSD and Lai Fung Holdings Limited ("**Lai Fung**"), LSD 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 LSD 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 LSD 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 plans and the status of the Property Interests held by Lai Fung as at 31 January 2018 and 31 July 2017 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group recorded an aggregate provision for tax indemnity of approximately HK\$344,251,000.

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 the eSun Group	29,044	25,599
Sharing of administrative expenses on a cost basis allocated to the eSun Group	3,622	2,186
Rental expenses and building management fees paid or payable to:		
— an associate (Note)	1,157	1,082
— the eSun Group (Note)	33	32
Sharing of corporate salaries on a cost basis allocated from the eSun Group	4,564	4,352
Sharing of administrative expenses on a cost basis allocated from the eSun Group	1,428	270

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

During the six months ended 31 January 2018, the short term employee benefits and post-employment benefits of key management personnel paid by the Group were HK\$24,657,000 and HK\$63,000 (Six months ended 31 January 2017: HK\$23,510,000 and HK\$63,000), respectively.

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 fair values in aggregate of approximately HK\$3,925,843,000 (31 July 2017: HK\$3,530,574,000), 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	243,903	243,382	1,516,912	2,004,197
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	127,995	171,123	1,394,371	1,693,489

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 Dividend

The Board of the Company has resolved not to declare the payment of an interim dividend for the financial year ending 31 July 2018. No interim 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 a 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

Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

The Group as a whole performed steadily against this challenging environment. The rental portfolio comprises of approximately 1.2 million square feet attributable to the Group, of which about 1.0 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.

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 194,845 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.2 million square feet. Its construction is expected to be completed in the second quarter of 2018. The hotel project in Phuket, Thailand that LSD 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.

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.

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.

The share consolidation on a 1-for-5 basis ("**Share Consolidation**") and change in board lot size from 5,000 shares to 1,000 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.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

On 16 August 2017, the Company entered into a secondary block trade agreement with CLSA Limited on to sell up to 50,934,000 shares of LSD held by the Company at a placing price of HK\$13.05 per share (“**LSG Placing**”). The net proceeds of approximately HK\$655.4 million (after deduction of placing commission and other expenses of the LSG Placing) are intended to be applied for the repayment of the Company’s debt obligations in the near term. The LSG Placing represents an opportunity to raise capital and enhanced the cash position and working capital of the Company. The LSG Placing has been completed and immediately after the completion of the LSG Placing, the number of the LSD’s shares held by the Company decreased to 322,602,572 shares, representing approximately 53.32% of the issued share capital of the LSD. LSD remains as a subsidiary of the Company.

The Group’s strong cash position of HK\$3,164.6 million of cash on hand and HK\$4,779.5 million of undrawn facilities with a net debt to equity ratio of 46.4% 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 36.6%. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2018, the Group recorded turnover of HK\$917.9 million (2017: HK\$872.0 million) and a gross profit of HK\$543.6 million (2017: HK\$531.1 million), representing an increase of approximately 5.3% and 2.4%, 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	405.7	400.4	5.3	1.3%
Property development and sales	—	—	—	N/A
Restaurant operation	268.5	248.7	19.8	8.0%
Hotel operation and others	243.7	222.9	20.8	9.3%
Total	917.9	872.0	45.9	5.3%

For the six months ended 31 January 2018, net profit attributable to owners of the Company was approximately HK\$674.7 million (2017: HK\$673.8 million). Basic earnings per share was HK\$1.762 (Adjusted 2017: HK\$1.774).

Excluding the effect of property revaluations, net loss attributable to owners of the Company was approximately HK\$46.7 million (2017: net profit attributable to owners of the Company: HK\$48.4 million). Net loss per share excluding the effect of property revaluations was HK\$0.122 (Adjusted 2017: net profit per share: HK\$0.127 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/loss per share as above due to the Share Consolidation of the Company being effective on 15 August 2017.

Management Discussion and Analysis (Continued)

OVERVIEW OF INTERIM RESULTS (CONTINUED)

	Six months ended 31 January	
	2018 HK\$ million	2017 HK\$ million
Profit attributable to owners of the Company		
Reported	674.7	673.8
Less: Adjustments in respect of revaluation gains of investment properties held by		
— the Company and subsidiaries	(386.7)	(416.4)
— associates and joint ventures	(334.7)	(209.0)
Net (loss)/profit after tax excluding revaluation gains of investment properties	(46.7)	48.4

Equity attributable to owners of the Company as at 31 January 2018 amounted to HK\$17,436.3 million, slightly decreased from HK\$18,037.4 million as at 31 July 2017. Net asset value per share attributable to owners of the Company decreased by 4.1% to HK\$45.273 per share as at 31 January 2018 from HK\$47.223 per share (adjusted) as at 31 July 2017. Adjustment has been made to the total number of issued shares of the Company as at 31 July 2017 due to the Share Consolidation of the Company being effective on 15 August 2017.

PROPERTY PORTFOLIO COMPOSITION

As at 31 January 2018, the Group maintained a property portfolio with attributable GFA of approximately 1.7 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	376	601	193	—	—	1,170	584
Completed							
Hotel Properties	—	—	—	—	52	52	—
Properties Under							
Development ²	42	—	—	224	195	461	105
Completed Properties							
Held for Sale	15	—	—	3	—	18	6
Total GFA of major properties of the Group	433	601	193	227	247	1,701	695

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\$405.7 million (2017: HK\$400.4 million), representing a 1.3% increase over the same period last year.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

The Group wholly owns five major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Lai Sun Commercial Centre, commercial podium of Crocodile Center and Por Yen Building. LSD's 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.

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
Crocodile Center (commercial podium)	47.4	45.7	3.7	92.6
Por Yen Building	7.4	7.3	1.4	92.6
Others	7.7	7.8	-1.3	
Subtotal:	330.6	331.8	-0.4	
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:	405.7	400.4	1.3	
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 LSD 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 LSD 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)	Total GFA (square feet)	Group interest	Turnover (HK\$ million)
					Total GFA (square feet)
Hong Kong					
Cheung Sha Wan Plaza	53.24%			61.75%	
Commercial Office		80.4	233,807		79.1
		63.7	409,896		63.8
Car-parking spaces		9.6	N/A		8.6
Subtotal:		153.7	643,703		151.5
Causeway Bay Plaza 2	53.24%			61.75%	
Commercial Office		60.1	109,770		61.5
		26.4	96,268		26.2
Car-parking spaces		2.5	N/A		2.5
Subtotal:		89.0	206,038		90.2
Lai Sun Commercial Centre	53.24%			61.75%	
Commercial Office		11.9	95,063		15.6
		4.2	74,181		5.0
Car-parking spaces		9.3	N/A		8.7
Subtotal:		25.4	169,244		29.3
Crocodile Center	100%	47.4	91,201	100%	45.7
Commercial					
Por Yen Building	100%	7.3	109,010	100%	7.2
Industrial					
Car-parking spaces		0.1	N/A		0.1
Subtotal:		7.4	109,010		7.3
Others		7.7	108,810*		7.8
Subtotal:		330.6	1,328,006*		331.8
London, United Kingdom					
36 Queen Street	53.24%	12.6	60,816	61.75%	11.5
Office					
107 Leadenhall Street	53.24%	2.5	48,182	61.75%	2.0
Commercial Office		24.9	98,424		20.8
Subtotal:		27.4	146,606		22.8
100 Leadenhall Street	53.24%	32.4	177,700	61.75%	31.6
Office					
106 Leadenhall Street	53.24%	0.6	3,540	61.75%	0.5
Commercial Office		2.1	16,384		2.2
Subtotal:		2.7	19,924		2.7
Subtotal:		75.1	405,046		68.6
Total:		405.7	1,733,052*		400.4
Joint Venture Projects					
Hong Kong					
CCB Tower# (50% basis)	26.62%			30.88%	
Office		65.8	114,603**		60.1
Car-parking spaces		0.3	N/A		0.3
Subtotal:		66.1	114,603**		60.4
8 Observatory Road## (50% basis)	26.62%			30.88%	
Commercial Office		23.0	45,312***		21.1
		4.2	37,273***		4.0
Car-parking spaces		1.2	N/A		1.2
Subtotal:		28.4	82,585***		26.3
Total:		94.5	197,188		86.7

* 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 LSD 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 LSD 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)

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	2017	%	2018	2017	%
	HK\$'000	HK\$'000	Change	GBP'000	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

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).

Por Yen Building

The Por Yen Building, being a 14-storey industrial building with total GFA of 109,010 square feet (excluding car-parking spaces), is located at the hub of Cheung Sha Wan Business Area and is near to the Lai Chi Kok MTR station.

Crocodile Center

Crocodile Center is a 25-storey commercial/office building which was completed in 2009 and located near the Kwun Tong MTR station. The Group owns the commercial podium which has a total GFA of 91,201 square feet (excluding car-parking spaces). Tenants dominated by local restaurant groups.

CCB Tower

LSD 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.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties (Continued)

Hong Kong Properties (Continued)

8 Observatory Road

LSD 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

LSD 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.

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.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

Review of major projects for sale (Continued)

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

LSD 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 194,845 square feet of attributable rental space to the existing rental portfolio of the Group of approximately 1.2 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, LSD 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.

93 Pau Chung Street

In April 2014, LSD 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.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

Review of major projects under development (Continued)

Sai Wan Ho Street project

LSD 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.

Up to the date of this Report, restaurant operations include the LSD'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 LSD	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	

Management Discussion and Analysis (Continued)

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 52,376 square feet.

LSD 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.

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 LSD's interest in eSun Holdings Limited ("**eSun**") is 36.94%.

During the period under review, share of loss of eSun amounting to HK\$5.4 million (2017: share of profit of HK\$11.4 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.

Management Discussion and Analysis (Continued)

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 (HK\$ million)	2017 (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\$3,164.6 million and HK\$4,779.5 million, respectively. Cash and bank balances and undrawn facility held by the Group excluding LSD as at 31 January 2018 were HK\$837.1 million and HK\$650.0 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.

As at 31 January 2018, the Group had bank borrowings of approximately HK\$6,888.3 million, guaranteed notes of approximately HK\$3,905.5 million, a note of HK\$195.0 million and a loan of HK\$31.7 million payable to the late Mr. Lim Por Yen ("Mr. Lim"), accrued interest of HK\$163.3 million in relation to the abovementioned note and loan payable to the late Mr. Lim. The gearing ratio, expressed as a percentage of the total outstanding net debt (being mainly the total outstanding bank borrowings, guaranteed notes and note and loan and related accrued interest payable to the late Mr. Lim less the pledged and restricted and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company, was approximately 46.4%. Excluding the net debt of LSD, the gearing ratio was approximately 4.2%. 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 36.6%. As at 31 January 2018, the maturity profile of the bank borrowings of HK\$6,888.3 million was spread over a period of less than 5 years with HK\$186.5 million repayable within 1 year, HK\$690.7 million repayable in the second year and HK\$6,011.1 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 and 2014 which have fixed rates of 4.6% and 7.7% per annum, respectively.

On 13 September 2017, LSD issued guaranteed notes in an aggregate principal amount of US\$400 million (the "LSD 2017 Notes"). The LSD 2017 Notes are guaranteed by LSD, 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 LSD 2017 Notes are approximately US\$397 million. Apart from refinancing the guaranteed notes of US\$350 million issued by LSD in 2013, the proceeds will be used for general corporate purposes. LSD entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from the LSD 2017 Notes.

Management Discussion and Analysis *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

As at 31 January 2018, certain investment properties with carrying amounts of approximately HK\$19,687.3 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\$392.4 million were pledged to banks to secure banking facilities granted to the Group and its joint venture as well as guaranteed notes issued by the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to secure banking facilities granted to and guaranteed notes issued by 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)					No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Industrial	Total (excluding carpark & ancillary facilities)		
Hong Kong properties									
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	53.24%	The property is held for a term expiring on 30 June 2047	124,479	218,229	—	342,708	189	
Por Yen Building	478 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 2081)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	109,010	109,010	7	
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)	53.24%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	58,442	51,253	—	109,695	30	
Crocodile Center (commercial podium)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	91,201	—	—	91,201	—	
Crocodile Center (car-parking spaces)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	50%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	—	—	27	
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	53.24%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	50,612	39,494	—	90,106	286	
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	26.62%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	61,015	—	61,015	10	
8 Observatory Road	2, 4, 6, 8, 10 and 12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong (Inland Lot No. 11231)	26.62%	The property is held for a term of 50 years commencing on 10 January 2014	24,124	19,844	—	43,968	16	

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		
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	53.24%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	25,519	25,519	2
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	5.32%	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)	—	22,838	—	22,838	3
Por Mee Factory Building (Units A,B,C and D on 3/F)	500 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	20,089	20,089	—
Forda Industrial Building (6/F and car-parking spaces nos. 10, 22 and 27 on G/F)	16 Wan Chau Road, Yuen Long, New Territories, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	19,301	19,301	3
Metropolitan Factory and Warehouse Building (Units A and B on 7/F and car-parking spaces nos. 11 and 12 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	44.65%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,077	5,077	1
Victorious Factory Building (Unit B on 5/F)	33A-37A Tseuk Luk Street and 16-20 Sam Chuk Street, San Po Kong, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,828	5,828	—
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking spaces nos. 1,2,13 and 14 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	53.24%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	6,053	6,053	2
Luen Fat Loong Factory Building (4/F)	19 Cheung Lee Street, Chai Wan, Hong Kong	53.24%	The property is held for a term of 75 years commencing on 4 November 1963 renewable for a further term of 75 years	—	—	2,284	2,284	—
Subtotal of Hong Kong properties held for rental:				348,858	412,673	193,161	954,692	576

Particulars of Major Properties (Continued)

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)					No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Industrial	Total (excluding carpark & ancillary facilities)		
Overseas properties									
107 Leadenhall Street London	107 Leadenhall Street, London EC3, United Kingdom	53.24%	The property is held freehold	25,652	52,401	—	78,053	—	
100 Leadenhall Street London	100 Leadenhall Street, London EC3, United Kingdom	53.24%	The property is held freehold	—	94,607	—	94,607	8	
36 Queen Street London	36 Queen Street, London EC4, United Kingdom	53.24%	The property is held freehold	—	32,378	—	32,378	—	
106 Leadenhall Street London	106 Leadenhall Street, London EC3, United Kingdom	53.24%	The property is held freehold	1,885	8,723	—	10,608	—	
Subtotal of overseas properties held for rental:				27,537	188,109	—	215,646	8	
Total of completed properties held for rental:				376,395	600,782	193,161	1,170,338	584	

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	13.85%	The property is held under a land use right due to expire on 8 October 2040	52,376		—

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	53.24%	183,460	Q2 2018	—	194,845	—	194,845	9
Alto Residences, 29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong	Superstructure works in progress	26.62%	229,338	Q2 2018	30,452	—	122,152	152,604	80
93 Pau Chung Street, 20-32 San Shan Road and 93 Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	Superstructure works in progress	53.24%	12,599	Q2 2018	8,981	—	50,304	59,285	12
9-11 and 15 Sai Wan Ho Street, Shau Kei Wan, Hong Kong	Superstructure works in progress	53.24%	7,642	Q3 2019	—	—	31,837	31,837	4
Novi, 50 Ki Lung Street, Kowloon, Hong Kong	Superstructure works in progress	53.24%	5,054	Q3 2019	2,766	—	20,048	22,814	—
Total of properties under development:					42,199	194,845	224,341	461,385	105

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			
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	53.24%	14,538	—		14,538	4
339 Tai Hang Road	339 Tai Hang Road, Hong Kong	53.24%	—	3,438		3,438	2
Total of completed properties held for sale:			14,538	3,438		17,976	6

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively).

The Company has complied with all the code provisions set out in the CG Code throughout the six months ended 31 January 2018 save for the deviations from code provisions A.4.1 and A.5.1 of the CG Code.

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

None of the existing non-executive directors ("**NEDs**", including the independent non-executive directors ("**INEDs**") of the Company is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Articles of Association of the Company, which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by 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 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 independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

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

Board

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

The Board has delegated the day-to-day management of the Company's business to the management and the Executive Committee and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the 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 six are EDs 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.

Corporate Governance and Other Information *(Continued)*

CORPORATE GOVERNANCE *(CONTINUED)*

Board *(Continued)*

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 Ming was the Chairman of the Company while Dr. Lam Kin Ngok, Peter and Mr. Chew Fook Aun were both the Deputy Chairman of the Company and Mr. Yip Chai Tuck was the Chief Executive Officer of the Company. 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 business. The division of responsibilities between the Chairman and the Chief Executive Officer is defined.

SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2018.

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:

(a) 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	48,116,366 (Note 9)	Nil	113,127,277 (Note 1)	708,575 (Notes 3, 6 & 7)	161,952,218	42.05%
Lam Kin Ming	Beneficial owner	1,007,075 (Note 10)	Nil	Nil	Nil	1,007,075	0.26%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	202,422 (Note 8)	3,819,204 (Notes 4, 6 & 7)	4,021,626	1.04%
U Po Chu	Beneficial owner	825,525	Nil	Nil	Nil	825,525	0.21%
Lam Hau Yin, Lester	Beneficial owner	12,283,938 (Note 11)	Nil	Nil	7,571,626 (Notes 5, 6 & 7)	19,855,564	5.16%

Notes:

- On 15 August 2017, the Company implemented the share consolidation on the basis that every five (5) 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 interests of Wisdoman Limited were changed from 562,590,430 Shares to 112,518,086 Shares following the completion of the 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 the Company, increasing Wisdoman Limited’s interests in the Company 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 the Company’s issued share capital) by virtue of his 100% interest in the issued share capital of Wisdoman Limited which directly owned 113,127,277 Shares in the Company.

- 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 (“**2015 Share Option Scheme**”) and termination of the share option scheme adopted by the Company on 22 December 2006 (“**2006 Share Option Scheme**”). Upon the termination of the 2006 Share Option Scheme, no further options can be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2006 Share Option Scheme.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(a) The Company (Continued)

Notes: (Continued)

3. A share option comprising a total of 1,617,423 underlying Shares in the Company had been granted to Dr. Lam Kin Ngok, Peter under 2006 Share Option Scheme at an exercise price of HK\$1.41 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

A share option comprising a total of 1,666,666 underlying Shares in the Company had been granted to Dr. Lam Kin Ngok, Peter under 2015 Share Option Scheme at an exercise price of HK\$3.00 per Share on 19 June 2017 and is exercisable during the period from 19 June 2017 to 18 June 2027.

4. A share option comprising a total of 16,174,234 underlying Shares in the Company had been granted to Mr. Chew Fook Aun under 2006 Share Option Scheme at an exercise price of HK\$0.582 per Share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.

Mr. Chew Fook Aun does not hold any share options in the Company under the 2006 Share Option Scheme after a share option comprising a total of 8,012,111 underlying Shares were exercised by him on 1 November 2016.

A share option comprising a total of 19,096,022 underlying Shares in the Company had been granted to Mr. Chew Fook Aun under 2015 Share Option Scheme at an exercise price of HK\$3.00 per Share on 19 June 2017 and is exercisable during the period from 19 June 2017 to 18 June 2027.

5. A share option comprising a total of 16,174,234 underlying Shares in the Company had been granted to Mr. Lam Hau Yin, Lester under 2006 Share Option Scheme at an exercise price of HK\$1.41 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

A share option comprising a total of 19,096,022 underlying Shares in the Company had been granted to Mr. Lam Hau Yin, Lester under 2015 Share Option Scheme at an exercise price of HK\$3.00 per Share on 19 June 2017 and is exercisable during the period from 19 June 2017 to 18 June 2027.

6. On 7 February 2014, the exercise price and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of rights issue of the Company:

Name of Director	Number of underlying Shares comprised in share options before the rights issue	Exercise price per Share prior to the rights issue HK\$	Adjusted number of underlying Shares comprised in share options after the rights issue	Adjusted Exercise price per Share after the rights issue HK\$
Lam Kin Ngok, Peter	1,617,423	1.41	1,876,211	1.21
Chew Fook Aun	16,174,234	0.582	18,762,111	0.501
Lam Hau Yin, Lester	16,174,234	1.41	18,762,111	1.21

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(a) The Company (Continued)

Notes: (Continued)

7. On 15 August 2017, the exercise price and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of the Share Consolidation of the Company:

Name of Director	Number of underlying Shares comprised in share options before the Share Consolidation	Exercise price per Share prior to the Share Consolidation HK\$	Adjusted number of underlying Shares comprised in share options after the Share Consolidation	Adjusted Exercise price per Share after the Share Consolidation HK\$
Lam Kin Ngok, Peter	1,876,211	1.21	375,242	6.05
Lam Kin Ngok, Peter	1,666,666	3.00	333,333	15.00
Chew Fook Aun	19,096,022	3.00	3,819,204	15.00
Lam Hau Yin, Lester	18,762,111	1.21	3,752,422	6.05
Lam Hau Yin, Lester	19,096,022	3.00	3,819,204	15.00

8. 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 Share Consolidation. Mr. Chew Fook Aun was deemed to be interested in 202,422 Shares (representing 0.05% of the Company's issued share capital) by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 202,422 Shares in the Company.
9. The interests of Dr. Lam Kin Ngok, Peter were changed from 239,286,305 Shares to 47,857,260 Shares following the completion of the 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 the Company, increasing his interests in the Company from 47,857,260 Shares to 48,116,366 Shares.
10. The interests of Dr. Lam Kin Ming were changed from 5,008,263 Shares to 1,001,652 Shares following the completion of the 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 the Company, increasing his interests in the Company from 1,001,652 Shares to 1,007,075 Shares.
11. The interests of Mr. Lam Hau Yin, Lester were changed from 61,088,946 Shares to 12,217,789 Shares following the completion of the 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 the Company, increasing his interests in the Company from 12,217,789 Shares to 12,283,938 Shares.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations

(i) Lai Sun Development Company Limited (“LSD”) — a subsidiary of the Company

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

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	Nil	322,704,572 (Note 1)	417,308 (Notes 3, 6 & 7)	323,551,112	53.38%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	400,000 (Note 8)	3,773,081 (Notes 4, 6 & 7)	4,173,081	0.69%
U Po Chu (Note 9)	Beneficial owner	26,919 (Note 9)	Nil	Nil	Nil	26,919	0.01%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	4,173,081 (Notes 5, 6 & 7)	4,173,081	0.69%

Notes:

- The Company and two of its wholly-owned subsidiaries, namely Joy Mind Limited and Zimba International Limited, beneficially owned in aggregate 322,704,572 shares in LSD, representing approximately 53.24% of the issued share capital of LSD. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 322,704,572 shares in LSD (representing approximately 53.24% of LSD's issued share capital) by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 42.05% in the issued share capital of the Company.

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

Out of 322,704,572 shares in LSD held by the Company, 208,513,987 shares (10,425,699,353 shares before the LSD Share Consolidation) in LSD were pledged as security by the Company pursuant to its 7.70% secured guaranteed notes due 2018 under a share charge dated 24 July 2014.

The placing of up to 50,934,000 LSD shares by the Company under the secondary block trade agreement dated 16 August 2017 was completed on 21 August 2017. Thereby, the number of shares held in LSD by the Company decreased from 373,536,572 shares to 322,602,572 shares.

The Company and Joy Mind Limited acquired in aggregate 102,000 LSD shares on the market in November 2017, thereby increasing its shareholding interests in LSD from 322,602,572 shares to 322,704,572 shares.

- A share option scheme was adopted by LSD on 22 December 2006 and commenced with effect from 29 December 2006 (“LSD 2006 Share Option Scheme”). The share options granted under the LSD 2006 Share Option Scheme remained valid and exercisable though the LSD 2006 Share Option Scheme was terminated on 23 December 2015 when a new share option scheme became effective after adoption by the shareholders of LSD at its annual general meeting held on 11 December 2015.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (Continued)

(i) Lai Sun Development Company Limited ("LSD") — a subsidiary of the Company (Continued)

Notes: (Continued)

3. A share option comprising a total of 20,062,893 underlying shares in LSD had been granted to Dr. Lam Kin Ngok, Peter under the LSD 2006 Share Option Scheme at an exercise price of HK\$0.335 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

4. A share option comprising a total of 200,628,932 underlying shares in LSD had been granted to Mr. Chew Fook Aun under the LSD 2006 Share Option Scheme at an exercise price of HK\$0.112 per share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.

A share option comprising a total of 20,000,000 underlying shares in LSD had been exercised by Mr. Chew Fook Aun under LSD 2006 Share Option Scheme on 13 December 2016, thus, the total number of share options of Mr. Chew Fook Aun in LSD has been decreased to 188,654,089 underlying shares.

5. A share option comprising a total of 200,628,932 underlying shares in LSD had been granted to Mr. Lam Hau Yin, Lester under the LSD 2006 Share Option Scheme at an exercise price of HK\$0.335 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

6. On 17 February 2016, the exercise price and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of the rights issue of LSD:

Name of Director	Number of underlying shares comprised in share options before the LSD rights issue	Exercise price per share prior to the LSD rights issue HK\$	Adjusted number of underlying shares comprised in share options after the LSD rights issue	Adjusted Exercise price per share after the LSD rights issue HK\$
Lam Kin Ngok, Peter	20,062,893	0.335	20,865,408	0.322
Chew Fook Aun	200,628,932	0.112	208,654,089*	0.107
Lam Hau Yin, Lester	200,628,932	0.335	208,654,089	0.322

* Note:

A share options comprising a total of 20,000,000 underlying shares were exercised by Mr. Chew Fook Aun on 13 December 2016.

7. On 15 August 2017, the exercise price and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of the LSD Share Consolidation:

Name of Director	Number of underlying shares comprised in share options before the LSD Share Consolidation	Exercise price per share prior to the LSD Share Consolidation HK\$	Adjusted number of underlying shares comprised in share options after the LSD Share Consolidation	Adjusted Exercise price per share after the LSD Share Consolidation HK\$
Lam Kin Ngok, Peter	20,865,408	0.322	417,308	16.100
Chew Fook Aun	188,654,089	0.107	3,773,081	5.350
Lam Hau Yin, Lester	208,654,089	0.322	4,173,081	16.100

8. The 20,000,000 shares owned by The Orchid Growers Association Limited changed to 400,000 shares following the completion of the LSD Share Consolidation. Mr. Chew Fook Aun was deemed to be interested in 400,000 shares (representing approximately 0.07% of LSD's issued share capital) by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 400,000 shares in LSD.

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

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

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (Continued)

(ii) eSun Holdings Limited (“eSun”) — an associate of LSD

Long positions in the ordinary shares of HK\$0.50 each 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 (Note 6)	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	551,040,186 (Note 1)	1,243,212 (Note 3)	555,077,841	37.21%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 (Note 4)	6,216,060	0.42%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 (Note 5)	15,226,564	1.02%

Notes:

- The Company was interested in 322,704,572 shares in LSD, representing approximately 53.24% of the issued share capital of LSD. Transtrend Holdings Limited, a wholly-owned subsidiary of LSD, 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 (representing approximately 36.94% of eSun's issued share capital) by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 42.05% and 53.38% in the issued share capital of the Company and LSD, respectively.
- A share option scheme was adopted by eSun on 23 December 2005 and commenced with effect from 5 January 2006 (“eSun Old Share Option Scheme”). The share options granted under the eSun Old Share Option Scheme remained valid and exercisable though the eSun Old Share Option Scheme was terminated on 23 December 2015 when a new share option scheme became effective after adoption by the shareholders of eSun at its annual general meeting held on 11 December 2015.
- A share option comprising a total of 1,243,212 underlying shares in eSun had been granted to Dr. Lam Kin Ngok, Peter under the eSun Old Share Option Scheme at an exercise price of HK\$1.612 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
- A share option comprising a total of 6,216,060 underlying shares in eSun had been granted to Mr. Chew Fook Aun under the eSun Old Share Option Scheme at an exercise price of HK\$0.92 per share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.
- A share option comprising a total of 12,432,121 underlying shares in eSun had been granted to Mr. Lam Hau Yin, Lester under the eSun Old Share Option Scheme at an exercise price of HK\$1.612 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
- Dr. Lam Kin Ngok, Peter resigned as an executive director of eSun with effect from 14 February 2014.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (Continued)

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

Long positions in the ordinary shares of HK\$0.10 each 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 (Note 8)	Beneficial owner/ Owner of controlled corporations	Nil	Nil	165,485,406 (Note 1)	321,918 (Notes 3 & 7)	165,807,324	50.70%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	600,000 (Note 6)	1,009,591 (Notes 4 & 7)	1,609,591	0.49%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	3,219,182 (Notes 5 & 7)	3,219,182	0.98%

Notes:

- 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**”).

The 8,274,270,422 shares in Lai Fung held by eSun were changed to 165,485,406 shares following the completion of the Lai Fung Share Consolidation. These interests in Lai Fung were the shares beneficially owned by Merit Worth Limited (87,704,633 shares) and Silver Glory Securities Limited (77,780,773 shares), the latter two companies being wholly-owned subsidiaries of eSun, representing approximately 50.60% of the issued share capital of Lai Fung. eSun is owned as to approximately 36.94% by LSD which in turn is owned as to approximately 53.24% by the Company. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 165,485,406 shares in Lai Fung (representing approximately 50.60% of Lai Fung's issued share capital) by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 37.21% in eSun.

- A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003 and remains in force for a period of 10 years (“**Lai Fung Old Share Option Scheme**”). A new share option scheme was adopted by Lai Fung on 18 December 2012 and commenced with effect from 20 December 2012 and remains in force for a period of 10 years (“**Lai Fung New Share Option Scheme**”).
- A share option comprising a total of 16,095,912 underlying shares in Lai Fung had been granted to Dr. Lam Kin Ngok, Peter under the Lai Fung New Share Option Scheme at an exercise price of HK\$0.228 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
- A share option comprising a total of 80,479,564 underlying shares in Lai Fung had been granted to Mr. Chew Fook Aun under the Lai Fung Old Share Option Scheme at an exercise price of HK\$0.133 per share on 12 June 2012 and is exercisable during the period from 12 June 2012 to 11 June 2020.

A share option comprising a total of 30,000,000 underlying shares in Lai Fung had been exercised by Mr. Chew Fook Aun in 2016. Thus the total number of share options of Mr. Chew Fook Aun were decreased to 50,479,564 underlying shares.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (Continued)

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

Notes: (Continued)

5. A share option comprising a total of 160,959,129 underlying shares in Lai Fung had been granted to Mr. Lam Hau Yin, Lester under the Lai Fung New Share Option Scheme at an exercise price of HK\$0.228 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
6. The deemed interests of Mr. Chew Fook Aun were changed from 30,000,000 shares to 600,000 shares following the completion of Lai Fung Share Consolidation. Mr. Chew Fook Aun was deemed to be interested in 600,000 shares (representing approximately 0.18% of Lai Fung's issued share capital) by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 600,000 shares in Lai Fung.
7. On 15 August 2017, the exercise price and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of the Lai Fung Share Consolidation:

Name of Director	Number of underlying shares comprised in share options before the Lai Fung Share Consolidation	Exercise price per share prior to the Lai Fung Share Consolidation HK\$	Adjusted number of underlying shares comprised in share options after the Lai Fung Share Consolidation	Adjusted Exercise price per share after the Lai Fung Share Consolidation HK\$
Lam Kin Ngok, Peter	16,095,912	0.228	321,918	11.40
Chew Fook Aun	50,479,564	0.133	1,009,591	6.65
Lam Hau Yin, Lester	160,959,129	0.228	3,219,182	11.40

8. Dr. Lam Kin Ngok, Peter stepped down as the chairman of the board of directors and an executive director of Lai Fung with effect from 1 November 2012.

Long positions in the 6.875% Senior Notes due 2018 issued by Lai Fung (“6.875% Senior Notes”)

Name of Director	Capacity	Nature of Interests	Principal Amount
Lam Kin Hong, Matthew	Owner of controlled corporations	Corporate (Note)	CNY23,600,000

Note:

The 6.875% Senior Notes are held by Tai Fu Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Lam Kin Hong, Matthew and his spouse.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(b) Associated Corporations (Continued)

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

Long position in the ordinary shares of HK\$0.01 each 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 LSD which in turn is owned as to approximately 53.24% by the Company. As the Company is approximately 12.68% owned by Dr. Lam Kin Ngok, Peter and approximately 29.37% owned by Wisdoman Limited which is in 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 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 under the SFO, recorded in the Register of Directors and Chief Executive, or 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 it is 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, as 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 of Shares and underlying Shares	Approximate% of Shares in issue
Lam Kin Ngok, Peter (Note 1)	Beneficial owner/ Owner of controlled corporation	Personal and corporate	161,952,218 (Note 2)	42.05%
Wisdoman Limited (Note 1)	Beneficial owner	Corporate	113,127,277 (Notes 1 & 2)	29.37%
Lam Hau Yin, Lester	Beneficial owner	Personal	19,855,564	5.16%
Yu Cheuk Yi	Beneficial owner	Personal	110,838,516 (Note 3)	29.02%
Yu Siu Yuk	Beneficial owner	Personal	110,838,516 (Note 3)	29.02%

Notes:

- (1) Dr. Lam Kin Ngok, Peter, Director of the Company, is also director of Wisdoman Limited.
- (2) Dr. Lam Kin Ngok, Peter was deemed to be interested in 113,127,277 Shares owned by Wisdoman Limited by virtue of his 100% interests in the issued share capital of Wisdoman Limited.
- (3) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 110,838,516 Shares, which were held jointly by them.

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 as recorded in the Register of Shareholders.

Corporate Governance and Other Information *(Continued)*

SHARE OPTION SCHEME

(1) The Company

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 ("**2015 Share Option Scheme**") which effective on 23 December 2015 ("**Commencement Date**") and the termination of the share option scheme adopted by the Company on 22 December 2006 ("**2006 Share Option Scheme**"). Upon the termination of the 2006 Share Option Scheme, no further options can be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2006 Share Option Scheme.

The purpose of the 2015 Share Option Scheme is to recognize the contribution or future contribution of the Eligible Participant (as defined in the 2015 Share Option Scheme) including any employee, any director, officer or consultant and any other group or classes of participants for their contribution to the Group by granting Options to them as incentives or rewards and to attract, retain or motivate Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the 2015 Share Option Scheme) including any member of the Group or of an affiliated group with the Company. Unless otherwise cancelled or amended, the 2015 Share Option Scheme will remain in force for 10 years from the Commencement Date.

Pursuant to the terms of the 2015 Share Option Scheme and in compliance with Chapter 17 of the Listing Rules, the total number of Shares which may be issued upon exercise of all share options to be granted under the 2015 Share Option Scheme of the Company shall not exceed 10% of the total number of the Company's issued Shares as at the date of adopting the 2015 Share Option Scheme.

As at the date of this Report, the Company has a total of 5,543,075 underlying Shares comprised in the share options remained outstanding granted under the 2006 Share Option Scheme, which represented approximately 1.44% of the Company's Shares in issue as at the date of this Report, and further options to subscribe for a maximum of 26,043,859 underlying Shares could be granted together with 11,791,409 underlying Shares comprised in the share options remained outstanding under the 2015 Share Options Scheme, a total of 37,835,268 Shares available for issue under 2015 Share Option Scheme, representing approximately 9.82% of the Company's Shares in issue as at the date of this Report.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

(1) The Company (Continued)

Information on movements of share options under the 2006 Share Option Scheme and 2015 Share Option Scheme during the six months ended 31 January 2018 is set out below:

Name and category of participants	Date of grant of share options (Note 1)	As at 1 August 2017	Number of underlying Shares comprised in share options				As at 31 January 2018	Exercise period of options HK\$ per Share (Note 2)	Exercise price per share option (Note 2)
			After Share Consolidation on 15 August 2017	Grant during the period	Exercise during the period	Lapsed during the period			
Directors									
Lam Kin Ngok, Peter	18/01/2013	1,876,211 (Note 3)	375,242 (Note 4)	—	—	—	375,242	18/01/2013 to 17/01/2023	6.05 (Note 3&4)
Lam Kin Ngok, Peter	19/06/2017	1,666,666	333,333 (Note 4)	—	—	—	333,333	19/06/2017 to 18/06/2027	15.00 (Note 4)
Chew Fook Aun	19/06/2017	19,096,022	3,819,204 (Note 4)	—	—	—	3,819,204	19/06/2017 to 18/06/2027	15.00 (Note 4)
Lam Hau Yin, Lester	18/01/2013	18,762,111 (Note 3)	3,752,422 (Note 4)	—	—	—	3,752,422	18/01/2013 to 17/01/2023	6.05 (Note 3&4)
Lam Hau Yin, Lester	19/06/2017	19,096,022	3,819,204 (Note 4)	—	—	—	3,819,204	19/06/2017 to 18/06/2027	15.00 (Note 4)
Total		60,497,032	12,099,405	—	—	—	12,099,405		
Other Employees									
In aggregate	18/01/2013	12,165,056 (Note 3)	2,433,011 (Note 4)	—	1,173,600	—	1,259,411 (Note 4)	18/01/2013 to 17/01/2023	6.05 (Notes 3&4)
In aggregate	26/07/2013	580,000 (Note 3)	116,000 (Note 4)	—	—	—	116,000	26/07/2013 to 25/07/2023	6.40 (Notes 3&4)
In aggregate	21/01/2015	600,000	120,000 (Note 4)	—	80,000	—	40,000	21/01/2015 to 20/01/2025	5.25 (Note 4)
In aggregate	28/07/2017	19,098,342	3,819,668 (Note 4)	—	—	—	3,819,668	28/07/2017 to 27/07/2027	16.44 (Note 4)
Total		32,443,398	6,488,679	—	1,253,600	—	5,235,079		
Grand Total		92,940,430	18,588,084	—	1,253,600	—	17,334,484		

Notes:

- The share options were vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

(1) The Company (Continued)

Notes: (Continued)

3. On 7 February 2014, the exercise price and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of rights issue of the Company:

Name and category of participants	Number of underlying Shares comprised in share options before the rights issue	Exercise price of share options prior to the rights issue HK\$ per Share	Adjusted number of underlying Shares comprised in share options after the rights issue	Adjusted exercise price of share options after the rights issue HK\$ per Share
Directors				
Lam Kin Ngok, Peter	1,617,423	1.41	1,876,211	1.21
Chew Fook Aun	16,174,234	0.582	18,762,111	0.501
Lam Hau Yin, Lester	16,174,234	1.41	18,762,111	1.21
Other employees , in aggregate	10,687,117	1.41	12,397,056*	1.21
Other employees , in aggregate	500,000	1.49	580,000	1.28
Total	45,153,008		52,377,489	

* Note:

A share option comprising a total of 232,000 underlying Shares were exercised by an eligible employee on 27 June 2017, thus, the number of share options was decreased to 12,165,056 underlying Shares.

4. On 15 August 2017, the exercise price and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of Share Consolidation of the Company.

Name and category of participants	Number of underlying Shares comprised in share options before the Share Consolidation of the Company	Exercise price of share options prior to the Share Consolidation of the Company HK\$ per share	Adjusted number of underlying Shares comprised in share options after the Share Consolidation of the Company	Adjusted exercise price of share options after the Share Consolidation of the Company HK\$ per share
Directors				
Lam Kin Ngok, Peter	1,876,211	1.21	375,242	6.05
Lam Kin Ngok, Peter	1,666,666	3.00	333,333	15.00
Chew Fook Aun	19,096,022	3.00	3,819,204	15.00
Lam Hau Yin, Lester	18,762,111	1.21	3,752,422	6.05
Lam Hau Yin, Lester	19,096,022	3.00	3,819,204	15.00
Other employees , in aggregate	12,165,056	1.21	2,433,011	6.05
Other employees , in aggregate	580,000	1.28	116,000	6.40
Other employees , in aggregate	600,000	1.05	120,000	5.25
Other employees , in aggregate	19,098,342	3.288	3,819,668	16.44
Total	92,940,430		18,588,084	

5. Mr. Chew Fook Aun has no outstanding share options under the 2006 Share Options Scheme after a share option comprising a total of 8,012,111 underlying Shares in the Company had been exercised by him on 1 November 2016.

Corporate Governance and Other Information *(Continued)*

SHARE OPTION SCHEME *(CONTINUED)*

(1) The Company *(Continued)*

During the period under review, there were a total of 265,600 options, 938,000 options and 50,000 options exercised by eligible employees on 20 October 2017, 30 October 2017 and 13 November 2017, respectively under the 2006 Share Option Scheme. Apart from the mentioned above, no share options had been granted, exercised, lapsed or cancelled in accordance with the terms of the 2006 Share Option Scheme and the 2015 Share Option Scheme during the period.

(2) LSD

At the annual general meeting of LSD held on 11 December 2015, the shareholders of LSD approved the adoption of a new share option scheme ("**LSD 2015 Share Option Scheme**") which effective on 23 December 2015 ("**Commencement Date**") and the termination of the share option scheme adopted by LSD on 22 December 2006 ("**LSD 2006 Share Option Scheme**"). Upon the termination of the LSD 2006 Share Option Scheme, no further options can be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the LSD 2006 Share Option Scheme.

The purpose of the LSD 2015 Share Option Scheme is to recognize the contribution or future contribution of the Eligible Participant (as defined in the LSD 2015 Share Option Scheme) including any employee, any director, officer or consultant and any other group or classes of participants for their contribution to the Group by granting Options to them as incentives or rewards and to attract, retain or motivate Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the LSD 2015 Share Option Scheme) including any member of the Group or of an affiliated group with LSD. Unless otherwise cancelled or amended, the LSD 2015 Share Option Scheme will remain force for 10 years from the Commencement Date.

Pursuant to the terms of the LSD 2015 Share Option Scheme, the total number of LSD shares which may be issued upon exercise of all share options to be granted under the LSD 2015 Share Option Scheme shall not exceed 10% of the total number of LSD's issued shares as at the date of adopting the LSD 2015 Share Option Scheme.

As at the date of this Report, LSD has a total of 14,239,534 underlying shares comprised in the share options remained outstanding under LSD 2006 Share Option Scheme, representing approximately 2.35% of LSD's issued shares as at the date of this Report and further options to subscribe for a maximum of 39,889,067 could be granted together with 120,000 underlying shares comprised in the share options remained outstanding under the LSD 2015 Share Options Scheme, a total of 40,009,067 shares available for issue under the LSD 2015 Share Options Scheme, representing approximately 6.60% of LSD's shares in issue as at the date of this Report.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

(2) LSD (Continued)

Information on movements of share options under LSD 2006 Share Option Scheme and LSD 2015 Share Option Scheme during the six months ended 31 January 2018 is set out below:

Name and category of participants	Date of grant of LSD share options (Note 1)	As at 1 August 2017	Number of underlying shares comprised in LSD Share Options				As at 31 January 2018	Exercise period of LSD share options	Exercise price of LSD share options HK\$ per share (Note 2)
			After LSD Share Consolidation on 15 August 2017	Granted during the period	Exercised during the period	Lapsed during the period			
Directors									
Lam Kin Ngok, Peter	18/01/2013	20,865,408 (Note 3)	417,308 (Note 4)	—	—	—	417,308	18/01/2013 to 17/01/2023	16.100
Chew Fook Aun	05/06/2012	188,654,089 (Note 3)	3,773,081 (Note 4)	—	—	—	3,773,081	05/06/2012 to 04/06/2022	5.350
Lam Hau Yin, Lester	18/01/2013	208,654,089 (Note 3)	4,173,081 (Note 4)	—	—	—	4,173,081	18/01/2013 to 17/01/2023	16.100
Lau Shu Yan, Julius	18/01/2013	104,327,044 (Note 3)	2,086,540 (Note 4)	—	—	—	2,086,540	18/01/2013 to 17/01/2023	16.100
Total		522,500,630	10,450,010	—	—	—	10,450,010		
Other employees									
In aggregate	18/01/2013	173,876,227 (Note 3)	3,477,524 (Note 4)	—	—	—	3,477,524	18/01/2013 to 17/01/2023	16.100
In aggregate	26/07/2013	4,160,000 (Note 3)	83,200 (Note 4)	—	—	—	83,200	26/07/2013 to 25/07/2023	11.250
In aggregate	21/01/2015	11,440,000 (Note 3)	228,800 (Note 4)	—	—	—	228,800	21/01/2015 to 20/01/2025	8.350
In aggregate	22/01/2016	6,000,000	120,000 (Note 4)	—	60,000 (Note 5)	—	60,000	22/01/2016 to 21/01/2026	4.700
In aggregate	20/01/2017	3,000,000	60,000 (Note 4)	—	—	—	60,000	20/01/2017 to 19/01/2027	8.150
Total		198,476,227	3,969,524	—	60,000	—	3,909,524		
Grand Total		720,976,857	14,419,534	—	60,000	—	14,359,534		

Notes:

- The share options were vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in LSD's share capital.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

(2) LSD (Continued)

Notes: (Continued)

3. On 17 February 2016, the exercise price and the number of shares entitled to be subscribed for under the outstanding share options of LSD have been adjusted in the following manner following the completion of rights issue of LSD:

Name and category of participants	Number of underlying shares comprised in share options before the LSD rights issue	Exercise price of LSD share options prior to the LSD rights issue HK\$ per share	Adjusted number of underlying shares comprised in share options after the LSD rights issue	Adjusted exercise price of LSD share options after the LSD rights issue HK\$ per share
Directors				
Lam Kin Ngok, Peter	20,062,893	0.335	20,865,408	0.322
Chew Fook Aun	200,628,932	0.112	208,654,089*	0.107
Lam Hau Yin, Lester	200,628,932	0.335	208,654,089	0.322
Lau Shu Yan, Julius	100,314,466	0.335	104,327,044	0.322
Other employees , in aggregate	177,188,680	0.335	184,276,227	0.322
Other employees , in aggregate	4,000,000	0.235	4,160,000	0.225
Other employees , in aggregate	11,000,000	0.174	11,440,000	0.167
Total	713,823,903		742,376,857	

* Note:

A share options comprising a total of 20,000,000 underlying shares were exercised by Mr. Chew Fook Aun on 13 December 2016.

4. On 15 August 2017, the exercise price and the number of shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of LSD Share Consolidation:

Name and category of participants	Number of underlying shares comprised in share options before LSD Share Consolidation	Exercise price of share options prior to the LSD Share Consolidation HK\$ per share	Adjusted number of underlying shares comprised in share options after LSD Share Consolidation	Adjusted exercise price of share options after LSD Share Consolidation HK\$ per share
Directors				
Lam Kin Ngok, Peter	20,865,408	0.322	417,308	16.100
Chew Fook Aun	188,654,089	0.107	3,773,081	5.350
Lam Hau Yin, Lester	208,654,089	0.322	4,173,081	16.100
Lau Shu Yan, Julius	104,327,044	0.322	2,086,540	16.100
Other employees , in aggregate	173,876,227	0.322	3,477,524	16.100
Other employees , in aggregate	4,160,000	0.225	83,200	11.250
Other employees , in aggregate	11,440,000	0.167	228,800	8.350
Other employees , in aggregate	6,000,000	0.094	120,000	4.700
Other employees , in aggregate	3,000,000	0.163	60,000	8.150
Total	720,976,857		14,419,534	

5. A share option comprising a total of 60,000 underlying shares in LSD had been exercised by an eligible employee.

During the period under review, there were 60,000 options exercised by an eligible employee of LSD under LSD 2015 Share Option Scheme. Apart from the mentioned above, no options were granted, exercised, lapsed or cancelled in accordance with the terms of LSD 2006 Share Option Scheme and LSD 2015 Share Option Scheme during the period.

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' AND CHIEF EXECUTIVE OFFICER'S 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 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 Ming (<i>Chairman</i>) (<i>note a</i>)	149	405	—	554
Lam Kin Ngok, Peter (<i>Deputy Chairman</i>) (<i>note b</i>)	24	10,633	18	10,675
Chew Fook Aun (<i>Deputy Chairman</i>) (<i>note c</i>)	—	5,817	18	5,835
Lam Hau Yin, Lester (also alternate to U Po Chu) (<i>note d</i>)	—	965	9	974
Lam Kin Hong, Matthew	24	192	9	225
U Po Chu (<i>note a</i>)	149	1,800	—	1,949
	346	19,812	54	20,212
INEDs:				
Chow Bing Chiu	150	—	—	150
Lam Bing Kwan (<i>note e</i>)	300	—	—	300
Leung Shu Yin, William (<i>note e</i>)	300	—	—	300
	750	—	—	750
Total	1,096	19,812	54	20,962

Corporate Governance and Other Information (Continued)

UPDATE OF DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S 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 Ming (Chairman) (note a)	149	405	—	554
Lam Kin Ngok, Peter (Deputy Chairman) (note b)	24	9,588	18	9,630
Chew Fook Aun (Deputy Chairman) (note c)	—	5,593	18	5,611
Lam Hau Yin, Lester (also alternate to U Po Chu) (note d)	—	937	9	946
Lam Kin Hong, Matthew	24	192	9	225
U Po Chu (note a)	149	1,800	—	1,949
	346	18,515	54	18,915
INEDs:				
Chow Bing Chiu	150	—	—	150
Lam Bing Kwan (note e)	300	—	—	300
Leung Shu Yin, William (note e)	300	—	—	300
	750	—	—	750
Total	1,096	18,515	54	19,665

Notes:

- The amounts for each of these directors included fees paid by LSD of HK\$125,000 (Six months ended 31 January 2017: HK\$125,000).
- The amounts included salaries and pension scheme contributions paid by LSD of HK\$8,714,000 (Six months ended 31 January 2017: HK\$7,859,000).
- The amounts included salaries and pension scheme contributions paid by LSD of HK\$4,995,000 (Six months ended 31 January 2017: HK\$4,803,000).
- The amounts were paid by LSD.
- The amounts for each of these directors included fees paid by LSD of HK\$150,000 (Six months ended 31 January 2017: HK\$150,000).

Corporate Governance and Other Information *(Continued)*

UPDATE OF DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INFORMATION *(CONTINUED)*

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.
3. The basic salary of Mr. Yip Chai Tuck, the Chief Executive Officer of the Company, was adjusted upward by 3% with effect from 1 January 2018. During the six months ended 31 January 2018, the salaries and pension scheme contributions of Mr. Yip paid by the Group amounted to HK\$3,758,000 (Six months ended 31 January 2017: HK\$3,908,000), of which HK\$2,507,000 (Six months ended 31 January 2017: HK\$2,606,000) was paid by LSD.

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.

Corporate Governance and Other Information (Continued)

INVESTOR RELATIONS

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

During the six months ended 31 January 2018, the Company has met with a number of research analysts and investors and attended 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

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.

REVIEW OF INTERIM REPORT

The audit committee of the Company ("**Audit Committee**") currently comprises three INEDs, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu. 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 Ming
Chairman

Hong Kong, 22 March 2018