



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

Lai Sun Development Company Limited
(Stock Code: 488)

Interim Report

For the six months ended 31 January 2014



Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Lam Kin Ming
U Po Chu

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Chow Kwok Wor

REGISTERED OFFICE / PRINCIPAL OFFICE

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

Tel: (852) 2741 0391

Fax: (852) 2785 2775

AUTHORISED REPRESENTATIVES

Chew Fook Aun
Chow Kwok Wor

SHARE REGISTRAR AND TRANSFER OFFICE

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

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Bank of East Asia, Limited
China Construction Bank Corporation
Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARES INFORMATION

Place of Listing

The Main Board of The Stock Exchange
of Hong Kong Limited

Stock Code

488

Board Lot

1,000 shares

WEBSITE

www.laisun.com

INVESTOR RELATIONS

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

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

Condensed Consolidated Income Statement

For the six months ended 31 January 2014

	Notes	Six months ended 31 January	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
TURNOVER	3	1,224,654	429,156
Cost of sales		(623,059)	(146,981)
Gross profit		601,595	282,175
Other revenue		37,818	21,713
Selling and marketing expenses		(33,150)	(11,040)
Administrative expenses		(175,916)	(159,111)
Other operating expenses, net		(19,398)	(12,796)
Employee share option benefits		—	(50,413)
Fair value gains on investment properties		340,218	1,373,509
Provision for tax indemnity	12(b)	(139,017)	(44,000)
PROFIT FROM OPERATING ACTIVITIES	4	612,150	1,400,037
Finance costs	5	(122,489)	(39,219)
Share of profits and losses of associates		43,467	(9,944)
Share of profits and losses of joint ventures		49,151	522,356
Discount on acquisition of additional interest in an associate	6	99,382	134,930
PROFIT BEFORE TAX		681,661	2,008,160
Tax	7	(44,986)	(22,863)
PROFIT FOR THE PERIOD		636,675	1,985,297
Attributable to:			
Owners of the Company		622,028	1,964,744
Non-controlling interests		14,647	20,553
		636,675	1,985,297
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK\$0.031	HK\$0.098
Diluted		HK\$0.031	HK\$0.097

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2014

	Six months ended 31 January	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	636,675	1,985,297
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	4,150	30,587
Exchange realignments	11,141	1,236
Share of other comprehensive income of an associate	59,380	26,541
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	74,671	58,364
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	711,346	2,043,661
Attributable to:		
Owners of the Company	696,733	2,023,133
Non-controlling interests	14,613	20,528
	711,346	2,043,661

Condensed Consolidated Statement of Financial Position

As at 31 January 2014

	Notes	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		551,183	510,202
Prepaid land lease payments		23,468	23,982
Investment properties		11,232,186	10,736,496
Properties under development for sale		108,992	777,904
Interests in associates		3,742,141	3,378,850
Interests in joint ventures		5,830,074	5,688,684
Available-for-sale financial assets		1,202,470	1,198,321
Pledged bank balances and time deposits		171,678	134,692
Deposits paid and other receivables		17,997	23,500
Total non-current assets		22,880,189	22,472,631
CURRENT ASSETS			
Completed properties for sale		1,021,612	765,591
Equity investments at fair value through profit or loss		6,324	7,489
Inventories		10,037	6,456
Debtors, deposits paid and other receivables	9(a)	181,745	122,348
Held-to-maturity debt investments		8,524	8,317
Cash and cash equivalents		3,297,629	3,123,631
Total current assets		4,525,871	4,033,832
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9(b)	319,891	336,278
Tax payable		99,374	77,634
Bank borrowings		425,877	417,286
Total current liabilities		845,142	831,198
NET CURRENT ASSETS		3,680,729	3,202,634
TOTAL ASSETS LESS CURRENT LIABILITIES		26,560,918	25,675,265
NON-CURRENT LIABILITIES			
Bank borrowings		(2,585,537)	(2,661,322)
Guaranteed notes		(2,700,840)	(2,695,474)
Deferred tax		(107,689)	(105,694)
Provision for tax indemnity	12(b)	(729,387)	(614,672)
Long term rental deposits received		(72,604)	(68,152)
Total non-current liabilities		(6,196,057)	(6,145,314)
		20,364,861	19,529,951
EQUITY			
Equity attributable to owners of the Company			
Issued capital	10	200,629	200,629
Share premium account		7,429,332	7,429,332
Investment revaluation reserve		1,122,591	1,116,135
Share option reserve		64,622	64,622
Hedging reserve		1,343	(11,786)
Capital redemption reserve		1,200,000	1,200,000
General reserve	10	646,700	646,700
Other reserve		260,755	142,076
Special capital reserve	10	—	—
Exchange fluctuation reserve		152,061	96,941
Retained profits		8,865,256	8,243,123
Non-controlling interests		421,572	402,179
		20,364,861	19,529,951

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2014

	Attributable to owners of the Company													Non-controlling interests	Total
	Issued capital	Share premium account	Investment revaluation reserve	Share option reserve	Hedging reserve	Capital redemption reserve	General reserve	Other reserve	Special capital reserve	Exchange fluctuation reserve	Retained profits	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 31 July 2013 and 1 August 2013 (Audited)	200,629	7,429,332	1,116,135	64,622	(11,786)	1,200,000	646,700	142,076	—	96,941	8,243,123	19,127,772	402,179	19,529,951	
Profit for the period	—	—	—	—	—	—	—	—	—	—	622,028	622,028	14,647	636,675	
Other comprehensive income/(expenses) for the period:															
Changes in fair value of available-for-sale financial assets	—	—	4,150	—	—	—	—	—	—	—	—	4,150	—	4,150	
Exchange realignments	—	—	—	—	—	—	—	—	—	11,175	—	11,175	(34)	11,141	
Share of other comprehensive income of an associate	—	—	2,306	—	13,129	—	—	—	—	43,945	—	59,380	—	59,380	
Total comprehensive income for the period	—	—	6,456	—	13,129	—	—	—	—	55,120	622,028	696,733	14,613	711,346	
Share of reserve movements of an associate	—	—	—	—	—	—	—	118,679	—	—	105	118,784	—	118,784	
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	4,780	4,780	
At 31 January 2014 (Unaudited)	200,629	7,429,332	1,122,591	64,622	1,343	1,200,000	646,700	260,755	—	152,061	8,865,256	19,943,289	421,572	20,364,861	
At 31 July 2012 and 1 August 2012 (Audited)	200,629	7,429,332	1,079,452	11,139	—	1,200,000	630,400	78,823	—	35,787	5,692,023	16,357,585	326,697	16,684,282	
Profit for the period	—	—	—	—	—	—	—	—	—	—	1,964,744	1,964,744	20,553	1,985,297	
Other comprehensive income/(expenses) for the period:															
Changes in fair value of available-for-sale financial assets	—	—	30,587	—	—	—	—	—	—	—	—	30,587	—	30,587	
Exchange realignments	—	—	—	—	—	—	—	—	—	1,261	—	1,261	(25)	1,236	
Share of other comprehensive income of an associate	—	—	8,847	—	—	—	—	—	—	17,694	—	26,541	—	26,541	
Total comprehensive income for the period	—	—	39,434	—	—	—	—	—	—	18,955	1,964,744	2,023,133	20,528	2,043,661	
Share of reserve movements of an associate	—	—	—	4,677	—	—	—	60,405	—	—	—	65,082	—	65,082	
Recognition of share-based payments	—	—	—	50,413	—	—	—	—	—	—	—	50,413	—	50,413	
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	12,500	12,500	
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(598)	(598)	
At 31 January 2013 (Unaudited)	200,629	7,429,332	1,118,886	66,229	—	1,200,000	630,400	139,228	—	54,742	7,656,767	18,496,213	359,127	18,855,340	

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2014

	Six months ended 31 January	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	587,537	50,379
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(327,975)	(1,484,884)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(86,253)	3,302,822
NET INCREASE IN CASH AND CASH EQUIVALENTS	173,309	1,868,317
Cash and cash equivalents at beginning of period	3,123,631	1,565,105
Effect of foreign exchange rate changes, net	689	454
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,297,629	3,433,876
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,528,351	2,965,636
Time deposits	1,769,278	468,240
	3,297,629	3,433,876

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group’s audited consolidated financial statements for the year ended 31 July 2013.

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 and restaurant operations		Others		Eliminations		Consolidated	
	2014 HK\$’000	2013 HK\$’000	2014 HK\$’000	2013 HK\$’000	2014 HK\$’000	2013 HK\$’000	2014 HK\$’000	2013 HK\$’000	2014 HK\$’000	2013 HK\$’000	2014 HK\$’000	2013 HK\$’000
Segment revenue:												
Sales to external customers	722,742	1,220	237,011	214,831	253,053	202,814	11,848	10,291	—	—	1,224,654	429,156
Intersegment sales	—	—	7,577	8,021	—	—	14,267	12,846	(21,844)	(20,867)	—	—
Other revenue	1,331	552	672	709	656	91	1,669	78	—	—	4,328	1,430
Total	724,073	1,772	245,260	223,561	253,709	202,905	27,784	23,215	(21,844)	(20,867)	1,228,982	430,586
Segment results	259,779	(12,490)	185,782	174,273	25,892	36,058	1,692	(737)	—	—	473,145	197,104
Interest income and unallocated revenue											33,490	20,283
Fair value gains on investment properties	—	—	340,218	1,373,509	—	—	—	—	—	—	340,218	1,373,509
Unallocated expenses											(95,686)	(146,859)
Provision for tax indemnity											(139,017)	(44,000)
Profit from operating activities											612,150	1,400,037
Finance costs											(122,489)	(39,219)
Share of profits and losses of associates	15	19	—	—	(1,859)	(34)	—	—	—	—	(1,844)	(15)
Share of profits and losses of associates — unallocated											45,311	(9,929)
Share of profits and losses of joint ventures	6,106	61,001	43,045	461,355	—	—	—	—	—	—	49,151	522,356
Discount on acquisition of additional interest in an associate											99,382	134,930
Profit before tax											681,661	2,008,160
Tax											(44,986)	(22,863)
Profit for the period											636,675	1,985,297

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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 and restaurant operations		Others		Consolidated	
	31 January	31 July	31 January	31 July	31 January	31 July	31 January	31 July	31 January	31 July
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	1,240,563	1,576,095	11,273,659	10,782,490	885,515	847,642	94,683	69,849	13,494,420	13,276,076
Interests in associates	9,657	9,630	—	—	18,945	20,029	—	—	28,602	29,659
Interests in associates — unallocated									3,713,539	3,349,191
Interests in joint ventures	1,437,381	1,426,038	4,392,693	4,262,646	—	—	—	—	5,830,074	5,688,684
Unallocated assets									4,339,425	4,162,853
Total assets									27,406,060	26,506,463
Segment liabilities	80,355	120,698	124,875	127,086	79,893	65,270	7,711	5,140	292,834	318,194
Bank borrowings									3,011,414	3,078,608
Guaranteed notes									2,700,840	2,695,474
Other unallocated liabilities									1,036,111	884,236
Total liabilities									7,041,199	6,976,512

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January 2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation#	15,592	11,946
Amortisation of prepaid land lease payments*	514	514
Loss on disposal of listed equity investments at fair value through profit or loss*	—	385
Fair value loss/(gain) on listed equity investments at fair value through profit or loss*	1,222	(17)
Interest income from bank deposits	(10,253)	(2,992)
Other interest income	(212)	(272)
Dividend income from listed equity investments at fair value through profit or loss	(25)	(22)
Dividend income from unlisted available-for-sale financial assets	(23,000)	(14,447)

Depreciation charge of approximately HK\$14,364,000 (Six months ended 31 January 2013: HK\$10,664,000) for property, plant and equipment is included in "other operating expenses, net" on the condensed consolidated income statement.

* These items are included in "other operating expenses, net" on the condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

5. FINANCE COSTS

	Six months ended 31 January	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	34,711	32,243
Interest on guaranteed notes wholly repayable within five years	79,552	4,784
Bank financing charges	9,453	8,096
	123,716	45,123
Less: Amount capitalised in properties under development for sale	(1,227)	(5,904)
	122,489	39,219

6. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

During the period from November 2013 to December 2013, the Group acquired 1.33% additional interest in eSun Holdings Limited ("eSun") from the public shareholders at a cost of approximately HK\$18,545,000 and the Group's interest in eSun was increased from 39.93% to 41.26%. A discount on acquisition of approximately HK\$99,382,000 arose from this acquisition.

During the period from October 2012 to December 2012, the Group acquired 2% additional interest in eSun from the public shareholders at a cost of approximately HK\$29,336,000 and the Group's interest in eSun was increased from 37.93% to 39.93%. A discount on acquisition of approximately HK\$134,930,000 arose from this acquisition.

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2013: 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
Hong Kong	34,914	13,061
Overseas	8,438	7,772
	43,352	20,833
Deferred tax	1,634	2,030
Tax charge for the period	44,986	22,863

Notes to Condensed Consolidated Interim Financial Statements (Continued)

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 31 January	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	622,028	1,964,744
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share	(163)	—
Earnings for the purpose of diluted earnings per share	621,865	1,964,744
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	20,062,893	20,062,893
Effect of dilutive potential ordinary shares arising from share options	98,999	127,768
Weighted average number of ordinary shares for the purpose of diluted earnings per share	20,161,892	20,190,661

9. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

- (a) 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 cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

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

	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
Trade debtors:		
Not yet due or less than 30 days past due	9,025	6,575
31-60 days past due	2,358	1,946
61-90 days past due	937	394
Over 90 days past due	1,198	1,491
	13,518	10,406
Other receivables	91,573	57,337
Deposits paid and prepayments	76,654	54,605
	181,745	122,348

Notes to Condensed Consolidated Interim Financial Statements (Continued)

9. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS (CONTINUED)

- (b) 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 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
Trade creditors:		
Not yet due or less than 30 days past due	10,516	8,161
31-60 days past due	676	546
61-90 days past due	84	87
Over 90 days past due	28	236
	11,304	9,030
Other payables and accruals	180,405	173,773
Deposits received and other provisions	128,182	153,475
	319,891	336,278

10. SHARE CAPITAL

	31 January 2014		31 July 2013	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK\$'000	Number of shares (Audited) '000	Nominal value (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	38,000,000	380,000	38,000,000	380,000
Preference shares of HK\$1.00 each	1,200,000	1,200,000	1,200,000	1,200,000
		1,580,000		1,580,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	20,062,893	200,629	20,062,893	200,629

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18 October 2006. The paid-up capital on each of its issued ordinary shares of HK\$0.50 was cancelled to the extent of HK\$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK\$0.50 per share to HK\$0.01 per share. A total credit of HK\$6,245,561,000 had arisen as a result of the Capital Reduction. An amount of HK\$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK\$626,561,000 was credited to the share premium account of the Company.

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

10. SHARE CAPITAL *(CONTINUED)*

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1 August 2005 in respect of the Company's:

- (1) 50% investment in Fortune Sign Venture Inc. ("**Fortune Sign**"), up to an aggregate amount of HK\$1,556,000,000;
- (2) 10% investment in Bayshore Development Group Limited ("**Bayshore**"), up to an aggregate amount of HK\$2,923,000,000; and/or
- (3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK\$1,140,000,000

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18 October 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisos:

- (i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserve of the Company and the same shall become available for distribution;
- (ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets being the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and
- (iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

In prior years, an aggregate amount of HK\$646,700,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow Profits Limited, a wholly-owned subsidiary of the Company which holds a 10% equity interest in Bayshore, to the extent of HK\$372,072,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK\$274,628,000, was transferred from accumulated losses to the special capital reserve, and was further transferred to general reserve of the Company.

The outstanding balance of the general reserve of the Company as at 31 January 2014 was approximately HK\$646,700,000 (31 July 2013: HK\$646,700,000). There was no remaining balance in the special capital reserve as at 31 January 2014 and 31 July 2013.

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 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
Contracted, but not provided for		
Purchase of property, plant and equipment	9,743	34,803
Additions of investment properties	1,907	—
Acquisition of a subsidiary	—	123,500
	11,650	158,303

Notes to Condensed Consolidated Interim Financial Statements (Continued)

11. CAPITAL COMMITMENTS (CONTINUED)

In addition, the Group's share of joint ventures' own capital commitments, in respect of future development expenditure of its investment properties, is as follows:

	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
Authorised, but not contracted for	9,713	—
Contracted, but not provided for	193,627	24,821
	203,340	24,821

12. CONTINGENT LIABILITIES

- (a) In connection with the disposal (the "**Disposal**") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company, Limited ("**Taiwa**"), an indirect 50%-owned associate of the Group, Taiwa, the Company, and the other 50% beneficial shareholder of Taiwa (collectively the "**Covenantors**") entered into a tax deed (the "**Tax Deed**") with the purchaser of the Disposal, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries (collectively the "**Properties Holding Companies**") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events which happened prior to the completion of the Disposal for a maximum amount of HK\$30 million. As such, the maximum liability of the Company under the Tax Deed is HK\$15 million. The Tax Deed is valid for a period of 7 years from the date of its execution.
- (b) Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between the Company and Lai Fung Holdings Limited ("**Lai Fung**"), the Company has undertaken to indemnify Lai Fung in respect of certain potential income tax and land appreciation tax ("**LAT**") of the People's Republic of China (the "**PRC**") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31 October 1997 (the "**Property Interests**"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as "**Knight Frank Petty Limited**"), independent chartered surveyors, as at 31 October 1997 (the "**Valuation**"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax Indemnity Deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

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

After taking into account the Property Interests currently held by Lai Fung as at 31 January 2014 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be approximately HK\$1,350,000,000 (31 July 2013: HK\$1,350,000,000).

As at 31 January 2014, the directors of the Company, after taking into account the plan and status of the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, considered it is probable that an estimated amount of HK\$753,689,000 (31 July 2013: HK\$614,672,000) of the abovementioned tax indemnity given by the Company would be crystallised, of which HK\$24,302,000 (31 July 2013: Nil) is included in creditors, deposits received and accruals and HK\$729,387,000 (31 July 2013: HK\$614,672,000) is included in provision for tax indemnity. Therefore, an additional provision for tax indemnity of HK\$139,017,000 (Six months ended 31 January 2013: HK\$44,000,000) is recognised in the condensed consolidated income statement for the six months ended 31 January 2014.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income and building management fee received from eSun and its subsidiaries, an associate	4,744	2,846
Rental expenses and building management fees paid to an associate of the ultimate holding company	936	902
Purchase of leasehold buildings from a joint venture	—	205,000
Purchase of properties for sale from a joint venture	1,790	—

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

(b) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	15,715	13,285
Employee share option benefits	—	31,844
Post-employment benefits	123	116
Total compensation paid to key management personnel	15,838	45,245

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments measured at amortised cost

Except for the guaranteed notes with fair value of approximately HK\$2,658,520,000 (31 July 2013: HK\$2,577,029,000), 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

The Group uses the following hierarchy for measurements of fair values of financial instruments on a recurring basis:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to Condensed Consolidated Interim Financial Statements *(Continued)*

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Financial instruments measured at fair value *(Continued)*

As at 31 January 2014

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Available-for-sale financial assets, at fair value	—	1,188,118	—	1,188,118
Equity investments at fair value through profit or loss	6,324	—	—	6,324
	6,324	1,188,118	—	1,194,442

As at 31 July 2013

	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	Total (Audited) HK\$'000
Available-for-sale financial assets, at fair value	—	1,183,968	—	1,183,968
Equity investments at fair value through profit or loss	7,489	—	—	7,489
	7,489	1,183,968	—	1,191,457

Interim Ordinary Dividend

The Board of the Company has resolved not to declare the payment of an interim ordinary dividend for the financial year ending 31 July 2014. No interim ordinary dividend was declared in respect of the last corresponding period.

As at 31 January 2014, the Company did not have any reserves available for distribution in accordance with the provisions of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Companies Ordinance in Hong Kong has changed in early March 2014 and the process for restoring the reserves for distribution has been simplified and can be achieved by way of a unilateral declaration of solvency by the Board. The Board intends to make such declaration of solvency and is studying the changes in the Companies Ordinance and preparing for such approval process.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The global economy is on a delicate recovery path with the United States leading the way through improving economic and employment conditions. However, a number of factors still shroud the horizon: the weak euro zone economy, adjustments to the macroeconomic policies of major economies, and geopolitical tensions. As a global financial centre, Hong Kong's economic performance is clearly not immune from the challenges faced by the major economies around the world.

The property sector in Hong Kong could be described as a tale of two cities: retail market well supported by low unemployment and robust visitors trend with the office leasing market stabilising with some improvements, but the residential market continues to be quiet since the introduction of control measures in late 2012 and early 2013. It is very likely that these control measures, barring any unforeseen circumstances, are here to stay until land supply has caught up; which is likely to take some years notwithstanding the government's emphasis and effort. Labour supply shortage in the construction industry drove wage inflation and continues to pose a challenge on the cost management side of the picture.

The Group performed admirably against this challenging environment: rental portfolio of approximately 1.5 million square feet generated steady rental income at high occupancy rates. Rental income increased through tenant mix adjustments, rental reversion and addition of the CCB Tower that is fully leased subsequent to the period end, rental proceeds of which was recognised as contributions from joint venture. Sale of Ocean One is substantially completed at the intended average selling price and boosted the revenue and profit of the Group compared to the same period last year.

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. Further to securing the Tseung Kwan O site in the same period last year, the Group participated in a number of government tenders to grow the pipeline. The Group was named the most preferred proponent by Ocean Park for the Ocean Park Hotel project in October 2013. We are working with Ocean Park to complete the government approval processes and expect to be awarded the project soon. The Ocean Park Hotel, to be operated by the Marriott group, will provide 495 rooms and approximately 366,000 square feet of rental space to the existing rental portfolio of approximately 1.5 million square feet. We are excited by the prospects of the Ocean Park Hotel project given the favourable supply and demand picture, which is underpinned by robust growth in visitor numbers and coinciding with the expansion of Ocean Park. The completion of the Observatory Road project will add an attributable rental gross floor area ("**GFA**") of approximately 82,600 square feet in the prime Tsim Sha Tsui area of Hong Kong when it is completed in the third quarter of 2015. The Tai Hang Road project, with 9 luxury units located at one of the most sought after addresses in Hong Kong with attributable GFA of approximately 30,400 square feet, was completed in January 2014 and the Group is preparing for its sale currently. Construction of the Tseung Kwan O site has commenced and is on-track for completion in 2017.

The Group's strong cash position of HK\$3,469.3 million of cash on hand with a net debt to equity ratio of 11% as at 31 January 2014 provides the Group full confidence and the means to review opportunities more actively. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

Management Discussion and Analysis (Continued)

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2014, the Group recorded turnover of HK\$1,224.7 million (2013: HK\$429.2 million) and a gross profit of HK\$601.6 million (2013: HK\$282.2 million), representing an increase of approximately 185% and 113%, respectively, over the same period last year. Turnover from rental income, sales of properties, hotel and restaurant and other operations during the period was HK\$237.0 million (2013: HK\$214.8 million), HK\$722.7 million (2013: HK\$1.2 million) and HK\$265.0 million (2013: HK\$213.2 million), respectively.

Profit before tax, excluding finance costs and property revaluations, was HK\$360.7 million (2013: HK\$156.5 million). Net profit attributable to owners of the Company was approximately HK\$622.0 million (2013: HK\$1,964.7 million), representing a decrease of approximately 68% over the same period of last year. Excluding the effect of property revaluations, net profit attributable to owners of the Company increased to approximately HK\$178.5 million (2013: HK\$73.8 million), primarily due to the successful sale of the majority of units at Ocean One. Basic earnings per share including and excluding the effect of property revaluations was HK\$0.031 (2013: HK\$0.098) and HK\$0.009 (2013: HK\$0.004), respectively.

	Six months ended 31 January	
	2014 HK\$ million	2013 HK\$ million
Profit attributable to owners of the Company		
Reported	622.0	1,964.7
Adjustments in respect of revaluation gains of investment properties held by		
— subsidiaries	(340.2)	(1,373.5)
— associates and joint ventures	(103.3)	(517.4)
Profit attributable to owners of the Company excluding revaluation gains of investment properties	178.5	73.8

Equity attributable to owners of the Company as at 31 January 2014 amounted to HK\$19,943.3 million, up from HK\$19,127.8 million as at 31 July 2013. Net asset value per share attributable to owners of the Company increased by 4% to HK\$0.994 per share as at 31 January 2014 from HK\$0.953 per share as at 31 July 2013, representing a discount of 80% to the share price of HK\$0.195 as at 31 January 2014.

Management Discussion and Analysis (Continued)

PROPERTY PORTFOLIO COMPOSITION

Approximate attributable GFA (in '000 square feet) and car-parking spaces of the Group's major properties as at 31 January 2014:

	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	433	872	63	—	—	1,368	965
Completed Hotel Properties	—	—	—	—	98	98	—
Properties Under Development ²	131	—	—	229	—	360	172
Completed Properties Held for Sale ³	18	—	—	69	—	87	41
Total GFA of major properties of the Group	582	872	63	298	98	1,913	1,178

1. Completed and rental generating properties
2. All properties under construction
3. Completed properties held for sale

The above table does not include GFA of properties held by Lai Fung.

PROPERTY INVESTMENT

Rental Income

During the period under review, the Group's rental operations recorded a turnover of HK\$237.0 million (2013:HK\$214.8 million), representing a 10% increase over the same period last year. The increase was primarily due to continued management of tenant mix and rental reversion at major investment properties. CCB Tower, the 50:50 joint venture project, is fully leased subsequent to the period end and the rental proceeds was recognised as contributions from joint venture.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

The Group wholly owns three major rental properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. The Group also owns 50% of the CCB Tower.

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

	Six months ended 31 January			Period end occupancy (%)
	2014 HK\$ million	2013 HK\$ million	% Change	
Cheung Sha Wan Plaza (including car-parking spaces)	134.6	120.9	11	98.7
Causeway Bay Plaza 2 (including car-parking spaces)	73.0	65.8	11	96.8
Lai Sun Commercial Centre (including car-parking spaces)	24.1	25.1	-4	89.2
Others	5.3	3.0	77	N/A
Total:	237.0	214.8	10	
Rental proceeds from joint venture project				
CCB Tower (50% basis)	50.5	—	N/A	95.7

Review of major rental properties

Hong Kong Properties

Cheung Sha Wan Plaza

The asset comprises of an 8-storey and a 7-storey office tower 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 approximately 689,500 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 approximately 208,500 square feet (excluding car-parking spaces). Key tenants include a branch of HSBC, 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 approximately 188,500 square feet (excluding car-parking spaces).

CCB Tower, 3 Connaught Road Central

The Group has a 50:50 interest with China Construction Bank Corporation (“CCB”) in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This office tower is a landmark property in Central featuring underground access to the MTR station in Central. The property has a total GFA of approximately 229,000 square feet (excluding car-parking spaces). CCB Tower was completed in 2013 and added approximately 115,000 square feet of attributable GFA to our rental portfolio. Subsequent to the period end, CCB Tower has been fully leased with 15 floors of the office floors and 2 banking hall floors leased by CCB for its Hong Kong operations and it is expected to contribute in the coming financial year.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Review of major rental properties (Continued)

Overseas Property

36 Queen Street, London EC4 1HJ, 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 gross internal area of approximately 61,000 square feet of office accommodation extending over basement, ground and six upper floors. Comprehensive refurbishment and renovation work has been completed and the building is currently being leased.

PROPERTY DEVELOPMENT

For the six months ended 31 January 2014, recognised turnover from sales of properties was HK\$722.7 million (2013: HK\$1.2 million), representing a significant increase over the same period last year. The exceptional performance was due to the sale of residential units in Ocean One.

Review of major projects for sale

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. The estimated total development cost (including land cost and lease modification premium) is about HK\$730 million.

As at 31 January 2014, the Group has sold 82 units out of a total of 124 residential units, of which the sale of 68 residential units were completed during the period under review. A total of HK\$567.7 million was recognised during the period under review and the average selling prices based on net saleable area and GFA are approximately HK\$13,600 per square foot and HK\$10,200 per square foot, respectively. Subsequent to the period end and up to 28 February 2014, we have completed the sale of a further 4 residential units with total sales proceeds of HK\$34.8 million.

335-339 Tai Hang Road, Hong Kong

The Group wholly owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group is developing the site into a luxury residential property with a total GFA of about 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is estimated to be about HK\$670 million. This project has been completed during the current period and the Group is preparing the sale of this project.

Review of major projects under development

2-12 Observatory Road

The Group completed the acquisition of a 50% interest in a project at Observatory Road, Kowloon with the buildings previously erected there known as Nos. 2-12, Observatory Road, Kowloon in November 2011. The joint venture partner is Henderson Land.

The site is being planned to be redeveloped into a multi-storey commercial building with a total GFA of approximately 165,200 square feet (excluding car-parking spaces). The total development cost is estimated to be approximately HK\$2.3 billion including an estimated land value of approximately HK\$1.8 billion. The new building is expected to be completed in the third quarter of 2015.

The Group reached an agreement with the Government to modify its land lease in relation to the relaxation of the development plot ratio and height restriction. Land premium of about HK\$133.7 million was paid during the period.

Area 68A2, Tseung Kwan O

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of approximately 229,000 square feet with a permitted total GFA of approximately 556,100 square feet split into approximately 458,600 square feet for residential use and approximately 97,500 square feet for commercial use. The current intention is to develop the lot primarily into a residential project for sale, comprising residential towers as well as houses. Completion is expected to be in the second half of 2017.

Management Discussion and Analysis (Continued)

HOTEL AND RESTAURANT OPERATIONS

For the six months ended 31 January 2014, hotel and restaurant operations contributed HK\$253.1 million to the Group's turnover (2013: HK\$202.8 million), representing an increase of approximately 25% from the same period last year. Majority of the turnover from hotel and restaurant operations was derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam.

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 mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge, specially equipped room for the disabled. Total GFA attributable to the Group is approximately 98,400 square feet.

The restaurant operation includes the Group's interests in 11 restaurants in Hong Kong and Mainland China, including the Michelin 3 star Italian restaurant 8^{1/2} Otto e Mezzo BOMBANA Hong Kong, Michelin 2 star Japanese restaurant Wagyu Takumi, 8^{1/2} Otto e Mezzo BOMBANA Shanghai, CIAK — In The Kitchen at Landmark (opened in the fourth quarter in 2013), Wagyu Kaiseki Den, Gin Sai, Rozan, Kowloon Tang, Island Tang, Chiu Tang and China Tang Hong Kong at Landmark (opened in the fourth quarter in 2013).

The hotel and restaurant operations have 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 and Zhongshan. The hotel division will manage Lai Fung's serviced apartments in Shanghai, Guangzhou 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 287 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. The Guangzhou "STARR Xin Hotel", located at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District is expected to soft-open in the fourth quarter of 2014.

INTERESTS IN ASSOCIATES (eSun)

During the period under review, the Group's interest in eSun Holdings Limited ("eSun") increased from 39.93% to 41.26%.

Film production and distribution and media and entertainment divisions improved across the board. Turnover substantially improved and losses narrowed. The acquisition of Intercontinental Group Holdings Limited bolstered its cinema network and film distribution capability. Lai Fung's results were encouraging given the challenging operating environment in the property sector in Mainland China.

As a result, the contribution from eSun increased from a loss to a profit of HK\$45.3 million (2013: loss of HK\$9.9 million).

INTERESTS IN JOINT VENTURES

During the period under review, contribution from joint ventures decreased to HK\$49.2 million (2013: HK\$522.4 million). This is primarily due to lower revaluation gains of CCB Tower and the Observatory Road project.

Management Discussion and Analysis *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2014, cash and bank balances and undrawn facilities held by the Group amounted to HK\$3,469.3 million and HK\$1,258.2 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 2014, the Group had bank borrowings of approximately HK\$3,011.4 million and guaranteed notes of approximately HK\$2,700.8 million. The net debt to equity ratio expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings and guaranteed notes less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company was approximately 11%. As at 31 January 2014, the maturity profile of the bank borrowings of HK\$3,011.4 million was spread over a period of less than 5 years with HK\$425.9 million repayable within 1 year, HK\$1,285.4 million repayable in the second year and HK\$1,300.1 million repayable in the third to fifth years. All the Group's borrowings carried interest on a floating rate basis except for the United States dollar guaranteed notes issued in January 2013 which has a fixed rate of 5.7% per annum.

As at 31 January 2014, certain investment properties with carrying amounts of approximately HK\$11,075.3 million, certain completed properties for sale of approximately HK\$682.2 million, and certain bank balances and time deposits with banks of approximately HK\$171.7 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. The shares of a joint venture held by the Group were pledged to a bank to secure a loan facility granted to a joint venture of the Group. The shares of an investee company held by the Group were pledged to a bank to secure a loan facility granted to this investee company. 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 an investment in United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK\$227.2 million which only accounted for an insignificant portion of the consolidated net assets of the Group as at 31 January 2014. 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. No hedging instruments were employed to hedge for the foreign exchange exposure. 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 need arise.

CONTINGENT LIABILITIES

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

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR RENTAL

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities) to the Group	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	216,578	472,969	—	689,547	355
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D,E,G,H,K,L,M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	111,172	97,355	—	208,527	57
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	105,167	83,370	—	188,537	521
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	50%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	114,555	—	114,555	19
Wyler Centre Phase II	20/F and 27/F and car-parking spaces nos. P17, P18 and P59 on 2/F, Wyler Centre Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	51,236	51,236	3
36 Queen Street London	36 Queen Street, London, EC4 1HJ, United Kingdom	100%	The property is held freehold	—	60,816	—	60,816	—
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	—	42,896	—	42,896	6
Metropolitan Factory and Warehouse Building	Units A and B on 10/F and car-parking space nos. 1, 2, 13 and 14 on G/F Metropolitan Factory and Warehouse Building, 30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	11,370	11,370	4
Subtotal of completed properties held for rental:				432,917	871,961	62,606	1,367,484	965

Particulars of Major Properties (Continued)

COMPLETED HOTEL PROPERTY

Hotel Name	Location	Group Interest	Tenure	Approximate	No. of
				Attributable	
				Gross Floor	spaces
				Area	attributable
				(square feet)	to the Group
				Hotel	
Caravelle Hotel	19-23 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	26.01%	The property is held under a land use right due to expire on 8 October 2040	98,376	—

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)			No. of car-parking spaces attributable to the Group
					Commercial/ Retail	Residential	Total (excluding carpark & ancillary facilities)	
2-12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong	Superstructure in progress	50%	13,765	Q3 2015	82,585	—	82,585	26
Area 68A2, Tseung Kwan O, New Territories, Hong Kong	Foundation in progress	50%	114,500	2nd half of 2017	48,736	229,336	278,072	146
Subtotal of properties under development:					131,321	229,336	360,657	172

Note: On project basis

COMPLETED PROPERTIES HELD FOR SALE

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
			Commercial/ Retail	Residential	Total (excluding carpark & ancillary facilities)	
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	17,749	38,905	56,654	28
339 Tai Hang Road	335-339 Tai Hang Road, Hong Kong	100%	—	30,400	30,400	13
Subtotal of completed properties held for sale:			17,749	69,305	87,054	41

Disclosure Pursuant to Paragraph 13.21 of Chapter 13 of the Listing Rules

On 26 October 2012, the Company entered into a facility agreement ("**LSD Facility Agreement**") related to a term loan and revolving credit facility of up to HK\$2,200 million ("**LSD Facility**") to be made available to the Company, as borrower, for a period of up to three years commencing 26 October 2012 ("**LSD Facility Period**").

Pursuant to the LSD Facility Agreement, the Company has undertaken to procure that Dr. Lam Kin Ngok, Peter and his family, will, at all times during the LSD Facility Period, remain as the single largest shareholder of the Company (directly or indirectly) and will maintain control over the management of the Company.

At 31 January 2014, the outstanding loan balance of the LSD Facility amounted to HK\$1,028,500,000.

Disclosure Pursuant to Paragraph 13.22 of Chapter 13 of the Listing Rules

Financial assistance and guarantees to affiliated companies

As at 31 January 2014, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded the assets ratio of 8% under the Listing Rules.

In compliance with paragraph 13.22 of Chapter 13 of the Listing Rules, the pro forma combined statement of financial position of the affiliated companies as at 31 January 2014 is disclosed as follows:

	HK\$'000
Property, plant and equipment	3,050,329
Properties under development	803,599
Investment property under construction	5,022,117
Investment properties	14,509,713
Film rights	41,506
Film products	117,631
Music catalogs	18,361
Goodwill	123,440
Interests in associates	56,354
Interests in joint ventures	1,120,124
Available-for-sale investments	164,267
Deposits, prepayments and other receivables	515,375
Deferred tax assets	9,217
Derivative financial instruments	36,414
Amounts due from shareholders	8,370
Net current assets	5,493,817
Total assets less current liabilities	31,090,634
NON-CURRENT LIABILITIES	
Long term deposits received	(157,594)
Long term borrowings	(3,255,596)
Convertible notes	(63,286)
Fixed rate senior notes	(2,256,748)
Deferred tax liabilities	(2,494,208)
Deferred income	(47,779)
Amounts due to shareholders	(5,450,192)
	(13,725,403)
	17,365,231
CAPITAL AND RESERVES	
Issued capital	644,015
Share premium account	4,230,797
Contributed surplus	891,289
Investment revaluation reserve	14,346
Share option reserve	15,258
Hedging reserve	3,363
Exchange reserve	296,900
Other reserve	672,488
Accumulated profits	3,004,036
	9,772,492
Non-controlling interests	7,592,739
	17,365,231

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively) throughout the six months ended 31 January 2014 save for the deviations from code provisions A.4.1, A.5.1 and E.1.2.

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

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

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

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

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

Due to other pre-arranged business commitments which must be attended to by him, Dr. Lam Kin Ngok, Peter, the Chairman, was not present at the AGM held on 22 November 2013. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

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 on all Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2014.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS

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

(1) The Company

Long positions in the ordinary shares of HK\$0.01 each 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	14,307,745	Nil	10,425,699,353 (Note 1)	20,062,893 (Note 3)	10,460,069,991	52.14%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 3)	200,628,932	1.00%
Lau Shu Yan, Julius	Beneficial owner	8,783,333	Nil	Nil	100,314,466 (Note 3)	109,097,799	0.544%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 3)	200,628,932	1.00%
U Po Chu (Note 2)	Beneficial owner	897,316	Nil	Nil	Nil	897,316	0.004%

Notes:

- (1) *Lai Sun Garment (International) Limited ("LSG") and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 10,425,699,353 Shares, representing approximately 51.97% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,425,699,353 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 40.13% in the issued share capital of LSG (as enlarged by LSG's 4 for 25 rights issue). LSG is approximately 10.16% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.99% owned by Wisdoman Limited which is in turn beneficially owned by Dr. Lam Kin Ngok, Peter.*
- (2) *Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 Shares, representing approximately 0.99% of the issued share capital of the Company.*

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(1) The Company (Continued)

Notes: (Continued)

- (3) A share option scheme was adopted by the Company on 22 December 2006 and commenced with effect from 29 December 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester, particulars of which are set out below:

Registered Name	Date of grant	Number of underlying Shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	20,062,893	18/01/2013-17/01/2023	HK\$0.335 per Share
Chew Fook Aun	05/06/2012	200,628,932	05/06/2012-04/06/2022	HK\$0.112 per Share
Lau Shu Yan, Julius	18/01/2013	100,314,466	18/01/2013-17/01/2023	HK\$0.335 per Share
Lam Hau Yin, Lester	18/01/2013	200,628,932	18/01/2013-17/01/2023	HK\$0.335 per Share

(2) Associated Corporations

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

Long positions in the ordinary shares of HK\$0.01 each and the underlying shares in LSG

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	188,783,407*	Nil	562,590,430* (Note 1)	1,617,423 (Note 2)	752,991,260*	40.13%*
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	16,174,234 (Note 2)	16,174,234	1.00%
Lam Hau Yin, Lester	Beneficial owner	70,323,800*	Nil	Nil	16,174,234 (Note 2)	86,498,034*	4.61%*
Lam Kin Ming	Beneficial owner	5,809,583*	Nil	Nil	Nil	5,809,583*	0.31%*
U Po Chu	Beneficial owner/ Owner of controlled corporations	4,788,045*	Nil	Nil	Nil	4,788,045*	0.25%*

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

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

Notes:

* Including the rights shares provisionally allotted by LSG on 13 January 2014 pursuant to its 4 for 25 rights issue (“Rights Issue”).

(1) Dr. Lam Kin Ngok, Peter was deemed to be interested in these 562,590,430 shares (representing approximately 29.99% of LSG’s issued share capital as enlarged by the Rights Issue) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.

(2) A share option scheme was adopted by LSG on 22 December 2006 and commenced with effect from 29 December 2006. Particulars of a share option granted by LSG to Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	1,617,423	18/01/2013-17/01/2023	HK\$1.41 per share
Chew Fook Aun	05/06/2012	16,174,234	05/06/2012-04/06/2022	HK\$0.582 per share
Lam Hau Yin, Lester	18/01/2013	16,174,234	18/01/2013-17/01/2023	HK\$1.41 per share

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

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	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	512,890,186 (Note 1)	1,243,212 (Note 2)	516,927,841	41.58%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 (Note 2)	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 (Note 2)	15,226,564	1.22%

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

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

Notes:

- (1) LSG was interested in 10,425,699,353 Shares in the Company, representing approximately 51.97% of the issued share capital of the Company. Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, was interested in 512,890,186 shares in eSun, representing approximately 41.26% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 512,890,186 shares in eSun (representing approximately 41.26% of eSun's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 40.13% and 52.14% in the issued share capital of LSG and the Company respectively.
- (2) A share option scheme was adopted by eSun on 23 December 2005 and commenced with effect from 5 January 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, particulars of which are set out below:

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

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

(a) 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	Beneficial owner/ Owner of controlled corporations	Nil	Nil	8,274,270,422 (Note 1)	16,095,912 (Note 2)	8,290,366,334	51.49%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 (Note 2)	80,479,564	0.50%
Lau Shu Yan, Julius	Beneficial owner	12,917,658	Nil	Nil	48,287,738 (Note 2)	61,205,396	0.38%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	160,959,129 (Note 2)	160,959,129	1.00%

Corporate Governance and Other Information *(Continued)*

DIRECTORS' INTERESTS *(CONTINUED)*

(2) Associated Corporations *(Continued)*

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

(b) Long positions in the 9.125% Senior Notes due 2014 issued by Lai Fung (“Senior Notes”)

Name of Director	Capacity	Nature of interests	Principal amount
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	US\$1,025,000 <i>(Note 1)</i>
Lau Shu Yan, Julius	Beneficial owner	Personal	US\$300,000

Notes:

- (1) eSun was interested in 8,274,270,422 shares in Lai Fung, representing approximately 51.39% of the issued share capital of Lai Fung and in the principal amount of US\$1,025,000 of the Senior Notes issued by Lai Fung. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 issued shares in Lai Fung and the same principal amount of US\$1,025,000 of the Senior Notes issued by Lai Fung by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 41.58% in the issued share capital of eSun.
- (2) A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003 (“**Old Scheme**”). A new share option scheme was adopted by Lai Fung on 18 December 2012 and commenced with effect from 20 December 2012 (“**New Scheme**”). A share option was granted to Mr. Chew Fook Aun under the Old Scheme and remains exercisable though the Old Scheme was terminated on 20 December 2012 when the New Scheme became effective. A share option was also granted to each of Dr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester under the New Scheme. Particulars of the share options granted in the above schemes are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	16,095,912	18/01/2013-17/01/2023	HK\$0.228 per share
Chew Fook Aun	12/06/2012	80,479,564	12/06/2012-11/06/2020	HK\$0.133 per share
Lau Shu Yan, Julius	18/01/2013	48,287,738	18/01/2013-17/01/2023	HK\$0.228 per share
Lam Hau Yin, Lester	18/01/2013	160,959,129	18/01/2013-17/01/2023	HK\$0.228 per share

Corporate Governance and Other Information *(Continued)*

DIRECTORS' INTERESTS *(CONTINUED)*

(2) Associated Corporations *(Continued)*

(iv) Media Asia Group Holdings Limited (“MAGHL”) — a subsidiary of eSun

Long positions in the shares and underlying shares in MAGHL

Name of Director	Capacity	Number of ordinary shares of HK\$0.01 each held	Number of underlying shares (convertible notes)	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	482,521,275 <i>(Note)</i>	559,750,000 <i>(Note)</i>	1,042,271,275	110.22%

Note:

Perfect Sky Holdings Limited, a wholly-owned subsidiary of eSun, was interested in 482,521,275 shares and 559,750,000 underlying shares in MAGHL. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 1,042,271,275 shares and underlying shares in MAGHL by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 41.58% in eSun.

Save as disclosed above, as at 31 January 2014, none of the Directors and the chief executive of the Company and their respective associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, or recorded in the Register of Directors and Chief Executive as aforesaid, notified under the Securities Code or otherwise known by the Directors.

Corporate Governance and Other Information *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 January 2014, 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, one being a Director of the Company, who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO ("**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	Approximate % of Shares in issue
Substantial Shareholders				
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	10,425,699,353	51.97%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporation	Personal and corporate	10,460,069,991	52.14% (Note)

Note:

LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 10,425,699,353 Shares, representing approximately 51.97% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,425,699,353 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 40.13% in the issued share capital of LSG.

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 2014, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

Corporate Governance and Other Information *(Continued)*

SHARE OPTION SCHEME

The Company adopted a share option scheme ("**Scheme**") on 22 December 2006 and the Scheme became effective on 29 December 2006 ("**Commencement Date**"). The purpose of the Scheme is to provide incentives or rewards to any eligible employee and director of the Company or any of its subsidiaries, any agent or consultant of any member of the Group or any employee of the shareholder of any member of the Group or any holder of any securities issued by any member of the Group for their contribution or would be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Unless otherwise altered or terminated, the Scheme will be valid and effective for a period of 10 years commencing on the Commencement Date.

During the six-month period ended 31 January 2014, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme. Particulars of the outstanding options at the beginning and at the end of the financial period are as follows:

Name and category of participant	Number of share options		Date of grant of options	Exercisable Period of share options	Exercise price of share options HK\$ per share
	Outstanding at 01/08/2013	Outstanding at 31/01/2014			
Directors					
Lam Kin Ngok, Peter	20,062,893	20,062,893	18/01/2013	18/01/2013-17/01/2023	0.335
Chew Fook Aun	200,628,932	200,628,932	05/06/2012	05/06/2012-04/06/2022	0.112
Lau Shu Yan, Julius	100,314,466	100,314,466	18/01/2013	18/01/2013-17/01/2023	0.335
Lam Hau Yin, Lester	200,628,932	200,628,932	18/01/2013	18/01/2013-17/01/2023	0.335
Other employees, in aggregate	177,188,680	177,188,680	18/01/2013	18/01/2013-17/01/2023	0.335
Other employees, in aggregate	4,000,000	4,000,000	26/07/2013	26/07/2013-25/07/2023	0.235
Total:	702,823,903	702,823,903			

Corporate Governance and Other Information *(Continued)*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2014, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

UPDATE OF DIRECTORS' INFORMATION

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

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

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
For the six months ended 31 January 2014					
EDs:					
Lam Kin Ngok, Peter (<i>Chairman</i>)	—	6,908	—	8	6,916
Chew Fook Aun (<i>Deputy Chairman</i>)	—	4,464	—	8	4,472
Lau Shu Yan, Julius (<i>Chief Executive Officer</i>)	—	2,481	—	99	2,580
Lam Hau Yin, Lester	—	1,237	—	8	1,245
	—	15,090	—	123	15,213
NEDs:					
Lam Kin Ming	125	—	—	—	125
U Po Chu	125	—	—	—	125
	250	—	—	—	250
INEDs:					
Ip Shu Kwan, Stephen	125	—	—	—	125
Lam Bing Kwan	125	—	—	—	125
Leung Shu Yin, William	125	—	—	—	125
	375	—	—	—	375
Total	625	15,090	—	123	15,838

Corporate Governance and Other Information *(Continued)*

UPDATE OF DIRECTORS' INFORMATION *(CONTINUED)*

(1) *(Continued)*

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
For the six months ended 31 January 2013					
EDs:					
Lam Kin Ngok, Peter <i>(Chairman)</i>	—	4,888	1,990	8	6,886
Chew Fook Aun <i>(Deputy Chairman)</i>	—	4,272	—	8	4,280
Lau Shu Yan, Julius <i>(Chief Executive Officer)</i>	—	2,295	9,951	95	12,341
Lam Hau Yin, Lester (appointed on 1 November 2012)	—	827	19,903	4	20,734
Lui Siu Tsuen, Richard (resigned on 1 November 2012)	—	—	—	—	—
Cheung Sum, Sam (resigned on 1 September 2012)	—	507	—	1	508
	—	12,789	31,844	116	44,749
NEDs:					
Lam Kin Ming	63	—	—	—	63
U Po Chu	63	—	—	—	63
Wan Yee Hwa, Edward (retired on 18 December 2012)	70	—	—	—	70
	196	—	—	—	196
INEDs:					
Ip Shu Kwan, Stephen	100	—	—	—	100
Lam Bing Kwan	100	—	—	—	100
Leung Shu Yin, William	100	—	—	—	100
	300	—	—	—	300
Total	496	12,789	31,844	116	45,245

(2) Dr. Lam Kin Ngok, Peter

- (a) stepped down as an ED of eSun with effect from 14 February 2014; and
- (b) was appointed as a member of the Lantau Development Advisory Committee on an ad personam basis for a term of two years from 1 February 2014 to 31 January 2016.

eSun is listed on the Main Board of the Stock Exchange.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2014, the Group employed a total of approximately 1,300 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

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 EDs and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

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

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

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

Firm	Analyst	Publication Date
UOB Kay Hian	Cynthia Chan, Sylvia Wong	10 September 2013
DBS	Allen Chan, Jeff Yau	10 October 2013

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

REVIEW OF INTERIM REPORT

The audit committee of the Company ("**Audit Committee**") currently comprises two INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and a NED, Dr. Lam Kin Ming. The Audit Committee has reviewed the interim report (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2014.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 25 March 2014