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LAI SUN DEVELOPMENT

Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 488)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2013

RESULTS

The board of directors (the “**Board**”) of Lai Sun Development Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 January 2013 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2013

		Six months ended 31 January	
	Notes	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
TURNOVER	3	429,156	451,989
Cost of sales		<u>(146,981)</u>	<u>(174,216)</u>
Gross profit		282,175	277,773
Other revenue and gain		21,713	11,400
Selling and marketing expenses		(11,040)	(6,119)
Administrative expenses		(209,524)	(154,435)
Other operating expenses, net		(12,796)	(21,106)
Fair value gains on investment properties		1,373,509	60,624
(Provision)/reversal of provision for tax indemnity	4	<u>(44,000)</u>	<u>1,060</u>
PROFIT FROM OPERATING ACTIVITIES	5	1,400,037	169,197
Finance costs	6	(39,219)	(23,035)
Share of profits and losses of associates	9(a)	(9,944)	(23,439)
Share of profits and losses of joint ventures	9(b)	522,356	160,515
Discount on acquisition of additional interest in an associate	9(a)	<u>134,930</u>	<u>88,695</u>
PROFIT BEFORE TAX		2,008,160	371,933
Tax	7	<u>(22,863)</u>	<u>(18,058)</u>
PROFIT FOR THE PERIOD		<u><u>1,985,297</u></u>	<u><u>353,875</u></u>

Condensed Consolidated Income Statement *(continued)*
For the six months ended 31 January 2013

		Six months ended	
		31 January	
		2013	2012
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
			(Restated)
Attributable to:			
Owners of the Company		1,964,744	330,517
Non-controlling interests		20,553	23,358
		1,985,297	353,875
		1,985,297	353,875
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK\$0.098	HK\$0.020
Diluted		HK\$0.097	N/A

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2013

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
PROFIT FOR THE PERIOD	<u>1,985,297</u>	<u>353,875</u>
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale financial assets	30,587	71,335
Exchange realignments	18,930	27,620
Share of investment revaluation reserve of an associate	<u>8,847</u>	<u>(1,808)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>58,364</u>	<u>97,147</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>2,043,661</u>	<u>451,022</u>
Attributable to:		
Owners of the Company	2,023,133	427,653
Non-controlling interests	<u>20,528</u>	<u>23,369</u>
	<u>2,043,661</u>	<u>451,022</u>

Condensed Consolidated Statement of Financial Position

As at 31 January 2013

		31 January 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		561,758	350,817
Prepaid land lease payments		24,496	25,010
Investment properties		9,978,954	8,570,911
Properties under development for sale		1,433,178	1,309,418
Interests in associates	9(a)	3,348,036	3,083,687
Interests in joint ventures	9(b)	5,587,248	3,889,258
Available-for-sale financial assets		1,195,281	1,185,810
Pledged bank balances and time deposits		75,595	-
Deposit paid		-	61,500
Total non-current assets		22,204,546	18,476,411
CURRENT ASSETS			
Completed properties for sale		76,480	76,480
Equity investments at fair value through profit or loss		17,186	1,648
Inventories		6,982	5,305
Debtors, deposits paid and other receivables	10(a)	144,684	99,594
Pledged bank balances and time deposits		-	106,037
Cash and cash equivalents		3,433,876	1,565,105
Total current assets		3,679,208	1,854,169
CURRENT LIABILITIES			
Creditors, deposits received and accruals	10(b)	267,637	243,603
Tax payable		64,330	61,627
Bank borrowings		481,482	1,104,818
Total current liabilities		813,449	1,410,048
NET CURRENT ASSETS		2,865,759	444,121
TOTAL ASSETS LESS CURRENT LIABILITIES		25,070,305	18,920,532
NON-CURRENT LIABILITIES			
Bank borrowings		(2,938,105)	(1,707,404)
Guaranteed notes	11	(2,692,979)	-
Amounts due to associates		(20,799)	(20,799)
Deferred tax		(102,910)	(100,880)
Provision for tax indemnity	4	(391,135)	(347,135)
Long term rental deposits received		(69,037)	(60,032)
Total non-current liabilities		(6,214,965)	(2,236,250)
		18,855,340	16,684,282
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	200,629	200,629
Share premium account	12	7,429,332	7,429,332
Investment revaluation reserve		1,118,886	1,079,452
Share option reserve		66,229	11,139
Capital redemption reserve		1,200,000	1,200,000
General reserve	12	630,400	630,400
Other reserve		139,228	78,823
Special capital reserve	12	-	-
Exchange fluctuation reserve		54,742	35,787
Retained profits		7,656,767	5,692,023
Non-controlling interests		18,496,213	16,357,585
		359,127	326,697
		18,855,340	16,684,282

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 2013 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

Changes in 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 2012. 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.

During the year ended 31 July 2012, the Group had early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time:

HKAS 12 Amendments	Income Taxes - Deferred Tax: Recovery of Underlying Assets
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

These six HKFRSs have been adopted retrospectively and the impact on the unaudited condensed consolidated income statement for the six months ended 31 January 2012 is set out below:

	HKAS 12 (Amendments) HK\$'000	HKFRS 11 HK\$'000	Total HK\$'000
Decrease in share of profits and losses of associates	-	(139,727)	(139,727)
Increase in share of profits and losses of joint ventures	20,788	139,727	160,515
Decrease in tax	7,345	-	7,345
Increase in profit for the period	<u>28,133</u>	<u>-</u>	<u>28,133</u>
Increase in profit for the period attributable to owners of the Company	<u>28,133</u>	<u>-</u>	<u>28,133</u>
Increase in basic earnings per share	<u>HK\$0.002</u>	<u>-</u>	<u>HK\$0.002</u>

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impact of issued but not yet effective HKFRSs

The Group has not adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these interim financial statements:

HKAS 19 (2011)	Employee Benefits ¹
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities ²
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Government Loans ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9	Financial Instruments ³
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 Financial Instruments and HKFRS 7 Financial Instruments: Disclosures - Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendment to HKFRS 10, HKFRS 12 and HKAS 27 (2011) Investment Entities ²
HKFRS 13	Fair Value Measurement ¹
Annual Improvements 2009 - 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact upon initial adoption of the above new and revised HKFRSs. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	1,220	57,893	214,831	195,868	202,814	186,899	10,291	11,329	-	-	429,156	451,989
Intersegment sales	-	-	8,021	5,152	-	-	12,846	11,577	(20,867)	(16,729)	-	-
Other revenue	552	4,965	709	1,246	91	1	78	-	-	-	1,430	6,212
Total	1,772	62,858	223,561	202,266	202,905	186,900	23,215	22,906	(20,867)	(16,729)	430,586	458,201
Segment results	(12,490)	13,313	174,273	153,430	36,058	38,447	(737)	(639)	-	-	197,104	204,551
Interest income and unallocated gain											20,283	5,188
Fair value gains on investment properties	-	-	1,373,509	60,624	-	-	-	-	-	-	1,373,509	60,624
Unallocated expenses (Provision)/reversal of provision for tax indemnity											(146,859)	(102,226)
											(44,000)	1,060
Profit from operating activities											1,400,037	169,197
Finance costs											(39,219)	(23,035)
Share of profits and losses of associates (restated)	19	160	-	-	(34)	(1,275)	-	-	-	-	(15)	(1,115)
Share of profits and losses of associates - unallocated											(9,929)	(22,324)
Share of profits and losses of joint ventures (restated)	61,001	34,669	461,355	125,846	-	-	-	-	-	-	522,356	160,515
Discount on acquisition of additional interest in an associate											134,930	88,695
Profit before tax											2,008,160	371,933
Tax (restated)											(22,863)	(18,058)
Profit for the period											1,985,297	353,875

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

	Property Development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	31 January 2013	31 July 2012	31 January 2013	31 July 2012	31 January 2013	31 July 2012	31 January 2013	31 July 2012	31 January 2013	31 July 2012
	(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
Segment assets	1,538,206	1,398,555	10,013,684	8,705,592	848,212	558,074	60,947	56,819	12,461,049	10,719,040
Interests in associates	14,061	9,503	-	-	11,183	11,214	-	-	25,244	20,717
Interests in associates - unallocated									3,322,792	3,062,970
Interests in joint ventures	1,470,447	256,363	4,116,801	3,632,895	-	-	-	-	5,587,248	3,889,258
Unallocated assets									4,487,421	2,638,595
Total assets									25,883,754	20,330,580

4. (PROVISION)/REVERSAL OF PROVISION FOR TAX INDEMNITY

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 PRC income tax and land appreciation tax (“**LAT**”) 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 2013 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 HK\$1,345,265,000 (31 July 2012: HK\$1,345,265,000).

As at 31 January 2013, the directors of the Company, after taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in 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\$391,135,000 (31 July 2012: HK\$347,135,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, an additional provision for tax indemnity of HK\$44,000,000 (Six months ended 31 January 2012: a reversal of provision for the tax indemnity of HK\$1,060,000) was recognised in the condensed consolidated income statement for the six months ended 31 January 2013.

5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation [#]	11,946	11,551
Amortisation of prepaid land lease payments*	514	514
Loss on disposal of listed equity investments at fair value through profit or loss*	385	51
Fair value (gain)/loss on listed equity investments at fair value through profit or loss*	(17)	6,580
Interest income from bank deposits	(2,992)	(1,742)
Other interest income	(272)	(202)
Dividend income from listed equity investments at fair value through profit or loss	(22)	(40)
Dividend income from unlisted available-for-sale financial assets	(14,447)	(100)
	<u> </u>	<u> </u>

[#] Depreciation charge of HK\$10,664,000 (Six months ended 31 January 2012: HK\$10,439,000) 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.

6. FINANCE COSTS

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	32,243	22,887
Interest on guaranteed notes wholly repayable within five years	4,784	-
Bank financing charges	<u>8,096</u>	<u>4,466</u>
	45,123	27,353
Less : Amount capitalised in properties under development for sale	<u>(5,904)</u>	<u>(4,318)</u>
	<u>39,219</u>	<u>23,035</u>

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2012: 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Current tax		
Hong Kong	13,061	7,644
Overseas	7,772	7,667
	20,833	15,311
Deferred tax	2,030	2,747
Tax charge for the period	22,863	18,058

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 31 January	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Earnings for the purpose of basic and diluted earnings per share	1,964,744	330,517
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	20,062,893	16,609,379
Effect of dilutive potential ordinary shares arising from share options	127,768	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	20,190,661	

The weighted average number of shares in issue for the six months ended 31 January 2012 used in the basic earnings per share calculation has been adjusted to reflect the effect of the rights issue completed in December 2011 as set out in note 12.

**9. SHARE OF PROFITS AND LOSSES OF ASSOCIATES/INTERESTS IN ASSOCIATES
SHARE OF PROFITS AND LOSSES OF JOINT VENTURES/INTERESTS IN JOINT VENTURES**

(a) Share of profits and losses of associates/Interests in associates

The eSun Group

Included in the Group's interests in associates as at 31 January 2013 and share of profits and losses of associates for the six months ended 31 January 2013 was the Group's share of net assets and loss of eSun Holdings Limited ("eSun") and its subsidiaries (the "eSun Group") of approximately HK\$3,279,558,000 (31 July 2012: HK\$3,033,604,000) and HK\$9,935,000 (Six months ended 31 January 2012: HK\$22,319,000), respectively.

- (i) In August 2011, the Group acquired 1.93% additional interest in eSun at a cost of approximately HK\$43,301,000 and the Group's interest in eSun was increased from 36.00% to 37.93%. A discount on acquisition of HK\$88,695,000 arose from this acquisition.
- (ii) On 27 February 2012, eSun and Lai Fung issued a joint announcement in respect of the proposed open offer of Lai Fung (the "Open Offer") and an underwriting arrangement between eSun and Lai Fung, pursuant to which eSun irrevocably undertook to Lai Fung to take up all shares offered in the Open Offer. The Open Offer became unconditional on 6 June 2012. eSun increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer on 11 June 2012. With early adoption of HKFRS 10 "Consolidated Financial Statements" during the year ended 31 July 2012, the directors of eSun concluded that eSun has had control over Lai Fung and Lai Fung has become a subsidiary of eSun since 11 June 2012. Subsequent to the Open Offer, eSun further acquired shares of Lai Fung from the public shareholders and increased its interest in Lai Fung to 47.87% in June 2012. eSun further acquired shares of Lai Fung from the public shareholders during the period under review and increased its interest to 49.39%.
- (iii) During the period from October 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 HK\$134,930,000 arose from this acquisition.

(b) Share of profits and losses of joint ventures/Interests in joint ventures

Diamond String Limited ("Diamond String")

Diamond String is a 50%-owned joint venture holding CCB Tower situated at 3 Connaught Road Central, Hong Kong for investment purpose. The Group's share of assets as at 31 January 2013 and profit for the six months ended 31 January 2013 of Diamond String were approximately HK\$3,152,017,000 (31 July 2012: HK\$2,760,441,000) and HK\$391,576,000 (Six months ended 31 January 2012 (restated): HK\$125,846,000), respectively.

Best Value International Limited and its subsidiaries (the "Best Value Group")

The Best Value Group is a 50%-owned joint venture. The principal assets of the Best Value Group are properties, which include parcels of ground on Observatory Road, Kowloon, Hong Kong with the buildings erected thereon (now known as Nos. 2, 4, 6, 8, 10 and 12, Observatory Road, Kowloon, Hong Kong). The Group currently intends that the Best Value Group will re-develop the site into a multi-storey commercial complex.

The Group's share of net assets as at 31 January 2013 and profit for the six months ended 31 January 2013 of the Best Value Group were approximately HK\$964,733,000 (31 July 2012: HK\$872,454,000) and HK\$69,779,000 (Six months ended 31 January 2012 (restated): Nil), respectively.

**9. SHARE OF PROFITS AND LOSSES OF ASSOCIATES/INTERESTS IN ASSOCIATES
SHARE OF PROFITS AND LOSSES OF JOINT VENTURES/INTERESTS IN JOINT VENTURES**
(continued)

(b) Share of profits and losses of joint ventures/Interests in joint ventures (continued)

Strongly Limited

Strongly Limited is a 50%-owned joint venture. It won in a tender by the Lands Department, Hong Kong on 28 November 2012 the land lot known as Tseung Kwan O Town Lot No.95 (the “**Lot**”) at a premium of HK\$2,826 million.

The Lot has an area of approximately 229,000 square feet with a permitted total gross floor area of approximately 573,000 square feet split into approximately 458,000 square feet for residential use and approximately 115,000 square feet for non-industrial use. It is the current intention of Strongly Limited to develop the Lot primarily into a residential project for sale, comprising residential towers as well as houses. The project is expected to be completed in 2017, subject to the terms and conditions of the relevant sale by tender and the status of the Lot on delivery.

10. 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 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Trade debtors:		
Not yet due or less than 30 days past due	10,827	4,881
31 – 60 days past due	2,281	1,282
61 – 90 days past due	458	347
Over 90 days past due	1,875	2,721
	15,441	9,231
Deposits paid, prepayments and other receivables	129,243	90,363
	144,684	99,594

10. 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 2013 (Unaudited) HK\$'000	31 July 2012 (Audited) HK\$'000
Trade creditors:		
Not yet due or less than 30 days past due	8,444	7,398
31 – 60 days past due	428	480
61 – 90 days past due	170	148
Over 90 days past due	573	486
	9,615	8,512
Deposits received, other payables and accruals	258,022	235,091
	267,637	243,603

11. GUARANTEED NOTES

On 18 January 2013, Lai Sun International Finance (2012) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US\$350,000,000 (the “Notes”). The Notes are guaranteed by the Company, have 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 net proceeds from the offering are approximately US\$347,000,000 and will be used for general corporate purposes.

12. SHARE CAPITAL

	31 January 2013	Nominal	31 July 2012	Nominal
	Number of	value	Number of	value
	shares	(Unaudited)	shares	(Audited)
	(Unaudited)	HK\$'000	(Audited)	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	38,000,000	380,000	27,000,000	270,000
Preference shares of HK\$1.00 each	1,200,000	1,200,000	1,200,000	1,200,000
		1,580,000		1,470,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	20,062,893	200,629	20,062,893	200,629

Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 18 December 2012, the authorised share capital of the Company was increased from HK\$1,470,000,000 divided into 27,000,000,000 ordinary shares of HK\$0.01 each and 1,200,000,000 preference shares of HK\$1.00 each to HK\$1,580,000,000 divided into 38,000,000,000 ordinary shares of HK\$0.01 each and 1,200,000,000 preference shares of HK\$1.00 each by the creation of 11,000,000,000 additional ordinary shares of HK\$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

12. SHARE CAPITAL (continued)

In December 2011, the Company completed a rights issue of 5,900,850,966 ordinary shares of HK\$0.01 each on the basis of five rights shares for every twelve shares held of the Company at a subscription price of HK\$0.09 per rights share (the “**Rights Issue**”). The net proceeds from the Rights Issue was approximately HK\$513,640,000, after deduction of share issue expenses of approximately HK\$17,437,000.

Movements in the Company’s issued capital during the period are summarised as follows:

	Number of ordinary shares ’000	Issued capital HK\$’000	Share premium account HK\$’000	Total HK\$’000
At 1 August 2011	14,162,042	141,620	6,974,701	7,116,321
Rights Issue	5,900,851	59,009	472,068	531,077
Share issue expenses	-	-	(17,437)	(17,437)
At 31 January 2012, 1 August 2012 and 31 January 2013	<u>20,062,893</u>	<u>200,629</u>	<u>7,429,332</u>	<u>7,629,961</u>

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.

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;

12. SHARE CAPITAL *(continued)*

- (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\$630,400,000, 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\$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company.

After the effective date of the Capital Reduction, the Company entered into a placing agreement dated 17 November 2006 pursuant to which a total of 1,416,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company were allotted and issued for net cash proceeds of HK\$504,136,000. With such increase in the Company's issued share capital and share premium account resulting from the placing of new shares for cash, an aggregate amount of HK\$504,136,000 was then transferred from special capital reserve to general reserve (a distributable reserve) of the Company in prior years pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

As a result of the Rights Issue with net cash proceeds of approximately HK\$513,640,000 as detailed above, the Company's issued share capital and share premium account was further increased by an aggregate amount of HK\$513,640,000. The entire remaining balance of the special capital reserve of HK\$126,264,000 was further transferred to the general reserve (a distributable reserve) of the Company pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

As a result of the above transfers between the reserves, the outstanding balance of the general reserve of the Company as at 31 January 2013 was HK\$630,400,000 (31 July 2012: HK\$630,400,000). There was no remaining balance in the special capital reserve as at 31 January 2013 and 31 July 2012.

INTERIM ORDINARY DIVIDEND

As at 31 January 2013, the Company did not have any reserves available for distribution in accordance with provisions of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. The Board of the Company has resolved not to declare the payment of an interim ordinary dividend for the financial year ending 31 July 2013. No interim ordinary dividend was declared in respect of the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of Interim Results

For the six months ended 31 January 2013, the Group recorded a turnover of HK\$429.2 million (2012: HK\$452.0 million) and a gross profit of HK\$282.2 million (2012: HK\$277.8 million), representing a decrease of 5% and an increase of 2%, respectively over the same period last year. Net profit attributable to owners of the Company was approximately HK\$1,964.7 million (2012 (restated): HK\$330.5 million), representing an increase of over 494%. Accordingly, basic earnings per share increased to HK\$0.098 (2012 (restated): HK\$0.020). The decrease in turnover was due to the absence of development projects for sale despite a sound performance by the rental property portfolio. The increase in profit was due to a significant increase in property revaluations and good rental performance from our investment property portfolio. Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$117.9 million (2012 (restated): HK\$143.9 million), representing a decrease of approximately 18%. Basic earnings per share excluding the property revaluation effect correspondingly decreased to HK\$0.006 (2012 (restated): HK\$0.009).

Equity attributable to owners of the Company as at 31 January 2013 amounted to HK\$18,496.2 million (As at 31 July 2012: HK\$16,357.6 million). Net asset value per share attributable to owners of the Company increased to HK\$0.922 (As at 31 July 2012: HK\$0.815).

The Hong Kong property market weathered the global economic challenges well as a whole. The chronic lack of supply, robust underlying demand and low interest rate environment have contributed to the rise in property prices during the period under review and prompted the government to take action. The recently introduced measures have slowed transaction volume across the board, particularly in the residential markets, which affected sales of Ocean One. The rental portfolio performed well due to positive rental reversions and tenant mix management. Against such a backdrop, the Group achieved a solid set of results.

As at 31 January 2013, the Group maintained a property portfolio comprising, in attributable gross floor area (“GFA”) (excluding car parks), completed investment properties with attributable GFA of approximately 1,297,000 square feet, properties under development with attributable GFA of approximately 238,000 square feet, and properties held for sale with attributable GFA of approximately 10,000 square feet. The Group will build on this sound asset base with a view to delivering long-term value to its shareholders.

Property Portfolio Composition

Approximate attributable GFA in ‘000 square feet and car-parking spaces, excluding attributable GFA in Lai Fung through eSun, as at 31 January 2013:

	Commercial / Retail	Office	Industrial	Residential	Total	No. of car parks
Rental properties	433	853	11	-	1,297	962
Properties Under Development	103	-	-	135	238	46
Properties Held for Sale	8	-	-	2	10	10
Total GFA	544	853	11	137	1,545	1,018

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

Property Investment

Rental Income

For the six months ended 31 January 2013, the Group's rental operations recorded a turnover of HK\$214.8 million (2012: HK\$195.9 million), representing a 10% increase over the same period last year. The increase is primarily due to sound management of tenant mix and rental reversion at its major rental properties.

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. During the period under review, these properties had in aggregate a total GFA of approximately 1,087,000 square feet (excluding carparks). The CCB Tower has been completed and added to the rental portfolio during the period under review and it is expected to start contributing in the second half of the financial year 2013.

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

	Six Months ended 31 January			Period end occupancy(%)
	2013 HK\$ million	2012 HK\$ million	% Change	
Cheung Sha Wan Plaza (including carparks)	120.9	103.7	17	99.5
Causeway Bay Plaza 2 (including office, retail and carparks)	65.8	57.6	14	95.6
Lai Sun Commercial Centre (including carparks)	25.1	23.2	8	99.0
Others	3.0	11.4	(74)	N/A
Total	214.8	195.9	10	

Review of major investment properties

Hong Kong Property Portfolio

Cheung Sha Wan Plaza

The asset comprises of two 8-storey and 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 approximately 689,635 square feet (excluding carparks). 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 208,432 square feet (excluding carparks). Key tenants include the HSBC's 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 approximately 188,537 square feet (excluding carparks).

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. The redeveloped project is an office tower that is expected to become a landmark property in Central featuring underground access to the MTR station in Central. The total construction cost of the project is estimated to be approximately HK\$950 million with a total GFA of approximately 229,165 square feet (excluding carparks). The Occupation Permit was issued by Buildings Department in December 2012. Part of the redeveloped property will be mostly used by CCB as offices for its Hong Kong operations and leasing of the remaining space is in progress.

Overseas Property Portfolio

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 41,680 square feet of office accommodation extending over basement, ground and six upper floors. This investment property is currently undergoing refurbishment and is expected to be completed in the third quarter of 2013.

Property Development

For the six months ended 31 January 2013, recognised turnover from sales of properties was HK\$1.2 million (2012: HK\$57.9 million), representing a decrease of 98% over the same period last year. The decrease was due to the absence of development projects for sale and the HK\$1.2 million relates to the sale of a small piece of land sold to an independent third party. Ocean One pre-sales started in December 2012 and sales progress is in line with expectations given the launch coincided with the introduction of the new stamp duty requirement and other cooling measures subsequently. At the time of this report, the Group had sold a total of 12 units out of 124 residential units in this development at an average selling price of approximately HK\$10,000 per square feet.

Review of major projects for sale

Ocean One, Yau Tong, Kowloon

The Group wholly owns this development project located at No. 6 Shung Shun Street, Yau Tong, Kowloon. The Group is developing the site into a residential-cum-commercial property with a total saleable GFA of about 122,449 square feet (excluding carparks) or 124 residential units and 2 commercial units. The estimated total development cost (including land cost and lease modification premium) is about HK\$700 million. Sales commenced in December 2012.

Review of major projects under development

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 30,479 square feet (excluding carparks). The Group completed the lease modification of the site. The total development cost (including land cost and lease modification premium) is estimated to be about HK\$650 million. Completion is expected to be in the third quarter of 2013.

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 Group is now in discussions with the joint venture partner, Henderson Land regarding the overall re-development plan including the designs, features and quality of the new building. The site is being planned to be redeveloped into a multi-storey commercial building with a total GFA of approximately 162,448 square feet (excluding carparks). Subject to the finalisation of the re-development plan with the joint venture partner, the total development cost is estimated to be approximately HK\$2.3 billion including an estimated land value of approximately HK\$1.7 billion. The new building is expected to be completed in the third quarter of 2015.

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 gross floor area of approximately 573,000 square feet split into approximately 458,000 square feet for residential use and approximately 115,000 square feet for non-industrial 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 quarter of 2017.

Hotel and Restaurant Operations

The hotel and restaurant operations include the Group's interests in the historic Caravelle Hotel in Ho Chi Minh City, Vietnam and a number of acclaimed restaurants in Hong Kong including the only Michelin 3 star Italian restaurant 8 ^{1/2} Otto e Mezzo BOMBANA; Michelin 1 star Japanese restaurant Wagyu Kaiseki Den; as well as other high profile restaurants such as Island Tang, Kowloon Tang and Chiu Tang.

For the six months ended 31 January 2013, hotel and restaurant operations contributed HK\$202.8 million to the Group's turnover (2012: HK\$186.9 million), representing an increase of approximately 9% from the same period last year. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of the Caravelle Hotel.

The hotel and restaurant operations have extensive experience in providing consultancy and management services to hotels in China, Hong Kong and other Asian countries. The division's key strategy going forward will be continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou and Zhongshan. The division will provide technical advisory services to the service apartments in Shanghai May Flower Plaza, Guangzhou Paramount Centre and Zhongshan Palm Spring when the relevant developments are completed. All three properties are expected to complete late 2013 / early 2014.

Interests in associates (The eSun Group)

For the six months ended 31 January 2013, loss from the eSun Group decreased to HK\$9.9 million (2012: HK\$22.3 million). General performance of the non-property businesses improved as well as the absence of any mark-to-market loss as a result of the convertible notes in Media Asia Group Holdings Limited. Despite the challenging operating environment characterised by stringent austerity measures in the property market in China, Lai Fung was able to deliver an encouraging performance against a difficult operating environment with a steady increase in net asset value.

eSun expects momentum in the non-property business to continue given an underlying schedule of new releases in movies, events and music albums in the pipeline. The rental properties portfolio in Lai Fung is expected to provide a strong foundation and, together with the HK\$3.55 billion syndicated loan facility arranged, position Lai Fung to capitalise on future growth opportunities.

The Group's interest in eSun increased from 37.93% to 39.93% since December 2012. This resulted in a gain from the discount on acquisition of the additional interest of HK\$134.9 million which is recorded in the consolidated income statement. The purchase of additional interest is within the permitted limit under the creeper provision in the Takeovers Code. Further purchases by the Group need to have regards to this creeper provision limit and may or may not occur in the future. As such this gain from the discount on acquisition of the additional interest may or may not be repeated.

Interests in joint ventures

For the six months ended 31 January 2013, contribution from joint ventures, which represented our share of profits and losses in the CCB Tower, Observatory Road Project, The Oakhill Project and the Tseung Kwan O Project, increased to HK\$522.4 million (2012 (restated): HK\$160.5 million), representing an increase of over 225%, which was primarily due to the property revaluation gain from the CCB Tower.

Outlook

The monetary easing as a result of central banks around the world attempting to revive major economies around the world is expected to remain for some time which sustains a generally low interest rate environment for the foreseeable future. In Hong Kong, the low interest rate environment, together with the robust underlying demand and lack of near term supply, are expected to be countered by the fiscal policies implemented to cool the property market. While interest rates have arguably bottomed out and we have seen certain banks raised their reference rates, the rate of increase is likely to happen over a longer period of time given the peg with the United States dollars and the outlook of the United States economy mean a rapid increase in interest rates unlikely. As such, the Group believes the Hong Kong property market as a whole will remain stable.

The Group will continue its prudent yet flexible approach with the objective of preserving margin and optimising long-term value for shareholders. The HK\$2.2 billion syndicated loan raised by the Group in October 2012 and the US\$350 million guaranteed notes issued in January 2013 dovetails with the Group's strategy of building up its land bank. The Group believes that it is well-positioned to take advantage of the pent-up demand with its growing project pipelines. The Group's stated intention to expand the rental property portfolio through retaining any sizeable commercial and retail elements that it develops to improve recurring income which will form the bedrock for securing funding to develop other projects.

The Group's interest in eSun increased from 37.93% to 39.93% since December 2012. This resulted in a gain from the discount on acquisition of the additional interest of HK\$134.9 million which was recorded in the consolidated income statement. The purchase of additional interest is within the permitted limit under the creeper provision in the Takeovers Code. Further purchases by the Group need to have regards to this creeper provision limit and may or may not occur in the future. As such this gain from the discount on acquisition of the additional interest may or may not be repeated.

Growth from a Stable Financial Position

As at 31 January 2013, the Group had HK\$3,509.5 million of cash with a net debt to equity ratio of 14% and undrawn facilities of HK\$1,415.2 million. This was bolstered by the US\$350 million guaranteed notes issued in January 2013 which was heavily oversubscribed by ten times. The strong oversubscription was a testament of confidence from the investors in the Company and provided us with additional resources to secure landbank for future growth.

Liquidity and Financial Resources

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 2013, the Group had borrowings of approximately HK\$3,419.6 million and guaranteed notes of approximately HK\$2,693.0 million. The net debt to equity ratio expressed as a percentage of the total outstanding net debt (being the total outstanding 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 14%. As at 31 January 2013, the maturity profile of the bank borrowings of HK\$3,419.6 million was spread over a period of less than 5 years with HK\$481.5 million repayable within 1 year, HK\$426.0 million repayable in the second year and HK\$2,512.1 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 January 2013 which has a fixed rate.

As at 31 January 2013, certain investment properties with carrying amounts of approximately HK\$9,959.2 million, certain property, plant and equipment with carrying amounts of approximately HK\$230.3 million, prepaid land lease payments of approximately HK\$24.5 million, certain properties under development for sale of approximately HK\$1,398.4 million, and certain bank balances and time deposits with banks of approximately HK\$75.6 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. Certain shares in 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. Certain shares of an investee company held by the Group were pledged to banks 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\$143.0 million which only accounted for an insignificant portion of the consolidated net assets of the Group as at 31 January 2013. 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2013, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") nor did the Company or any of its subsidiaries purchase or sell any of such shares.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 31 January 2013 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 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 ("**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 18 December 2012. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM was elected chairman of that AGM pursuant to the Articles of Association to ensure an effective communication with the Shareholders thereat.

DIRECTORS, EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2013, the Group employed a total of approximately 1,200 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.

The Group is delighted to welcome Mr. Lam Hau Yin, Lester who joined the Board as an ED. The Group would also like to thank Mr. Cheung Sum, Sam, Mr. Lui Siu Tsuen, Richard and Mr. Wan Yee Hwa, Edward, who left the Board during the period under review for their valuable contributions to the Company during their tenure.

INVESTOR RELATIONS

To ensure our investors have a better understanding of the Company, our management has begun engaging in a pro-active investor relations programme. Our Executive Directors led by the Deputy Chairman of the Company and the 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 business strategy.

For the six months ended 31 January 2013, the Company has met with a number of research analysts and investors, as well as attended conferences and non-deal roadshows as follows:

Month	Event	Organizer	Location
September 2012	UBS Hong Kong/China Property Conference 2012	UBS	Hong Kong
September 2012	JP Morgan Hong Kong Property Corporate Access Days	JP Morgan	Hong Kong
October 2012	Post full year results non-deal roadshow	UBS	Hong Kong
November 2012	Post full year results non-deal roadshow	DBS	Singapore
November 2012	Post full year results non-deal roadshow / HSBC Asia Corporate Day	HSBC	London
November 2012	Post full year results non-deal roadshow	JP Morgan	New York/ Philadelphia /San Francisco
December 2012	Investors luncheon	Daiwa Securities	Hong Kong
January 2013	Investors luncheon	Bank of China International	Hong Kong
January 2013	Non-deal roadshow	UOB Kay Hian	Taipei

The Company is keen on promoting good 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 RESULTS

The Audit Committee of the Company currently comprises two INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and a NED, Dr. Lam Kin Ming. The Audit Committee has reviewed the unaudited interim results (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2013.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 28 March 2013

As at the date of this announcement, the Board comprises the following members:

Executive Directors: Dr. Lam Kin Ngok, Peter (Chairman) and Messrs. Chew Fook Aun (Deputy Chairman), Lau Shu Yan, Julius (Chief Executive Officer) and Lam Hau Yin, Lester;

Non-Executive Directors: Dr. Lam Kin Ming and Madam U Po Chu; and

Independent Non-Executive Directors: Messrs. Lam Bing Kwan, Leung Shu Yin, William and Ip Shu Kwan, Stephen.