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# LAI SUN GARMENT

Lai Sun Garment (International) Limited  
(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2016

### RESULTS

The board of directors (the “**Board**”) of Lai Sun Garment (International) 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 2016 together with the comparative figures of the last corresponding period as follows:

### Condensed Consolidated Income Statement

For the six months ended 31 January 2016

|                                                          |       | Six months ended<br>31 January  |                                 |
|----------------------------------------------------------|-------|---------------------------------|---------------------------------|
|                                                          | Notes | 2016<br>(Unaudited)<br>HK\$'000 | 2015<br>(Unaudited)<br>HK\$'000 |
| TURNOVER                                                 | 3     | 1,133,914                       | 826,399                         |
| Cost of sales                                            |       | (528,501)                       | (342,025)                       |
| Gross profit                                             |       | 605,413                         | 484,374                         |
| Other revenue                                            |       | 43,896                          | 48,051                          |
| Selling and marketing expenses                           |       | (22,510)                        | (11,631)                        |
| Administrative expenses                                  |       | (147,016)                       | (144,755)                       |
| Other operating expenses                                 |       | (110,679)                       | (102,049)                       |
| Fair value gains on investment properties                |       | 119,703                         | 864,024                         |
| PROFIT FROM OPERATING ACTIVITIES                         | 4     | 488,807                         | 1,138,014                       |
| Finance costs                                            | 5     | (139,894)                       | (129,417)                       |
| Share of profits and losses of associates                |       | 10,838                          | (7,765)                         |
| Share of profits of joint ventures                       |       | 739,899                         | 103,305                         |
| PROFIT BEFORE TAX                                        |       | 1,099,650                       | 1,104,137                       |
| Tax                                                      | 6     | (40,892)                        | (43,259)                        |
| PROFIT FOR THE PERIOD                                    |       | 1,058,758                       | 1,060,878                       |
| Attributable to:                                         |       |                                 |                                 |
| Owners of the Company                                    |       | 564,397                         | 614,253                         |
| Non-controlling interests                                |       | 494,361                         | 446,625                         |
|                                                          |       | 1,058,758                       | 1,060,878                       |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | 7     |                                 | (Adjusted)                      |
| Basic                                                    |       | HK\$0.298                       | HK\$0.327                       |
| Diluted                                                  |       | HK\$0.298                       | HK\$0.325                       |

**Condensed Consolidated Statement of Comprehensive Income***For the six months ended 31 January 2016*

|                                                                                                     | <b>Six months ended<br/>31 January</b> |                         |
|-----------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|
|                                                                                                     | <b>2016</b>                            | <b>2015</b>             |
|                                                                                                     | <b>(Unaudited)</b>                     | <b>(Unaudited)</b>      |
|                                                                                                     | <b>HK\$'000</b>                        | <b>HK\$'000</b>         |
| PROFIT FOR THE PERIOD                                                                               | <u><b>1,058,758</b></u>                | <u>1,060,878</u>        |
| OTHER COMPREHENSIVE EXPENSE                                                                         |                                        |                         |
| Other comprehensive (expense)/income to be reclassified to profit or loss<br>in subsequent periods: |                                        |                         |
| Change in fair values of available-for-sale financial assets                                        | <b>(20,630)</b>                        | (15,349)                |
| Exchange realignments                                                                               | <b>(92,519)</b>                        | (58,614)                |
| Share of other comprehensive (expense)/income of associates                                         | <u><b>(230,839)</b></u>                | <u>18,675</u>           |
| OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD                                                          | <u><b>(343,988)</b></u>                | <u>(55,288)</u>         |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD                                                           | <u><u><b>714,770</b></u></u>           | <u><u>1,005,590</u></u> |
| Attributable to:                                                                                    |                                        |                         |
| Owners of the Company                                                                               | <b>383,426</b>                         | 585,326                 |
| Non-controlling interests                                                                           | <u><b>331,344</b></u>                  | <u>420,264</u>          |
|                                                                                                     | <u><u><b>714,770</b></u></u>           | <u><u>1,005,590</u></u> |

# Condensed Consolidated Statement of Financial Position

As at 31 January 2016

|                                                        |       | 31 January<br>2016<br>(Unaudited)<br>HK\$'000 | 31 July<br>2015<br>(Audited)<br>HK\$'000 |
|--------------------------------------------------------|-------|-----------------------------------------------|------------------------------------------|
|                                                        | Notes |                                               |                                          |
| <b>NON-CURRENT ASSETS</b>                              |       |                                               |                                          |
| Property, plant and equipment                          | 8     | 2,923,507                                     | 2,688,331                                |
| Prepaid land lease payments                            |       | 21,414                                        | 21,928                                   |
| Investment properties                                  |       | 17,897,365                                    | 17,730,080                               |
| Properties under development for sale                  |       | 765,405                                       | 729,148                                  |
| Interests in associates                                |       | 3,759,661                                     | 3,977,122                                |
| Interests in joint ventures                            |       | 6,688,783                                     | 5,937,793                                |
| Available-for-sale financial assets                    |       | 1,343,366                                     | 1,339,150                                |
| Pledged and restricted bank balances and time deposits |       | 301,534                                       | 124,659                                  |
| Deposits paid and other receivables                    |       | 772,267                                       | 141,968                                  |
| Total non-current assets                               |       | <u>34,473,302</u>                             | <u>32,690,179</u>                        |
| <b>CURRENT ASSETS</b>                                  |       |                                               |                                          |
| Completed properties for sale                          |       | 407,574                                       | 668,354                                  |
| Equity investment at fair value through profit or loss |       | 3,238                                         | 5,574                                    |
| Inventories                                            |       | 13,744                                        | 12,704                                   |
| Debtors, deposits paid and other receivables           | 9(a)  | 276,495                                       | 180,888                                  |
| Pledged and restricted bank balances and time deposits |       | 68,440                                        | 299,136                                  |
| Cash and cash equivalents                              |       | 2,082,810                                     | 1,769,498                                |
| Total current assets                                   |       | <u>2,852,301</u>                              | <u>2,936,154</u>                         |
| <b>CURRENT LIABILITIES</b>                             |       |                                               |                                          |
| Creditors, deposits received and accruals              | 9(b)  | 406,394                                       | 440,814                                  |
| Tax payable                                            |       | 128,412                                       | 178,404                                  |
| Bank borrowings                                        |       | 1,636,076                                     | 1,321,665                                |
| Total current liabilities                              |       | <u>2,170,882</u>                              | <u>1,940,883</u>                         |
| <b>NET CURRENT ASSETS</b>                              |       | <u>681,419</u>                                | <u>995,271</u>                           |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |       | <u>35,154,721</u>                             | <u>33,685,450</u>                        |
| <b>NON-CURRENT LIABILITIES</b>                         |       |                                               |                                          |
| Bank borrowings                                        |       | 4,090,764                                     | 3,270,608                                |
| Guaranteed notes                                       |       | 3,471,449                                     | 3,500,015                                |
| Other borrowing, note payable and interest payable     |       | 367,331                                       | 361,619                                  |
| Deferred tax                                           |       | 191,369                                       | 188,902                                  |
| Provision for tax indemnity                            |       | 980,638                                       | 980,638                                  |
| Long term rental deposits received                     |       | 115,917                                       | 91,002                                   |
| Deferred rental                                        |       | 4,705                                         | 4,380                                    |
| Total non-current liabilities                          |       | <u>9,222,173</u>                              | <u>8,397,164</u>                         |
|                                                        |       | <u>25,932,548</u>                             | <u>25,288,286</u>                        |
| <b>EQUITY</b>                                          |       |                                               |                                          |
| Equity attributable to owners of the Company           |       |                                               |                                          |
| Share capital                                          |       | 1,179,703                                     | 1,177,649                                |
| Investment revaluation reserve                         |       | 141,615                                       | 160,245                                  |
| Share option reserve                                   |       | 14,286                                        | 14,286                                   |
| Hedging reserve                                        |       | (493)                                         | (527)                                    |
| Capital reduction reserve                              |       | 6,973                                         | 6,973                                    |
| Asset revaluation reserve                              |       | 55,494                                        | 55,494                                   |
| Other reserve                                          |       | 665,469                                       | 679,380                                  |
| Statutory reserve                                      |       | 13,977                                        | 12,479                                   |
| Exchange fluctuation reserve                           |       | (171,585)                                     | (9,210)                                  |
| Retained profits                                       |       | 12,241,635                                    | 11,699,526                               |
|                                                        |       | <u>14,147,074</u>                             | <u>13,796,295</u>                        |
| Non-controlling interests                              |       | <u>11,785,474</u>                             | <u>11,491,991</u>                        |
|                                                        |       | <u>25,932,548</u>                             | <u>25,288,286</u>                        |

## 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 2016 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 financial information relating to the year ended 31 July 2015 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

The condensed consolidated interim financial statements have not been audited by the Company’s 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 2015.

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

### 3. SEGMENT INFORMATION

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

|                                                         | Six months ended 31 January (Unaudited) |          |                     |          |                 |          |                      |          |          |          |              |          |              |           |
|---------------------------------------------------------|-----------------------------------------|----------|---------------------|----------|-----------------|----------|----------------------|----------|----------|----------|--------------|----------|--------------|-----------|
|                                                         | Property development and sales          |          | Property investment |          | Hotel operation |          | Restaurant operation |          | Others   |          | Eliminations |          | Consolidated |           |
|                                                         | 2016                                    | 2015     | 2016                | 2015     | 2016            | 2015     | 2016                 | 2015     | 2016     | 2015     | 2016         | 2015     | 2016         | 2015      |
|                                                         | HK\$'000                                | HK\$'000 | HK\$'000            | HK\$'000 | HK\$'000        | HK\$'000 | HK\$'000             | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000     | HK\$'000 | HK\$'000     | HK\$'000  |
| Segment revenue:                                        |                                         |          |                     |          |                 |          |                      |          |          |          |              |          |              |           |
| Sales to external customers                             | 384,301                                 | 177,644  | 401,583             | 348,878  | 201,431         | 186,481  | 134,683              | 102,293  | 11,916   | 11,103   | -            | -        | 1,133,914    | 826,399   |
| Intersegment sales                                      | -                                       | -        | 8,377               | 6,856    | 180             | 180      | -                    | -        | 12,185   | 11,614   | (20,742)     | (18,650) | -            | -         |
| Other revenue                                           | 2,157                                   | 2,037    | 278                 | 1,169    | 9               | 25       | 142                  | 507      | 3,698    | 2,313    | -            | -        | 6,284        | 6,051     |
| Total                                                   | 386,458                                 | 179,681  | 410,238             | 356,903  | 201,620         | 186,686  | 134,825              | 102,800  | 27,799   | 25,030   | (20,742)     | (18,650) | 1,140,198    | 832,450   |
| Segment results                                         | 100,206                                 | 49,342   | 328,829             | 281,692  | 35,726          | 31,945   | (6,748)              | 2,078    | (4,870)  | (5,742)  | -            | -        | 453,143      | 359,315   |
| Interest income from bank deposits - unallocated        |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | 11,971       | 13,406    |
| Unallocated revenue                                     |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | 25,641       | 28,594    |
| Fair value gains on investment properties               | -                                       | -        | 119,703             | 864,024  | -               | -        | -                    | -        | -        | -        | -            | -        | 119,703      | 864,024   |
| Unallocated expenses                                    |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | (121,651)    | (127,325) |
| Profit from operating activities                        |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | 488,807      | 1,138,014 |
| Finance costs                                           |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | (139,894)    | (129,417) |
| Share of profits and losses of associates               | 740                                     | 221      | 2,735               | 2,171    | -               | -        | (1,159)              | (541)    | -        | -        | -            | -        | 2,316        | 1,851     |
| Share of profits and losses of associates - unallocated |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | 8,522        | (9,616)   |
| Share of profits of joint ventures                      | (971)                                   | (219)    | 740,870             | 103,524  | -               | -        | -                    | -        | -        | -        | -            | -        | 739,899      | 103,305   |
| Profit before tax                                       |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | 1,099,650    | 1,104,137 |
| Tax                                                     |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | (40,892)     | (43,259)  |
| Profit for the period                                   |                                         |          |                     |          |                 |          |                      |          |          |          |              |          | 1,058,758    | 1,060,878 |

### 3. SEGMENT INFORMATION (continued)

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

|                                                       | Property<br>development and sales             |                                          | Property investment                           |                                          | Hotel operation                               |                                          | Restaurant operation                          |                                          | Others                                        |                                          | Consolidated                                  |                                          |
|-------------------------------------------------------|-----------------------------------------------|------------------------------------------|-----------------------------------------------|------------------------------------------|-----------------------------------------------|------------------------------------------|-----------------------------------------------|------------------------------------------|-----------------------------------------------|------------------------------------------|-----------------------------------------------|------------------------------------------|
|                                                       | 31 January<br>2016<br>(Unaudited)<br>HK\$'000 | 31 July<br>2015<br>(Audited)<br>HK\$'000 | 31 January<br>2016<br>(Unaudited)<br>HK\$'000 | 31 July<br>2015<br>(Audited)<br>HK\$'000 | 31 January<br>2016<br>(Unaudited)<br>HK\$'000 | 31 July<br>2015<br>(Audited)<br>HK\$'000 | 31 January<br>2016<br>(Unaudited)<br>HK\$'000 | 31 July<br>2015<br>(Audited)<br>HK\$'000 | 31 January<br>2016<br>(Unaudited)<br>HK\$'000 | 31 July<br>2015<br>(Audited)<br>HK\$'000 | 31 January<br>2016<br>(Unaudited)<br>HK\$'000 | 31 July<br>2015<br>(Audited)<br>HK\$'000 |
| Segment assets                                        | <b>1,809,884</b>                              | 1,451,892                                | <b>18,003,969</b>                             | 17,860,929                               | <b>2,973,195</b>                              | 2,703,972                                | <b>424,711</b>                                | 397,386                                  | <b>140,137</b>                                | 135,991                                  | <b>23,351,896</b>                             | 22,550,170                               |
| Interests in associates                               | <b>8,185</b>                                  | 7,434                                    | <b>43,199</b>                                 | 40,642                                   | -                                             | -                                        | <b>34,223</b>                                 | 21,669                                   | -                                             | -                                        | <b>85,607</b>                                 | 69,745                                   |
| Interests in associates - unallocated                 |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          | <b>3,674,054</b>                              | 3,907,377                                |
| Interests in joint ventures                           | <b>958,540</b>                                | 948,346                                  | <b>5,730,243</b>                              | 4,989,447                                | -                                             | -                                        | -                                             | -                                        | -                                             | -                                        | <b>6,688,783</b>                              | 5,937,793                                |
| Unallocated assets                                    |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          | <b>3,525,263</b>                              | 3,161,248                                |
| Total assets                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          | <b>37,325,603</b>                             | 35,626,333                               |
| Segment liabilities                                   | <b>51,115</b>                                 | 99,813                                   | <b>218,600</b>                                | 214,899                                  | <b>157,216</b>                                | 122,509                                  | <b>25,553</b>                                 | 20,976                                   | <b>7,076</b>                                  | 8,344                                    | <b>459,560</b>                                | 466,541                                  |
| Bank borrowings                                       |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          | <b>5,726,840</b>                              | 4,592,273                                |
| Guaranteed notes                                      |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          | <b>3,471,449</b>                              | 3,500,015                                |
| Other borrowing, note payable<br>and interest payable |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          | <b>367,331</b>                                | 361,619                                  |
| Other unallocated liabilities                         |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          | <b>1,367,875</b>                              | 1,417,599                                |
| Total liabilities                                     |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          |                                               |                                          | <b>11,393,055</b>                             | 10,338,047                               |

#### 4. PROFIT FROM OPERATING ACTIVITIES

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

|                                                                                           | <b>Six months ended<br/>31 January</b> |                    |
|-------------------------------------------------------------------------------------------|----------------------------------------|--------------------|
|                                                                                           | <b>2016</b>                            | <b>2015</b>        |
|                                                                                           | <b>(Unaudited)</b>                     | <b>(Unaudited)</b> |
|                                                                                           | <b>HK\$'000</b>                        | <b>HK\$'000</b>    |
| Depreciation <sup>#</sup>                                                                 | <b>32,128</b>                          | 29,240             |
| Amortisation of prepaid land lease payments*                                              | <b>514</b>                             | 513                |
| Fair value loss/(gain) on a listed equity investment at fair value through profit or loss | <b>2,336*</b>                          | (3,061)            |
| Interest income from bank deposits                                                        | <b>(11,971)</b>                        | (13,406)           |
| Other interest income                                                                     | <b>(7,494)</b>                         | (3,841)            |
| Dividend income from unlisted available-for-sale financial assets                         | <b>(16,055)</b>                        | (22,149)           |

<sup>#</sup> Depreciation charge of approximately HK\$29,960,000 (Six months ended 31 January 2015: HK\$27,251,000) for property, plant and equipment is included in "other operating expenses" on the condensed consolidated income statement.

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

(b) Other than those mentioned in note 4(a) above, "other operating expenses" also included service fee for operation of a club of approximately HK\$33,484,000 (Six months ended 31 January 2015: HK\$31,870,000).

#### 5. FINANCE COSTS

|                                                                  | <b>Six months ended<br/>31 January</b> |                    |
|------------------------------------------------------------------|----------------------------------------|--------------------|
|                                                                  | <b>2016</b>                            | <b>2015</b>        |
|                                                                  | <b>(Unaudited)</b>                     | <b>(Unaudited)</b> |
|                                                                  | <b>HK\$'000</b>                        | <b>HK\$'000</b>    |
| Interest on bank borrowings                                      | <b>57,637</b>                          | 42,154             |
| Interest on guaranteed notes                                     | <b>112,249</b>                         | 113,299            |
| Interest on other borrowing and note payable                     | <b>5,712</b>                           | 5,715              |
| Bank financing charges                                           | <b>22,901</b>                          | 9,451              |
|                                                                  | <b>198,499</b>                         | 170,619            |
| Less: Amount capitalised in a hotel development project (note 8) | <b>(47,182)</b>                        | (31,000)           |
| Amount capitalised in properties under development for sale      | <b>(11,423)</b>                        | (10,202)           |
|                                                                  | <b>139,894</b>                         | 129,417            |

## 6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2015: 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.

|                                             | <b>Six months ended<br/>31 January</b> |                    |
|---------------------------------------------|----------------------------------------|--------------------|
|                                             | <b>2016</b>                            | <b>2015</b>        |
|                                             | <b>(Unaudited)</b>                     | <b>(Unaudited)</b> |
|                                             | <b>HK\$'000</b>                        | <b>HK\$'000</b>    |
| Current tax                                 |                                        |                    |
| Hong Kong                                   | <b>22,731</b>                          | 25,470             |
| Overseas                                    | <b>14,347</b>                          | 15,100             |
|                                             | <b>37,078</b>                          | 40,570             |
| Deferred tax                                | <b>2,467</b>                           | 2,689              |
| Prior years' (overprovision)/underprovision |                                        |                    |
| Hong Kong                                   | <b>(20)</b>                            | -                  |
| Overseas                                    | <b>1,367</b>                           | -                  |
|                                             | <b>1,347</b>                           | -                  |
| Tax charge for the period                   | <b>40,892</b>                          | 43,259             |

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

|                                                                                                                                                         | <b>Six months ended<br/>31 January</b> |                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------|
|                                                                                                                                                         | <b>2016</b>                            | <b>2015</b>        |
|                                                                                                                                                         | <b>(Unaudited)</b>                     | <b>(Unaudited)</b> |
|                                                                                                                                                         | <b>HK\$'000</b>                        | <b>HK\$'000</b>    |
| Earnings                                                                                                                                                |                                        | (Adjusted)         |
| Earnings for the purpose of basic earnings per share                                                                                                    | <b>564,397</b>                         | 614,253            |
| Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share | <b>(480)</b>                           | (1,950)            |
| Earnings for the purpose of diluted earnings per share                                                                                                  | <b>563,917</b>                         | 612,303            |
|                                                                                                                                                         | <b>'000</b>                            | <b>'000</b>        |
| Number of shares                                                                                                                                        |                                        |                    |
| Weighted average number of ordinary shares for the purpose of basic earnings per share                                                                  | <b>1,891,805</b>                       | 1,876,237          |
| Effect of dilutive potential ordinary shares arising from share options                                                                                 | <b>3,493</b>                           | 10,082             |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share                                                                | <b>1,895,298</b>                       | 1,886,319          |

The diluted earnings per share for the six months ended 31 January 2015 has been adjusted to reflect the effect of a rights issue of a subsidiary (note 10) during the current period.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the current period, increase in property, plant and equipment (net of depreciation and disposals) of approximately HK\$235 million (Six months ended 31 January 2015: HK\$1,700 million) mainly includes additions to a hotel development project amounting to approximately HK\$242 million (Six months ended 31 January 2015: HK\$1,730 million).

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

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

|                                           | <b>31 January<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | 31 July<br>2015<br>(Audited)<br>HK\$'000 |
|-------------------------------------------|---------------------------------------------------------|------------------------------------------|
| Trade debtors:                            |                                                         |                                          |
| Not yet due or less than 30 days past due | 14,341                                                  | 7,620                                    |
| 31 - 60 days past due                     | 3,532                                                   | 1,433                                    |
| 61 - 90 days past due                     | 592                                                     | 408                                      |
| Over 90 days past due                     | <u>2,138</u>                                            | <u>2,470</u>                             |
|                                           | <b>20,603</b>                                           | 11,931                                   |
| Other receivables                         | 164,752                                                 | 53,237                                   |
| Deposits paid and prepayments             | <u>91,140</u>                                           | <u>115,720</u>                           |
|                                           | <b><u>276,495</u></b>                                   | <b><u>180,888</u></b>                    |

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

|                                           | <b>31 January<br/>2016<br/>(Unaudited)<br/>HK\$'000</b> | 31 July<br>2015<br>(Audited)<br>HK\$'000 |
|-------------------------------------------|---------------------------------------------------------|------------------------------------------|
| Trade creditors:                          |                                                         |                                          |
| Not yet due or less than 30 days past due | 16,854                                                  | 12,667                                   |
| 31 - 60 days past due                     | 3,629                                                   | 1,485                                    |
| 61 - 90 days past due                     | 955                                                     | 903                                      |
| Over 90 days past due                     | <u>500</u>                                              | <u>1,298</u>                             |
|                                           | <b>21,938</b>                                           | 16,353                                   |
| Other payables and accruals               | 224,833                                                 | 203,583                                  |
| Deposits received and other provisions    | <u>159,623</u>                                          | <u>220,878</u>                           |
|                                           | <b><u>406,394</u></b>                                   | <b><u>440,814</u></b>                    |

## 10. SUBSCRIPTION OF SHARES OF A SUBSIDIARY PURSUANT TO A RIGHTS ISSUE

During the period, Lai Sun Development Company Limited (“**LSD**”) proposed a rights issue of 10,047,266,781 shares on the basis of one rights share for every two existing shares of LSD at a subscription price of HK\$0.092 each. Based on the Company's shareholding in LSD, the Company was entitled to subscribe for 5,212,849,676 rights shares (“**Committed Shares**”).

On 17 November 2015, the Company entered into an underwriting agreement with LSD (the “**Underwriting Agreement**”), pursuant to which the Company has fully underwritten the right shares, whose commitment also extended to subscribing or procuring the subscription of the Committed Shares. The maximum underwriting obligation to the Company is 4,834,417,105 rights shares in addition to the Committed Shares

A general meeting of the Company was convened on 8 January 2016, of which the Underwriting Agreement and the transactions contemplated thereunder which constituted a major transaction in accordance with the Listing Rules, were duly approved.

The rights issue has become unconditional on 5 February 2016 (the “**Completion**”). The Company undertook a total of 3,038,279,753 rights shares in addition to the Committed Shares which resulted in a total subscription of approximately HK\$759 million. Following the Completion, the Company's shareholding in LSD increased from 51.84% to 61.93%.

## 11. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

## **INTERIM DIVIDEND**

The Board of the Company has resolved not to declare the payment of an interim dividend for the financial year ending 31 July 2016. No interim dividend was declared in respect of the last corresponding period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

Major global economies continue to struggle despite continuous support from central banks around the world. The run up to the presidential election in the US and geopolitical uncertainties around the world such as those in the Middle East cast a shadow over the already delicate economic environment. As a global financial centre, Hong Kong's economic performance is obviously influenced by the challenges faced by the major economies around the world.

The property sector in Hong Kong as a whole has shown resilience despite softening markets. The retail market is supported by low unemployment with steady visitor arrivals and the office leasing market remains steady. The residential market continues to be slow generally since the introduction of control measures in 2012 and the US interest rate hike towards the end of 2015 weakened the sentiment further. However, the Hong Kong Government implemented new rounds of policy measures in 2015 to cool down price increases particularly for smaller units which suggest that underlying demand remains strong. This coupled with ample liquidity and questions over the execution of the government's plan on residential supply are expected to provide support to residential housing prices in the medium to long term. Labour supply shortage in the construction industry is driving wage inflation and continues to pose a challenge on the cost management side.

The Group performed admirably against this challenging environment. The attributable rental portfolio of approximately 1.2 million square feet generated steady rental income at high occupancy rates. Rental income increased through tenant mix adjustments, rental reversion and robust contribution from the London properties. The completion of the 8 Observatory Road property in June 2015 added an attributable gross floor area ("GFA") of 42,812 square feet in the prime Tsim Sha Tsui area of Hong Kong. As at the date of this results announcement, approximately 78% of the floor area of the building has been leased or has offers to lease with another approximately 13% of floor area under negotiation. 3 out of 9 units of the 339 Tai Hang Road luxury residential property were sold during the period under review with another 1 unit sold post period end.

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

| <b>Date</b>                   | <b>Secured Projects</b>                                             | <b>Total GFA<br/>(square feet)</b> | <b>Use</b>                 | <b>Expected<br/>Completion Date</b> |
|-------------------------------|---------------------------------------------------------------------|------------------------------------|----------------------------|-------------------------------------|
| <b>Hong Kong</b>              |                                                                     | <b>Development Properties</b>      |                            |                                     |
| November 2012                 | Tseung Kwan O Project                                               | 572,894                            | Commercial/<br>Residential | Q4 2017                             |
| April 2014                    | Ma Tau Kok Project                                                  | 111,368                            | Commercial/<br>Residential | Q1 2018                             |
| May 2014                      | The Hong Kong Ocean Park<br>Marriott Hotel (“ <b>Ocean Hotel</b> ”) | 366,000                            | Hotel                      | Q4 2017                             |
| September 2015                | Sai Wan Ho Street Project                                           | 61,139                             | Residential                | Q4 2019                             |
| <b>London, United Kingdom</b> |                                                                     | <b>Investment Properties</b>       |                            |                                     |
| April 2014                    | 107-112 Leadenhall Street                                           | 146,606                            | Office                     | N/A                                 |
| November 2014                 | 100 Leadenhall Street                                               | 177,700                            | Office                     | N/A                                 |
| December 2015                 | 106 Leadenhall Street                                               | 12,687                             | Office                     | N/A                                 |

The acquisition of 106 Leadenhall Street in London in December 2015, adjacent to our other two wholly-owned properties, namely 100 and 107 Leadenhall Street, added approximately 6,577 square feet of attributable office space to our rental portfolio in the United Kingdom. This multi-tenanted property is expected to enhance and enlarge the Group’s strategic property investment portfolio in the City of London. The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and approximately 189,734 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.2 million square feet.

Further to securing the Tseung Kwan O site and the Urban Renewal Authority project in Ma Tau Kok, Kowloon, Hong Kong in November 2012 and April 2014 respectively, the Group continued to participate in government tenders to grow the pipeline. In September 2015, the Group was successful in its bid for the development rights to the Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. Upon completion, it is planned to provide about 144 residential units with a total GFA of approximately 61,139 square feet.

Subsequent to the period end, the rights issue of 10,047,266,781 shares on the basis of one rights share for every two existing shares of LSD at a subscription price of HK\$0.092 each by LSD in November 2015 (“**Rights Issue**”) was completed in February 2016. The Rights Issue was fully underwritten by the Company. Immediately after the completion of the Rights Issue, the Company’s interest in LSD increased from 51.84% to 61.93%.

The Group’s strong cash position of HK2,452.8 million of cash on hand with a net debt to equity ratio of 50.3% as at 31 January 2016 provides the Group full confidence and the means to review opportunities more actively. The Group’s gearing excluding the London portfolio all of which have a positive carry net of financing costs is 39.3%. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

## OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2016, the Group recorded turnover of HK\$1,133.9 million (2015: HK\$826.4 million) and a gross profit of HK\$605.4 million (2015: HK\$484.4 million), representing an increase of approximately 37.2% and 25.0%, respectively over the same period last year. Set out below is the turnover by segment:

|                                | Six months ended 31 January |                        | Difference<br>(HK\$ million) | % change |
|--------------------------------|-----------------------------|------------------------|------------------------------|----------|
|                                | 2016<br>(HK\$ million)      | 2015<br>(HK\$ million) |                              |          |
| Property investment            | <b>401.6</b>                | 348.9                  | 52.7                         | 15.1%    |
| Property development and sales | <b>384.3</b>                | 177.6                  | 206.7                        | 116.4%   |
| Restaurant operation           | <b>134.7</b>                | 102.3                  | 32.4                         | 31.7%    |
| Hotel operation and others     | <b>213.3</b>                | 197.6                  | 15.7                         | 8.0%     |
| <b>Total</b>                   | <b>1,133.9</b>              | 826.4                  | 307.5                        | 37.2%    |

For the six months ended 31 January 2016, net profit attributable to owners of the Company was approximately HK\$564.4 million (2015: HK\$614.3 million), representing a decrease of approximately 8.1% over the same period last year. Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$98.8 million (2015: HK\$34.1 million), representing an increase of approximately 189.7% over the same period last year. The increase is primarily due to profit contribution from the recognition of the sale of residential units in 339 Tai Hang Road during the period under review. Basic earnings per share including and excluding the effect of property revaluations was HK\$0.298 (2015: HK\$0.327) and HK\$0.052 (2015: HK\$0.018), respectively.

| <b>Profit attributable to owners of the Company (HK\$ million)</b>               | Six months ended 31 January |         |
|----------------------------------------------------------------------------------|-----------------------------|---------|
|                                                                                  | <b>2016</b>                 | 2015    |
| Reported                                                                         | <b>564.4</b>                | 614.3   |
| Adjustments in respect of revaluation gains of investment properties held by     |                             |         |
| - the Company and subsidiaries                                                   | <b>(81.9)</b>               | (523.1) |
| - associates and joint ventures                                                  | <b>(383.7)</b>              | (57.1)  |
| <b>Net profit after tax excluding revaluation gains of investment properties</b> | <b>98.8</b>                 | 34.1    |

Equity attributable to owners of the Company as at 31 January 2016 amounted to HK\$14,147.1 million, up from HK\$13,796.3 million as at 31 July 2015. Net asset value per share attributable to owners of the Company increased by 2.4% to HK\$7.468 per share as at 31 January 2016 from HK\$7.293 per share as at 31 July 2015.

## PROPERTY PORTFOLIO COMPOSITION

As at 31 January 2016, the Group maintained a property portfolio with attributable GFA of approximately 1.6 million square feet. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces is as follows:

|                                                                            | <b>Commercial<br/>/Retail</b><br>(in '000<br>square feet) | <b>Office</b><br>(in '000<br>square<br>feet) | <b>Industrial</b><br>(in '000<br>square<br>feet) | <b>Residential</b><br>(in '000<br>square feet) | <b>Hotel</b><br>(in '000<br>square<br>feet) | <b>Total<br/>(excluding<br/>car-parking<br/>spaces &amp;<br/>ancillary<br/>facilities)<br/>(in '000<br/>square feet)</b> | <b>No. of<br/>car-parking<br/>spaces<br/>attributable to<br/>the Group</b> |
|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------|--------------------------------------------------|------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Completed<br>Properties Held for<br>Rental <sup>1</sup>                    | 342                                                       | 607                                          | 192                                              | -                                              | -                                           | 1,141                                                                                                                    | 571                                                                        |
| Completed Hotel<br>Properties                                              | -                                                         | -                                            | -                                                | -                                              | 51                                          | 51                                                                                                                       | -                                                                          |
| Properties Under<br>Development <sup>2</sup>                               | 38                                                        | -                                            | -                                                | 199                                            | 190                                         | 427                                                                                                                      | 102                                                                        |
| Completed<br>Properties Held for<br>Sale                                   | 14                                                        | -                                            | -                                                | 5                                              | -                                           | 19                                                                                                                       | 6                                                                          |
| <b>Total attributable<br/>GFA of major<br/>properties of the<br/>Group</b> | <b>394</b>                                                | <b>607</b>                                   | <b>192</b>                                       | <b>204</b>                                     | <b>241</b>                                  | <b>1,638</b>                                                                                                             | <b>679</b>                                                                 |

1. Completed and rental generating properties

2. All properties under construction

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

## PROPERTY INVESTMENT

### Rental Income

During the period under review, the Group's rental operations recorded a turnover of HK\$401.6 million (2015: HK\$348.9 million), representing a 15.1% increase over the same period last year. The increase is primarily due to the contributions from newly acquired rental properties in London, as well as continued management of tenant mix and rental reversion at major investment properties during the period under review.

The Group wholly owns five major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2, Lai Sun Commercial Centre, commercial podium of Crocodile Center and Por Yen Building. LSD's 50:50 joint venture with Henderson Land Development Company Limited (“**Henderson Land**”) at 8 Observatory Road, Kowloon was completed in June 2015 and has started to contribute to the Group's results in the current period. This is recognised as a component of “Share of profits of joint ventures” in the condensed consolidated income statement.

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

|                                                             | Six months ended 31 January |                      | %<br>Change | Period end<br>occupancy (%) |
|-------------------------------------------------------------|-----------------------------|----------------------|-------------|-----------------------------|
|                                                             | 2016<br>HK\$ million        | 2015<br>HK\$ million |             |                             |
| <b>Hong Kong</b>                                            |                             |                      |             |                             |
| Cheung Sha Wan Plaza<br>(including car-parking spaces)      | <b>150.1</b>                | 146.2                | 2.7         | 92.5                        |
| Causeway Bay Plaza 2<br>(including car-parking spaces)      | <b>88.3</b>                 | 81.7                 | 8.1         | 98.5                        |
| Lai Sun Commercial Centre<br>(including car-parking spaces) | <b>29.6</b>                 | 27.0                 | 9.6         | 98.3                        |
| Crocodile Center (commercial podium)                        | <b>42.6</b>                 | 41.6                 | 2.4         | 99.2                        |
| Por Yen Building                                            | <b>7.4</b>                  | 6.4                  | 15.6        | 90.7                        |
| Others                                                      | <b>6.9</b>                  | 7.5                  | -8.0        |                             |
| <b>Subtotal:</b>                                            | <b>324.9</b>                | 310.4                | 4.7         |                             |
|                                                             |                             |                      |             |                             |
| <b>London, United Kingdom</b>                               |                             |                      |             |                             |
| 36 Queen Street                                             | <b>13.4</b>                 | 11.2                 | 19.6        | 100.0                       |
| 107-112 Leadenhall Street                                   | <b>26.2</b>                 | 24.1                 | 8.7         | 100.0                       |
| 100 Leadenhall Street                                       | <b>36.5</b>                 | 3.2                  | 1,040.6     | 100.0                       |
| 106 Leadenhall Street                                       | <b>0.6</b>                  | -                    | N/A         | 100.0                       |
| <b>Subtotal:</b>                                            | <b>76.7</b>                 | 38.5                 | 99.2        |                             |
|                                                             |                             |                      |             |                             |
| <b>Total:</b>                                               | <b>401.6</b>                | 348.9                | 15.1        |                             |
|                                                             |                             |                      |             |                             |
| <b>Rental proceeds from joint venture project</b>           |                             |                      |             |                             |
| <b>Hong Kong</b>                                            |                             |                      |             |                             |
| CCB Tower <sup>#</sup> (50% basis)                          | <b>55.0</b>                 | 57.1                 | -3.7        | 97.4                        |
| 8 Observatory Road <sup>##</sup> (50% basis)                | <b>8.6</b>                  | -                    | N/A         | 68.4                        |

<sup>#</sup> CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of LSD and CCB has an effective 50% interest. For the six months ended 31 January 2016, the rental proceeds recorded by the joint venture is HK\$110.0 million (2015: HK\$114.1 million).

<sup>##</sup> 8 Observatory Road is a joint venture project with Henderson Land in which each of LSD and Henderson Land has an effective 50% interest. For the six months ended 31 January 2016, the rental proceeds recorded by the joint venture is HK\$17.2 million.

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

|                                               | Six months ended 31 January 2016 |                         |                         | Six months ended 31 January 2015 |                         |                         |
|-----------------------------------------------|----------------------------------|-------------------------|-------------------------|----------------------------------|-------------------------|-------------------------|
|                                               | Group interest                   | Turnover (HK\$ million) | Total GFA (square feet) | Group interest                   | Turnover (HK\$ million) | Total GFA (square feet) |
| <b>Hong Kong</b>                              |                                  |                         |                         |                                  |                         |                         |
| Cheung Sha Wan Plaza                          | 51.84%                           |                         |                         | 51.88%                           |                         |                         |
| Commercial                                    |                                  | 81.8                    | 233,807                 |                                  | 78.7                    | 233,807                 |
| Office                                        |                                  | 59.9                    | 409,896                 |                                  | 58.7                    | 409,896                 |
| Car-parking spaces                            |                                  | 8.4                     | N/A                     |                                  | 8.8                     | N/A                     |
| <b>Subtotal:</b>                              |                                  | 150.1                   | 643,703                 |                                  | 146.2                   | 643,703                 |
| Causeway Bay Plaza 2                          | 51.84%                           |                         |                         | 51.88%                           |                         |                         |
| Commercial                                    |                                  | 59.8                    | 109,770                 |                                  | 53.0                    | 109,770                 |
| Office                                        |                                  | 26.1                    | 96,268                  |                                  | 26.4                    | 96,268                  |
| Car-parking spaces                            |                                  | 2.4                     | N/A                     |                                  | 2.3                     | N/A                     |
| <b>Subtotal:</b>                              |                                  | 88.3                    | 206,038                 |                                  | 81.7                    | 206,038                 |
| Lai Sun Commercial Centre                     | 51.84%                           |                         |                         | 51.88%                           |                         |                         |
| Commercial                                    |                                  | 17.3                    | 95,063                  |                                  | 16.8                    | 95,063                  |
| Office                                        |                                  | 4.0                     | 74,181                  |                                  | 3.0                     | 74,181                  |
| Car-parking spaces                            |                                  | 8.3                     | N/A                     |                                  | 7.2                     | N/A                     |
| <b>Subtotal:</b>                              |                                  | 29.6                    | 169,244                 |                                  | 27.0                    | 169,244                 |
| Crocodile Center                              | 100%                             |                         |                         | 100%                             |                         |                         |
| Commercial                                    |                                  | 42.6                    | 91,201                  |                                  | 41.6                    | 91,201                  |
| Por Yen Building                              | 100%                             |                         |                         | 100%                             |                         |                         |
| Industrial                                    |                                  | 7.3                     | 109,010                 |                                  | 6.3                     | 109,010                 |
| Car-parking spaces                            |                                  | 0.1                     | N/A                     |                                  | 0.1                     | N/A                     |
| <b>Subtotal:</b>                              |                                  | 7.4                     | 109,010                 |                                  | 6.4                     | 109,010                 |
| Others                                        |                                  | 6.9                     | 108,810*                |                                  | 7.5                     | 104,520*                |
| <b>Subtotal:</b>                              |                                  | 324.9                   | 1,328,006*              |                                  | 310.4                   | 1,323,716*              |
| <b>London, United Kingdom</b>                 |                                  |                         |                         |                                  |                         |                         |
| 36 Queen Street                               | 51.84%                           |                         |                         | 51.88%                           |                         |                         |
| Office                                        |                                  | 13.4                    | 60,816                  |                                  | 11.2                    | 60,816                  |
| 107-112 Leadenhall Street                     | 51.84%                           |                         |                         | 51.88%                           |                         |                         |
| Office                                        |                                  | 26.2                    | 146,606                 |                                  | 24.1                    | 146,606                 |
| 100 Leadenhall Street                         | 51.84%                           |                         |                         | 51.88%                           |                         |                         |
| Office                                        |                                  | 36.5                    | 177,700                 |                                  | 3.2                     | 177,700                 |
| 106 Leadenhall Street                         | 51.84%                           |                         |                         | -                                |                         |                         |
| Office                                        |                                  | 0.6                     | 12,687                  |                                  | -                       | -                       |
| <b>Subtotal:</b>                              |                                  | 76.7                    | 397,809                 |                                  | 38.5                    | 385,122                 |
| <b>Total:</b>                                 |                                  | 401.6                   | 1,725,815*              |                                  | 348.9                   | 1,708,838*              |
| <b>Joint Venture Project</b>                  |                                  |                         |                         |                                  |                         |                         |
| <b>Hong Kong</b>                              |                                  |                         |                         |                                  |                         |                         |
| CCB Tower <sup>#</sup> (50% basis)            | 25.92%                           |                         |                         | 25.94%                           |                         |                         |
| Office                                        |                                  | 55.0                    | 114,555**               |                                  | 57.1                    | 114,555**               |
| 8 Observatory Road <sup>###</sup> (50% basis) | 25.92%                           |                         |                         | -                                |                         |                         |
| Office/Commercial                             |                                  | 8.6                     | 82,586***               |                                  | -                       | -                       |

\* Excluding 10% interest in AIA Central.

\*\* Referring to GFA attributable to LSD. The total GFA of CCB Tower is 229,110 square feet.

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

<sup>#</sup> CCB Tower is a joint venture project with CCB in which each of LSD and CCB has an effective 50% interest. For the six months ended 31 January 2016, the rental proceeds recorded by the joint venture is HK\$110.0 million (2015: HK\$114.1 million).

<sup>###</sup> 8 Observatory Road is a joint venture project with Henderson Land in which each of LSD and Henderson Land has an effective 50% interest. For the six months ended 31 January 2016, the rental proceeds recorded by the joint venture is HK\$17.2 million.

## **Review of major investment properties**

### ***Hong Kong Properties***

#### ***Cheung Sha Wan Plaza***

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

#### ***Causeway Bay Plaza 2***

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

#### ***Lai Sun Commercial Centre***

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

#### ***Por Yen Building***

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

#### ***Crocodile Center***

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

#### ***CCB Tower, 3 Connaught Road Central***

LSD has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This 27-storey office tower is a landmark property in Central featuring underground access to the Central MTR station. The property has a total GFA of 229,110 square feet (excluding car-parking spaces). CCB Tower was completed in 2012 and added 59,385 square feet of attributable GFA to our portfolio. CCB Tower is now fully leased out with 18 floors of the office floors and 2 banking hall floors leased to CCB for its Hong Kong operations.

#### ***8 Observatory Road***

LSD has a 50:50 interest with Henderson Land in this joint development project at Observatory Road, Kowloon. The property is a 19-storey commercial building with a total GFA of 165,170 square feet (excluding car-parking spaces). The property was completed in June 2015 and as at the date of this results announcement, approximately 78% of the floor area of the building has been leased or has offers to lease with another approximately 13% of floor area under negotiation.

### *AIA Central*

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

### ***Overseas Properties***

#### *36 Queen Street, London EC4, United Kingdom*

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

#### *107-112 Leadenhall Street, London EC3, United Kingdom*

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

#### *100 Leadenhall Street, London EC3, United Kingdom*

Following the acquisition of 107-112 Leadenhall Street in April 2014, LSD announced the acquisition of 100 Leadenhall Street in November 2014 which was completed in January 2015. This property comprises a basement, a lower ground floor, ground floor and nine upper floors and provides 177,700 square feet of offices and ancillary accommodation. The property is currently fully let to ACE Global Markets Limited.

#### *106 Leadenhall Street, London EC3, United Kingdom*

In December 2015, LSD acquired the property located adjacent to 100 and 107 Leadenhall Street, namely 106 Leadenhall Street, which is a multi-tenanted asset with approximately 12,687 square feet of office space.

### **PROPERTY DEVELOPMENT**

For the six months ended 31 January 2016, recognised turnover from sales of properties was HK\$384.3 million (2015: HK\$177.6 million), representing an increase of 116.4% over the same period last year. The significant increase was mainly contributed by the sale of residential units in 339 Tai Hang Road during the period under review.

### **Review of major projects for sale**

#### *Ocean One, 6 Shung Shun Street, Yau Tong*

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

### *339 Tai Hang Road, Hong Kong*

LSD wholly owns the development project located at 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of about 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is about HK\$670 million.

The property is now open for sale. For the six months ended 31 January 2016, we have completed the sale of 3 residential units with total saleable area of 8,511 square feet and total sales proceeds of HK\$384.3 million recognised during the period under review and the average selling price based on saleable area is approximately HK\$45,000 per square foot.

## **Review of major projects under development**

### *Area 68A2, Tseung Kwan O*

In November 2012, LSD successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of 229,338 square feet with a total GFA of 572,894 square feet split into 458,418 square feet for residential use and 114,476 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 fourth quarter of 2017.

### *Ocean Hotel project*

LSD was named the most preferred proponent by Ocean Park for the Ocean Hotel project in October 2013 and was officially awarded the project in May 2014. The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and add 189,734 square feet of attributable rental space to the existing rental portfolio of the Group of approximately 1.2 million square feet. The total development cost is estimated to be approximately HK\$4.4 billion. Completion is expected to be in the fourth quarter of 2017.

### *Ma Tau Kok project*

Since securing the Tseung Kwan O site in November 2012, LSD participated in a number of government tenders. Other than the Ocean Hotel project, LSD was successful in April 2014 in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority in Ma Tau Kok, Kowloon, Hong Kong. The lot has an area of 12,599 square feet with a total GFA of 111,368 square feet split into 94,486 square feet for residential use and 16,882 square feet for commercial use. It is planned to provide about 209 residential units upon completion. The total development cost is estimated to be approximately HK\$1 billion and completion is expected to be in the first quarter of 2018.

### *Sai Wan Ho Street project*

LSD was successful in September 2015 in its bid for the development rights to the Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. The project site covers an area of 7,642 square feet. Upon completion, it is planned to provide about 144 residential units with a total residential GFA of 61,139 square feet. The total development cost is estimated to be approximately HK\$0.9 billion and completion is expected to be in the fourth quarter of 2019.

## RESTAURANT OPERATION

For the six months ended 31 January 2016, the restaurant operations contributed HK\$134.7 million to the Group's turnover (2015: HK\$102.3 million), representing an increase of approximately 31.7% from the same period last year. The contribution from the restaurants segment was boosted by contributions from the newly added restaurants, including Tang<sup>2</sup> in Cheung Sha Wan Plaza and Beefbar in Central, Hong Kong which opened in August 2015 and October 2015, respectively.

As at 31 January 2016, the restaurant operation includes the Group's interests in 15 restaurants in Hong Kong and Mainland China, including the Michelin 3-star Italian restaurant 8<sup>½</sup> Otto e Mezzo BOMBANA Hong Kong, Michelin 2-star Japanese restaurant Wagyu Takumi, Michelin 1-star Italian restaurant CIAK-In The Kitchen at Landmark, Michelin 1-star Japanese restaurant Wagyu Kaiseki Den, 8<sup>½</sup> Otto e Mezzo BOMBANA Shanghai, Opera BOMBANA in Beijing, Gin Sai, Rozan, Kowloon Tang, Island Tang, Chiu Tang, China Tang Hong Kong, Tang<sup>2</sup>, Beefbar and Howard's Gourmet (好酒好蔡).

## HOTEL OPERATION

Turnover from hotel operation was mainly derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam. For the six months ended 31 January 2016, the hotel operation contributed HK\$201.4 million to the Group's turnover (2015: HK\$186.5 million).

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Vietnam. It is an elegant 24-storey tower with a mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and a specially equipped room for the disabled. Total GFA attributable to the Group is 50,998 square feet.

LSD was awarded the hotel tender at Ocean Park in May 2014 and the Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms upon its completion in 2017. The Group is optimistic about the prospects of the Ocean Hotel project given the strong popularity of Ocean Park, which is underpinned by robust growth in visitor numbers to Hong Kong coinciding with its expansion.

The hotel operation has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou, Zhongshan and Hengqin. The hotel division manages Lai Fung's serviced apartments in Shanghai and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan 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 is a 17-storey hotel with 239 fully furnished and equipped hotel units with kitchenette located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways.

## INTEREST IN ASSOCIATES (eSUN)

As at 31 January 2016, the Group's interest in eSun Holdings Limited ("eSun") is 41.92%.

Film production and distribution, media and entertainment divisions and cinema operations demonstrated performed steady across the board. Lai Fung's results were encouraging given the challenging operating environment in the property sector in Mainland China. Increased profit contribution from the recognition of the sale of properties and no fair value loss arising on the cross currency swap which was entered into in relation to Lai Fung's RMB1.8 billion senior notes issued in 2013 being recorded in the income statement in the period under review led to an increase in share of profits of associates amounting to HK\$13.4 million (2015: losses of HK\$9.4 million).

## INTERESTS IN JOINT VENTURES

During the period under review, contribution from joint ventures increased to HK\$739.9 million (2015: HK\$103.3 million), representing an increase of 616.3%. This is primarily due to stronger revaluation gains of the newly completed 8 Observatory Road project and CCB Tower.

|                                  | Six months ended 31 January |                        |
|----------------------------------|-----------------------------|------------------------|
|                                  | 2016<br>(HK\$ million)      | 2015<br>(HK\$ million) |
| Revaluation gains                | 699.6                       | 64.3                   |
| Operating profits                | 40.3                        | 39.0                   |
| Contribution from joint ventures | 739.9                       | 103.3                  |

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2016, cash and bank balances and undrawn facilities held by the Group amounted to HK\$2,452.8 million and HK\$5,393.5 million, respectively. Cash and bank balances and undrawn facility held by the Group excluding LSD as at 31 January 2016 were HK\$704.2 million and HK\$400.0 million, respectively.

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

As at 31 January 2016, the Group had bank borrowings of approximately HK\$5,726.8 million, guaranteed notes of approximately HK\$3,471.4 million, a note of HK\$195.0 million and a loan of HK\$31.7 million payable to the late Mr. Lim Por Yen ("Mr. Lim"), accrued interest of HK\$140.6 million in relation to the above-mentioned note and loan payable to the late Mr. Lim. The net debt to equity ratio expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings, guaranteed notes and note and loan and related accrued interest payable to the late Mr. Lim less the pledged and restricted and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company was approximately 50.3%. Excluding LSD, the net debt to equity ratio was approximately 47.6%. The Group's gearing excluding the London portfolio all of which had a positive carry net of financing costs was approximately 39.3%. As at 31 January 2016, the maturity profile of the bank borrowings of HK\$5,726.8 million was spread over a period of less than 5 years with HK\$1,636.1 million repayable within 1 year, HK\$88.4 million repayable in the second year and HK\$4,002.3 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 and Renminbi guaranteed notes issued in January 2013 and July 2014 and which has a fixed rate of 5.7% and 7.7% per annum, respectively.

As at 31 January 2016, certain investment properties with carrying amounts of approximately HK\$17,365.5 million, certain property, plant and equipment with carrying amounts of approximately HK\$2,078.9 million, certain properties under development for sale of approximately HK\$581.3 million and certain bank guaranteed balances and time deposits with banks of approximately HK\$370.0 million were pledged to banks to secure banking facilities granted to and guaranteed notes issued by the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to and guaranteed notes issued by the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars and United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has investments in United Kingdom with the assets and liabilities denominated in Pounds Sterling. Majority of the investments were partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. 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 2016, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") nor did the Company or any of its subsidiaries purchase or sell any of such shares.

## **CORPORATE GOVERNANCE**

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

The Company has complied with all the code provisions set out in the CG Code throughout the six months ended 31 January 2016 save for the deviations from code provisions A.4.1 and A.5.1.

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

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

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 January 2016, the Group employed a total of approximately 1,400 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

## **INVESTOR RELATIONS**

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

During the six months ended 31 January 2016, the Company has met with a number of research analysts and investors, attended conferences as well as non-deal roadshows as follows:

| <b>Month</b>  | <b>Event</b>                                                | <b>Organiser</b> | <b>Location</b>                                |
|---------------|-------------------------------------------------------------|------------------|------------------------------------------------|
| October 2015  | Post results non-deal roadshow                              | BNP              | Hong Kong                                      |
| October 2015  | Post results non-deal roadshow                              | DBS              | New York/Philadelphia/<br>Boston/San Francisco |
| October 2015  | Post results non-deal roadshow                              | Daiwa            | Paris/Basel/Zurich/London                      |
| November 2015 | Post results non-deal roadshow                              | BNP              | Singapore                                      |
| January 2016  | DBS Vickers Pulse of Asia Conference                        | DBS              | Singapore                                      |
| January 2016  | Asia Pacific Financials, Property<br>& Logistics Conference | BNP              | Hong Kong                                      |
| January 2016  | The Sixth Hong Kong Corporate Summit                        | Daiwa            | Hong Kong                                      |

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](mailto:ir@laisun.com).

## REVIEW OF INTERIM RESULTS

The audit committee of the Company (“**Audit Committee**”) currently comprises three INEDs, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu. The Audit Committee has reviewed the unaudited interim results (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2016.

By Order of the Board  
**Lam Kin Ming**  
*Chairman*

Hong Kong, 23 March 2016

*As at the date of this announcement, the Board comprises six executive directors, namely Dr. Lam Kin Ming (Chairman), Dr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Chew Fook Aun (Deputy Chairman), Madam U Po Chu, Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Mr. Lam Kin Hong, Matthew; and three independent non-executive directors, namely Messrs. Chow Bing Chiu, Lam Bing Kwan and Leung Shu Yin, William.*