



LAI SUN GARMENT

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

## Interim Report

For the six months ended 31 January 2016



# Corporate Information

## PLACE OF INCORPORATION

Hong Kong

## BOARD OF DIRECTORS

### *Executive Directors*

Lam Kin Ming (*Chairman*)

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

Chew Fook Aun (*Deputy Chairman*)

Lam Hau Yin, Lester

*(also alternate director to U Po Chu)*

Lam Kin Hong, Matthew

U Po Chu

### *Independent Non-executive Directors*

Chow Bing Chiu

Lam Bing Kwan

Leung Shu Yin, William

## AUDIT COMMITTEE

Leung Shu Yin, William (*Chairman*)

Chow Bing Chiu

Lam Bing Kwan

## REMUNERATION COMMITTEE

Lam Bing Kwan (*Chairman*)

Chew Fook Aun

Chow Bing Chiu

Leung Shu Yin, William

## COMPANY SECRETARY

Tse Pik Ha

## REGISTERED OFFICE / PRINCIPAL OFFICE

11th Floor

Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon, Hong Kong

Tel: (852) 2741 0391

Fax: (852) 2785 2775

## AUTHORISED REPRESENTATIVES

Lam Kin Ming

Chew Fook Aun

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## INDEPENDENT AUDITORS

Ernst & Young

Certified Public Accountants

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Bank of East Asia, Limited

China Construction Bank (Asia) Corporation Limited

DBS Bank Ltd.

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

Industrial and Commercial Bank of China

(Asia) Limited

Oversea-Chinese Banking Corporation Limited

Shanghai Pudong Development Bank Co., Ltd.,

Hong Kong Branch

United Overseas Bank Limited

## SHARES INFORMATION

### *Place of Listing*

The Main Board of The Stock Exchange of

Hong Kong Limited

### *Stock Code*

191

### *Board Lot*

5,000 shares

## WEBSITE

[www.laisun.com](http://www.laisun.com)

## INVESTOR RELATIONS

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The board of directors (the “**Board**”) of Lai Sun Garment (International) Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 January 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

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

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2016

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<b>1,058,758</b>	1,060,878
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive (expense)/income to be reclassified to profit or loss 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	<b>(230,839)</b>	18,675
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD	<b>(343,988)</b>	(55,288)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>714,770</b>	1,005,590
Attributable to:		
Owners of the Company	<b>383,426</b>	585,326
Non-controlling interests	<b>331,344</b>	420,264
	<b>714,770</b>	1,005,590

# Condensed Consolidated Statement of Financial Position

As at 31 January 2016

	Notes	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
<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
<b>Total non-current assets</b>		<b>34,473,302</b>	<b>32,690,179</b>
<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
<b>Total current assets</b>		<b>2,852,301</b>	<b>2,936,154</b>
<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
<b>Total current liabilities</b>		<b>2,170,882</b>	<b>1,940,883</b>
<b>NET CURRENT ASSETS</b>		<b>681,419</b>	<b>995,271</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>35,154,721</b>	<b>33,685,450</b>
<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	12(b)	980,638	980,638
Long term rental deposits received		115,917	91,002
Deferred rental		4,705	4,380
<b>Total non-current liabilities</b>		<b>9,222,173</b>	<b>8,397,164</b>
		<b>25,932,548</b>	<b>25,288,286</b>
<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
<b>Non-controlling interests</b>		<b>14,147,074</b>	<b>13,796,295</b>
		<b>11,785,474</b>	<b>11,491,991</b>
		<b>25,932,548</b>	<b>25,288,286</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2016

	Attributable to owners of the Company											Total HK\$'000	
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Capital reduction reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		Non- controlling interests HK\$'000
At 31 July 2015 and 1 August 2015 (Audited)	1,177,649	160,245	14,286	(527)	6,973	55,494	679,380	12,479	(9,210)	11,699,526	13,796,295	11,491,991	25,288,286
Profit for the period	—	—	—	—	—	—	—	—	—	564,397	564,397	494,361	1,058,758
Other comprehensive expense for the period:													
Change in fair values of available-for-sale financial assets	—	(13,214)	—	—	—	—	—	—	—	—	(13,214)	(7,416)	(20,630)
Exchange realignments	—	—	—	—	—	—	—	—	(47,998)	—	(47,998)	(44,521)	(92,519)
Share of other comprehensive (expense)/income of associates	—	(5,416)	—	34	—	—	—	—	(114,377)	—	(119,759)	(111,080)	(230,839)
Total comprehensive (expense)/ income for the period	—	(18,630)	—	34	—	—	—	—	(162,375)	564,397	383,426	331,344	714,770
2015 Final Dividend	—	—	—	—	—	—	—	—	—	(20,809)	(20,809)	—	(20,809)
Share of reserve movements of an associate	—	—	—	—	—	—	(5,675)	1,498	—	(1,479)	(5,656)	(5,246)	(10,902)
Net proceeds from rights issue of a subsidiary received from non-controlling shareholders of the subsidiary (note 10)	—	—	—	—	—	—	—	—	—	—	—	7,258	7,258
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	35,060	35,060
Shares issued in lieu of cash dividend*	2,054	—	—	—	—	—	—	—	—	—	2,054	—	2,054
Shares issued by a subsidiary in lieu of cash dividend	—	—	—	—	—	—	(8,236)	—	—	—	(8,236)	10,244	2,008
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(85,177)	(85,177)
<b>At 31 January 2016 (Unaudited)</b>	<b>1,179,703</b>	<b>141,615</b>	<b>14,286</b>	<b>(493)</b>	<b>6,973</b>	<b>55,494</b>	<b>665,469</b>	<b>13,977</b>	<b>(171,585)</b>	<b>12,241,635</b>	<b>14,147,074</b>	<b>11,785,474</b>	<b>25,932,548</b>

\* On 11 December 2015, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.011 per share payable in cash with a scrip dividend alternative (the "2015 Scrip Dividend Scheme") for the year ended 31 July 2015 (the "2015 Final Dividend"). During the six months ended 31 January 2016, 2,529,051 new shares were issued by the Company at a deemed price of HK\$0.812 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2015 Scrip Dividend Scheme to settle HK\$2,054,000 of the 2015 Final Dividend. The remaining of the 2015 Final Dividend of HK\$18,755,000 was satisfied by cash.

Further details of the 2015 Scrip Dividend Scheme are set out in the Company's circular dated 30 December 2015.

# Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 31 January 2016

	Attributable to owners of the Company											Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Hedging reserve HK\$'000	Capital reduction reserve HK\$'000	Asset revaluation reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		
At 31 July 2014 and 1 August 2014 (Audited)	1,165,343	166,012	16,138	(527)	6,973	55,494	692,153	—	37,175	10,436,930 <sup>#</sup>	12,575,691	10,583,617	23,159,308
Profit for the period	—	—	—	—	—	—	—	—	—	614,253	614,253	446,625	1,060,878
Other comprehensive (expense)/ income for the period:													
Change in fair values of available-for-sale financial assets	—	(8,171)	—	—	—	—	—	—	—	—	(8,171)	(7,178)	(15,349)
Exchange realignments	—	—	—	—	—	—	—	—	(30,461)	—	(30,461)	(28,153)	(58,614)
Share of other comprehensive income of an associate	—	79	—	—	—	—	—	—	9,626	—	9,705	8,970	18,675
Total comprehensive (expense)/ income for the period	—	(8,092)	—	—	—	—	—	—	(20,835)	614,253	585,326	420,264	1,005,590
2014 Final Dividend	—	—	—	—	—	—	—	—	—	(20,638)	(20,638)	—	(20,638)
Share of reserve movements of an associate	—	—	92	—	—	—	(3,617)	10,378	—	(10,348)	(3,495)	(3,232)	(6,727)
Recognition of share-based payments	—	—	156	—	—	—	—	—	—	—	156	528	684
Capital contribution from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	8,100	8,100
Shares issued in lieu of cash dividend**	4,822	—	—	—	—	—	—	—	—	—	4,822	—	4,822
Shares issued by a subsidiary in lieu of cash dividend	—	—	—	—	—	—	(16,451)	—	—	—	(16,451)	22,051	5,600
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(65,559)	(65,559)
At 31 January 2015 (Unaudited)	1,170,165	157,920	16,386	(527)	6,973	55,494	672,085	10,378	16,340	11,020,197	13,125,411	10,965,769	24,091,180

\*\* On 9 December 2014, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.011 per share payable in cash with a scrip dividend alternative (the "2014 Scrip Dividend Scheme") for the year ended 31 July 2014 (the "2014 Final Dividend"). During the six months ended 31 January 2015, 4,802,260 new shares were issued by the Company at a deemed price of HK\$1.004 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2014 Scrip Dividend Scheme to settle HK\$4,822,000 of the 2014 Final Dividend. The remaining of the 2014 Final Dividend of HK\$15,816,000 was satisfied by cash.

Further details of the 2014 Scrip Dividend Scheme are set out in the Company's circular dated 30 December 2014.

# Retained profits have been adjusted for the proposed 2014 Final Dividend in accordance with the current period's presentation.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2016

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	<b>(379,951)</b>	130,910
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	<b>(211,085)</b>	(1,518,352)
Additions to investment properties	<b>(285,243)</b>	(1,359,456)
Subscription of rights issue of a subsidiary	<b>(108,432)</b>	—
Acquisition of available-for-sale financial assets	<b>(24,408)</b>	(130,163)
Advances to associates	<b>(15,458)</b>	(2,877)
Advances to joint ventures	<b>(15,000)</b>	(60,017)
Repayment from a joint venture	<b>75</b>	550,000
Dividend received from a joint venture	—	10,000
Dividends received from unlisted available-for-sale financial assets	<b>97,149</b>	22,149
Decrease in pledged bank balances and time deposits	<b>53,821</b>	2,974
Others	<b>(3,997)</b>	6,729
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(512,578)</b>	(2,479,013)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	<b>2,696,500</b>	1,885,620
Repayment of bank borrowings	<b>(1,342,642)</b>	(113,252)
Bank financing charges	<b>(83,134)</b>	(28,958)
Dividend paid	<b>(18,755)</b>	(15,816)
Dividends paid to non-controlling shareholders of subsidiaries	<b>(83,169)</b>	(59,959)
Capital contribution from non-controlling shareholders of subsidiaries	<b>35,060</b>	8,100
Others	<b>7,258</b>	—
NET CASH FLOWS FROM FINANCING ACTIVITIES	<b>1,211,118</b>	1,675,735
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>318,589</b>	(672,368)
Cash and cash equivalents at beginning of period	<b>1,769,498</b>	2,457,510
Effect of foreign exchange rate changes	<b>(5,277)</b>	(676)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>2,082,810</b>	1,784,466
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>1,356,545</b>	760,684
Time deposits	<b>726,265</b>	1,023,782
	<b>2,082,810</b>	1,784,466

# Notes to Condensed Consolidated Interim Financial Statements

31 January 2016

## 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 report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The condensed consolidated interim financial statements have not been audited by the Company's 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 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 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
<b>Total</b>	<b>386,458</b>	<b>179,681</b>	<b>410,238</b>	<b>356,903</b>	<b>201,620</b>	<b>186,686</b>	<b>134,825</b>	<b>102,800</b>	<b>27,799</b>	<b>25,030</b>	<b>(20,742)</b>	<b>(18,650)</b>	<b>1,140,198</b>	<b>832,450</b>
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

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

## 3. SEGMENT INFORMATION (CONTINUED)

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

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

## 4. PROFIT FROM OPERATING ACTIVITIES

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

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

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

## 5. FINANCE COSTS

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

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

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

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

	Six months ended 31 January 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000 (Adjusted)
Earnings		
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).

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

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

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

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

## 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 rights 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, in 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. CAPITAL COMMITMENTS

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

	31 January 2016 (Unaudited) HK\$’000	31 July 2015 (Audited) HK\$’000
Contracted, but not provided for		
Purchase of property, plant and equipment	24,844	27,974
Development and operation of a hotel project	185,125	375,123
Additions to investment properties	7,946	7,698
	<b>217,915</b>	410,795

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

	31 January 2016 (Unaudited) HK\$’000	31 July 2015 (Audited) HK\$’000
Contracted, but not provided for	11,427	13,926

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

## 12. CONTINGENT LIABILITIES

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

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

	<b>31 January 2016 (Unaudited) HK\$'000</b>	31 July 2015 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to and utilised by a joint venture	<b>806,500</b>	703,000

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

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

After taking into account the plans and the status of the Property Interests held by Lai Fung as at 31 January 2016 and 31 July 2015 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the Group recorded an aggregate provision for tax indemnity of approximately HK\$980,638,000.

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

## 13. RELATED PARTY TRANSACTIONS

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

### (a) Transactions with related parties

		Six months ended 31 January	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Rental income and building management fee from eSun Holdings Limited ("eSun") and its subsidiaries (collectively the "eSun Group"), an associate	(Note)	5,711	5,757
Sharing of corporate salaries on a cost basis allocated to the eSun Group		26,344	24,517
Sharing of administrative expenses on a cost basis allocated to the eSun Group		3,150	4,607
Rental expenses and building management fees to			
— an associate	(Note)	1,047	976
— the eSun Group	(Note)	35	—
Sharing of corporate salaries on a cost basis allocated from the eSun Group		3,873	3,786
Sharing of administrative expenses on a cost basis allocated from the eSun Group		464	245

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

### (b) Compensation of key management personnel of the Group

During the six months ended 31 January 2016, the short term employee benefits and post-employment benefits of key management personnel paid by the Group were HK\$24,546,000 and HK\$63,000 (Six months ended 31 January 2015: HK\$23,128,000 and HK\$63,000), respectively.

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

## 14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

### Financial instruments for which fair value is disclosed

Except for the guaranteed notes with fair values in aggregate of approximately HK\$3,477,446,000 (31 July 2015: HK\$3,560,302,000), of which the fair value was determined by reference to the closing price of the guaranteed notes published by a leading global financial market data provider as at 31 January 2016, the directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximate to their fair values as at the end of the reporting period.

### Financial instruments measured at fair value

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>As at 31 January 2016</b>				
Available-for-sale financial assets, at fair value	<b>118,887</b>	<b>150,177</b>	<b>1,061,050</b>	<b>1,330,114</b>
Equity investments at fair value through profit or loss	<b>3,238</b>	—	—	<b>3,238</b>
	<b>122,125</b>	<b>150,177</b>	<b>1,061,050</b>	<b>1,333,352</b>
<b>As at 31 July 2015</b>				
Available-for-sale financial assets, at fair value	123,665	151,215	1,051,018	1,325,898
Equity investments at fair value through profit or loss	5,574	—	—	5,574
	129,239	151,215	1,051,018	1,331,472

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

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Available-for-sale financial assets, at fair value		
At beginning of period	<b>1,051,018</b>	1,115,780
Total gains/(losses) recognised in other comprehensive income	<b>10,032</b>	(3,367)
At end of period	<b>1,061,050</b>	1,112,413

# Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2016

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

### Valuation techniques

#### *Fair value measurement using significant unobservable inputs (Level 3)*

Fair value of the equity interest in the investee company has been estimated using the fair value of investment property held by an investee company, which is determined by the direct comparison and the income capitalisation methods detailed below.

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

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

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

### 31 January 2016

<b>Valuation technique</b>	<b>Unobservable inputs</b>		<b>Relationship of unobservable inputs to fair value</b>
Income capitalisation method	Average monthly market rent per square foot	HK\$111	The higher the market rent, the higher the fair value
	Capitalisation rate	3.1%	The higher the capitalisation rate, the lower the fair value

31 July 2015

<b>Valuation technique</b>	<b>Unobservable inputs</b>		<b>Relationship of unobservable inputs to fair value</b>
Income capitalisation method	Average monthly market rent per square foot	HK\$107	The higher the market rent, the higher the fair value
	Capitalisation rate	3.0%	The higher the capitalisation rate, the lower the fair value

## 15. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

# 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 Report, 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:

Date	Secured Projects	Total GFA (square feet)	Use	Expected Completion Date
<b>Hong Kong</b>				
<b>Development Properties</b>				
November 2012	Tseung Kwan O Project	572,894	Commercial/Residential	Q4 2017
April 2014	Ma Tau Kok Project	111,368	Commercial/Residential	Q1 2018
May 2014	The Hong Kong Ocean Park 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

# Management Discussion and Analysis (Continued)

## BUSINESS REVIEW AND OUTLOOK (CONTINUED)

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 HK\$2,452.8 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			
	2016 (HK\$ million)	2015 (HK\$ million)	Difference (HK\$ million)	% change
Property investment	401.6	348.9	52.7	15.1%
Property development and sales	384.3	177.6	206.7	116.4%
Restaurant operation	134.7	102.3	32.4	31.7%
Hotel operation and others	213.3	197.6	15.7	8.0%
<b>Total</b>	<b>1,133.9</b>	<b>826.4</b>	<b>307.5</b>	<b>37.2%</b>

# Management Discussion and Analysis (Continued)

## OVERVIEW OF INTERIM RESULTS (CONTINUED)

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.

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

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:

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

# Management Discussion and Analysis (Continued)

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

# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT (CONTINUED)

### Rental Income (Continued)

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

	Six months ended 31 January 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>		<b>150.1</b>	<b>643,703</b>		<b>146.2</b>	<b>643,703</b>
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>		<b>88.3</b>	<b>206,038</b>		<b>81.7</b>	<b>206,038</b>
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>		<b>29.6</b>	<b>169,244</b>		<b>27.0</b>	<b>169,244</b>
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>		<b>7.4</b>	<b>109,010</b>		<b>6.4</b>	<b>109,010</b>
Others		6.9	108,810*		7.5	104,520*
<b>Subtotal:</b>		<b>324.9</b>	<b>1,328,006*</b>		<b>310.4</b>	<b>1,323,716*</b>
<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>		<b>76.7</b>	<b>397,809</b>		<b>38.5</b>	<b>385,122</b>
<b>Total:</b>		<b>401.6</b>	<b>1,725,815*</b>		<b>348.9</b>	<b>1,708,838*</b>
<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.

# 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).

## 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.

# Management Discussion and Analysis *(Continued)*

## PROPERTY INVESTMENT *(CONTINUED)*

### Review of major investment properties

#### *Hong Kong Properties*

##### *Cheung Sha Wan Plaza*

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

##### *Causeway Bay Plaza 2*

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

##### *Lai Sun Commercial Centre*

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

##### *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 Report, 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 Chater 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).

# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT (CONTINUED)

### Review of major investment properties (Continued)

#### 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.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### 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).

# Management Discussion and Analysis (Continued)

## 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 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	2015
	(HK\$ million)	(HK\$ million)
Revaluation gains	699.6	64.3
Operating profits	40.3	39.0
Contribution from joint ventures	739.9	103.3

# Management Discussion and Analysis (Continued)

## 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.

## CONTINGENT LIABILITIES

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

# Particulars of Major Properties

## COMPLETED PROPERTIES HELD FOR RENTAL

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities) to the Group	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
<b>Hong Kong Properties</b>								
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	51.84%	The property is held for a term expiring on 30 June 2047	121,206	212,490	—	333,696	184
Por Yen Building	478 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 2081)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	109,010	109,010	7
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	51.84%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	56,905	49,905	—	106,810	30
Crocodile Center (commercial podium)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	91,201	—	—	91,201	—
Crocodile Center (car-parking spaces)	79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (Kwun Tong Inland Lot No. 692)	50%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	—	—	27
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	51.84%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	49,281	38,455	—	87,736	279
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	25.92%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	59,385	—	59,385	10
8 Observatory Road	2, 4, 6, 8, 10 and 12 Observatory Road, Tsim Sha Tsui, Kowloon, Hong Kong (Inland Lot No. 11231)	25.92%	The property is held for a term of 50 years commencing on 10 January 2014	23,879	18,933	—	42,812	15

## Particulars of Major Properties (Continued)

### COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)				Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial			
Wyler Centre Phase II (20/F and 27/F and car-parking spaces nos. 17, 18 and 59 on 2/F)	192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	51.84%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	24,848	24,848	2	
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	5.18%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	—	22,237	—	22,237	3	
Por Mee Factory Building (Units A,B,C and D on 3/F)	500 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	20,089	20,089	—	
Forda Industrial Building (6/F and car-parking spaces nos. 10, 22 and 27 on G/F)	16 Wan Chau Road, Yuen Long, New Territories, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	19,301	19,301	3	
Metropolitan Factory and Warehouse Building (Units A and B on 7/F and car-parking spaces nos. 11 and 12 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	44.65%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,077	5,077	1	
Victorious Factory Building (Unit B on 5/F)	33A-37A Tseuk Luk Street and 16-20 Sam Chuk Street, San Po Kong, Kowloon, Hong Kong	100%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,828	5,828	—	
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking spaces nos. 1,2,13 and 14 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	51.84%	The property is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	5,894	5,894	2	
Luen Fa Loong Factory Building (4/F)	Luen Fat Loong Factory Building, 19 Cheung Lee Street, Chai Wan, Hong Kong	51.84%	The property is held for a term of 75 years commencing on 4 November 1963 and renewable for a further term of 75 years	—	—	2,224	2,224	—	
<b>Subtotal of Hong Kong properties held for rental:</b>				<b>342,472</b>	<b>401,405</b>	<b>192,271</b>	<b>936,148</b>	<b>563</b>	

## Particulars of Major Properties (Continued)

### COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
<b>Overseas Properties</b>								
107-112 Leadenhall Street London (Note 1)	107-112 Leadenhall Street, London EC3, United Kingdom	51.84%	The property is held freehold	—	76,001	—	76,001	—
100 Leadenhall Street London (Note 1)	100 Leadenhall Street, London EC3, United Kingdom	51.84%	The property is held freehold	—	92,120	—	92,120	8
36 Queen Street London (Note 1)	36 Queen Street, London, EC4, United Kingdom	51.84%	The property is held freehold	—	31,527	—	31,527	—
106 Leadenhall Street London (Note 2)	106 Leadenhall Street, London EC3, United Kingdom	51.84%	The property is held freehold	—	6,577	—	6,577	—
<b>Subtotal of overseas properties held for rental:</b>				<b>—</b>	<b>206,225</b>	<b>—</b>	<b>206,225</b>	<b>8</b>
<b>Total of completed properties held for rental:</b>				<b>342,472</b>	<b>607,630</b>	<b>192,271</b>	<b>1,142,373</b>	<b>571</b>

Note 1: Gross internal area

Note 2: Net internal area

### COMPLETED HOTEL PROPERTY

Hotel Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)	No. of car-parking spaces attributable to the Group
				Hotel	
Caravelle Hotel	19 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	13.48%	The property is held under a land use right due to expire on 8 October 2040	50,998	—

## Particulars of Major Properties (Continued)

### PROPERTIES UNDER DEVELOPMENT

Location	Stage of construction	Group interest	Site Area (approximate square feet) (Note)	Expected completion date	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
					Commercial/Retail	Hotel	Residential		
Area 68A2, Tseung Kwan O, New Territories, Hong Kong	Foundation works in progress	25.92%	229,338	Q4 2017	29,672	—	118,822	148,494	78
The Hong Kong Ocean Park Marriott Hotel, Hong Kong	Foundation works in progress	51.84%	183,460	Q4 2017	—	189,734	—	189,734	8
20-32 San Shan Road and 93 Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	Superstructure works in progress	51.84%	12,599	Q1 2018	8,752	—	48,982	57,734	12
Sai Wan Ho Street, Shau Kei Wan, Hong Kong	Ground investigation works in progress	51.84%	7,642	Q4 2019	—	—	31,694	31,694	4
<b>Total of properties under development:</b>					<b>38,424</b>	<b>189,734</b>	<b>199,498</b>	<b>427,656</b>	<b>102</b>

Note: On project basis

### COMPLETED PROPERTIES HELD FOR SALE

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet)			Total (excluding carpark & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Residential			
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	51.84%	14,155	—		14,155	4
339 Tai Hang Road	335-339 Tai Hang Road, Hong Kong	51.84%	—	4,962		4,962	2
<b>Total of completed properties held for sale:</b>			<b>14,155</b>	<b>4,962</b>		<b>19,117</b>	<b>6</b>

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

In August 2014, LSD entered into a facility agreement related to a term loan facility of GBP48,480,000 to be made available to a wholly-owned subsidiary of LSD, as borrower, for a period of five years up to 6 August 2019. Pursuant to the facility agreement, LSD has undertaken to procure that Dr. Lam Kin Ngok, Peter and his family will, at all times during the relevant facility period, remain as the single largest shareholder of LSD (directly or indirectly) and will maintain control over the management of LSD.

At 31 January 2016, the outstanding loan balance of the above facility amounted to approximately HK\$507,700,000.

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

## Financial assistance and guarantees to affiliated companies

As at 31 January 2016, the aggregate amount of financial assistance and guarantee given for facilities granted to affiliated companies has exceeded the assets ratio of 8% under the Listing Rules.

In compliance with paragraph 13.22 of Chapter 13 of the Listing Rules, the pro forma combined statement of financial position of the affiliated companies as at 31 January 2016 is disclosed as follows:

	HK\$'000
Property, plant and equipment	2,847,981
Properties under development	1,468,837
Investment property under construction	3,567,323
Investment properties	19,626,638
Film rights	23,630
Film products	80,859
Music catalogs	12,537
Goodwill	137,521
Other intangible assets	34,914
Interests in associates	45,749
Interests in joint ventures	1,151,637
Available-for-sale investments	136,564
Deposits, prepayments and other receivables	356,819
Deferred tax assets	9,301
Deferred rental benefits	88,099
Pledged bank balances	267,673
Amounts due from shareholders	10,612
Net current assets	2,225,873
<b>Total assets less current liabilities</b>	<b>32,092,567</b>
<b>NON-CURRENT LIABILITIES</b>	
Long term deposits received	166,159
Long term borrowings	2,975,043
Convertible notes	158,714
Fixed rate senior notes	2,105,311
Guaranteed notes	754,645
Derivative financial instruments	253,269
Deferred tax liabilities	2,750,616
Deferred income	42,872
Amounts due to shareholders	4,990,864
	14,197,493
	17,895,074
<b>CAPITAL AND RESERVES</b>	
Issued capital	646,797
Share premium account	4,230,797
Contributed surplus	891,289
Investment revaluation reserve	17,778
Share option reserve	15,293
Hedging reserve	(2,071)
Exchange reserve	(426,017)
Statutory reserve	66,937
Other reserve	653,220
Accumulated profits	4,173,847
	10,267,870
Non-controlling interests	7,627,204
	17,895,074

# Corporate Governance and Other Information

## CORPORATE GOVERNANCE

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

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 the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.*

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

## Board

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

The Board has delegated the day-to-day management of the Company’s business to the management and the Executive Committee and focuses its attention on matters affecting the Company’s long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Company and its subsidiaries (“**Group**”) as well as overall policies and guidelines.

The Board currently comprises nine members, of whom six are EDs and three are INEDs. The current composition of the Board is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills.

# Corporate Governance and Other Information *(Continued)*

## CORPORATE GOVERNANCE *(CONTINUED)*

### Board *(Continued)*

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

### Chairman and Chief Executive Officer

During the six months ended 31 January 2016 and up to the date of this Report, Dr. Lam Kin Ming was the Chairman of the Company while Dr. Lam Kin Ngok, Peter and Mr. Chew Fook Aun were both the Deputy Chairman of the Company and Mr. Yip Chai Tuck was the Chief Executive Officer of the Company. The segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's businesses. The division of responsibilities between the Chairman and the Chief Executive Officer is defined.

## SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2016.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS

The following Directors and the chief executive of the Company who held office on 31 January 2016 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (“Register of Directors and Chief Executive”); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Securities Code; or (d) as known by the Directors:

### (a) The Company

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporation	237,464,979	Nil	562,590,430 (Note 1)	1,876,211 (Notes 3 and 6)	801,931,620	42.33%
Lam Kin Ming	Beneficial owner	5,008,263	Nil	Nil	Nil	5,008,263	0.26%
Chew Fook Aun	Beneficial owner	Nil	Nil	7,292,000 (Note 8)	8,012,111 (Notes 4, 6 and 7)	15,304,111	0.81%
U Po Chu	Beneficial owner	4,127,625	Nil	Nil	Nil	4,127,625	0.22%
Lam Hau Yin, Lester	Beneficial owner	60,623,968	Nil	Nil	18,762,111 (Notes 5 and 6)	79,386,079	4.19%

#### Notes:

1. Dr. Lam Kin Ngok, Peter was deemed to be interested in 562,590,430 Shares (representing approximately 29.70% of the Company's issued share capital) by virtue of his 100% interest in the issued share capital of Wisdoman Limited which directly owned 562,590,430 Shares in the Company.
2. At the annual general meeting of the Company held on 11 December 2015, the shareholders of the Company approved the adoption of a new share option scheme (**New Share Option Scheme**) and termination of the share option scheme adopted by the Company on 22 December 2006 (**Old Share Option Scheme**). Upon the termination of the Old Share Option Scheme, no further options can be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme.
3. A share option comprising a total of 1,617,423 underlying Shares in the Company had been granted to Dr. Lam Kin Ngok, Peter under Old Share Option Scheme at an exercise price of HK\$1.41 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (a) The Company (Continued)

Notes: (Continued)

4. A share option comprising a total of 16,174,234 underlying Shares in the Company had been granted to Mr. Chew Fook Aun under Old Share Option Scheme at an exercise price of HK\$0.582 per Share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.
5. A share option comprising a total of 16,174,234 underlying Shares in the Company had been granted to Mr. Lam Hau Yin, Lester under Old Share Option Scheme at an exercise price of HK\$1.41 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
6. On 7 February 2014, the exercise price of and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of rights issue of the Company.

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

7. A share option comprising a total of 3,000,000 underlying shares and a share option comprising a total of 7,750,000 underlying shares in the Company had been exercised by Mr. Chew Fook Aun under the Old Share Option Scheme on 6 and 22 May 2015, respectively, thus, the total number of share options of Mr. Chew Fook Aun has been decreased to 8,012,111 share options.
8. Mr. Chew Fook Aun was deemed to be interested in 7,292,000 Shares (representing approximately 0.39% of the Company's issued share capital) by virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited which directly owned 7,292,000 Shares in the Company.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (b) Associated Corporations

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

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	21,461,617 (Note 1)	Nil	20,472,966,134 (Note 1)	20,062,893 (Note 3)	20,514,490,644	68.02%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 4)	200,628,932	0.67%
U Po Chu (Note 6)	Beneficial Owner	1,345,974 (Note 1)	Nil	Nil	Nil	1,345,974	0.01%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	200,628,932 (Note 5)	200,628,932	0.67%

##### Notes:

1. These shares include the Rights Shares provisionally allotted on 18 January 2016 pursuant to the 1-for-2 rights issue of LSD (“**LSD Rights Issue**”).

Under the LSD Rights Issue, the Company had irrevocably undertaken to LSD to (i) subscribe and procure the Company’s wholly-owned subsidiaries (i.e. Joy Mind Limited and Zimba International Limited) to take up in aggregate 5,212,849,676 rights shares of LSD and (ii) underwrite an additional 4,834,417,105 rights shares of LSD, thus, their shareholdings in LSD has been increased from 10,425,699,353 shares to 20,472,966,134 shares (representing approximately 67.88% of LSD’s issued share capital as enlarged by the LSD Rights Issue).

As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 20,472,966,134 shares in LSD by virtue of, in aggregate, his personal and deemed interests of approximately 42.33% in the issued share capital of the Company.

The 10,425,699,353 shares in LSD were pledged as security by the Company pursuant to its 7.70% secured guaranteed notes due 2018 under a share charge dated 24 July 2014.

2. A share option scheme was adopted by LSD on 22 December 2006 and commenced with effect from 29 December 2006 (“**LSD Old Share Option Scheme**”). The share options granted under the LSD Old Share Option Scheme remained valid and exercisable though the LSD Old Share Option Scheme was terminated on 23 December 2015 when a new share option scheme became effective after adoption by the shareholders of LSD at its annual general meeting held on 11 December 2015.
3. A share option comprising a total of 20,062,893 underlying shares in LSD had been granted to Dr. Lam Kin Ngok, Peter under the LSD Old Share Option Scheme at an exercise price of HK\$0.335 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (b) Associated Corporations (Continued)

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

Notes: (Continued)

4. A share option comprising a total of 200,628,932 underlying shares in LSD had been granted to Mr. Chew Fook Aun under the LSD Old Share Option Scheme at an exercise price of HK\$0.112 per share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.
5. A share option comprising a total of 200,628,932 underlying shares in LSD had been granted to Mr. Lam Hau Yin, Lester under the LSD Old Share Option Scheme at an exercise price of HK\$0.335 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
6. Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 shares in LSD, representing approximately 0.66% of the issued share capital of LSD as enlarged by the LSD Rights Issue.

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

##### Long positions in the ordinary shares of HK\$0.50 each and the underlying shares in eSun

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter (Note 5)	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	521,204,186 (Note 1)	1,243,212 (Note 2)	525,241,841	42.25%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 (Note 3)	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 (Note 4)	15,226,564	1.22%

Notes:

1. The Company was interested in 20,472,966,134 shares (including the entitlement of 5,212,849,676 committed rights shares and 4,834,417,105 underwritten rights shares) in LSD, representing approximately 67.88% of the issued share capital of LSD. Transtrend Holdings Limited, a wholly-owned subsidiary of LSD, was interested in 521,204,186 shares in eSun, representing approximately 41.92% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 521,204,186 shares in eSun (representing approximately 41.92% of eSun's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.33% and 68.02% in the issued share capital of the Company and LSD, respectively.
2. A share option scheme was adopted by eSun on 23 December 2005 and commenced with effect from 5 January 2006 (“eSun Old Share Option Scheme”). The share options granted under the eSun Old Share Option Scheme remained valid and exercisable though the eSun Old Share Option Scheme was terminated on 23 December 2015 when a new share option scheme became effective after adoption by the shareholders of eSun at its annual general meeting held on 11 December 2015.
3. A share option comprising a total of 1,243,212 underlying shares in eSun had been granted to Dr. Lam Kin Ngok, Peter under the eSun Old Share Option Scheme at an exercise price of HK\$1.612 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (b) Associated Corporations (Continued)

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

Notes: (Continued)

4. A share option comprising a total of 6,216,060 underlying shares in eSun had been granted to Mr. Chew Fook Aun under the eSun Old Share Option Scheme at an exercise price of HK\$0.92 per share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.
5. A share option comprising a total of 12,432,121 underlying shares in eSun had been granted to Mr. Lam Hau Yin, Lester under the eSun Old Share Option Scheme at an exercise price of HK\$1.612 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
6. Dr. Lam Kin Ngok, Peter resigned as an executive director of eSun with effect from 14 February 2014.

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

##### Long positions in the ordinary shares of HK\$0.10 each and the underlying shares in Lai Fung

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter (Note 6)	Beneficial owner/ Owner of controlled corporations	Nil	Nil	8,274,270,422 (Note 1)	16,095,912 (Note 3)	8,290,366,334	51.18%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 (Note 4)	80,479,564	0.50%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	160,959,129 (Note 5)	160,959,129	0.99%

Notes:

1. These interests in Lai Fung were the shares beneficially owned by Merit Worth Limited (4,385,231,724 shares) and Silver Glory Securities Limited (3,889,038,698 shares), the latter two companies being wholly-owned subsidiaries of eSun, representing approximately 51.08% of the issued share capital of Lai Fung. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 67.88% by the Company. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 shares in Lai Fung (representing approximately 51.08% of Lai Fung's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 42.25% in eSun.

The 8,274,270,422 shares in Lai Fung (51.08%) were pledged as security by eSun pursuant to its 8.375% secured guaranteed notes due 2018 under a share charge dated 24 June 2014.

2. A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003 and remains in force for a period of 10 years (“Lai Fung Old Share Option Scheme”). A new share option scheme was adopted by Lai Fung on 18 December 2012 and commenced with effect from 20 December 2012 and remains in force for a period of 10 years (“Lai Fung New Share Option Scheme”).

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (b) Associated Corporations (Continued)

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

Notes: (Continued)

3. A share option comprising a total of 16,095,912 underlying shares in Lai Fung had been granted to Dr. Lam Kin Ngok, Peter under the Lai Fung New Share Option Scheme at an exercise price of HK\$0.228 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
4. A share option comprising a total of 80,479,564 underlying shares in Lai Fung had been granted to Mr. Chew Fook Aun under the Lai Fung Old Share Option Scheme at an exercise price of HK\$0.133 per share on 12 June 2012 and is exercisable during the period from 12 June 2012 to 11 June 2020.
5. A share option comprising a total of 160,959,129 underlying shares in Lai Fung had been granted to Mr. Lam Hau Yin, Lester under the Lai Fung New Share Option Scheme at an exercise price of HK\$0.228 per share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.
6. Dr. Lam Kin Ngok, Peter stepped down as the chairman of the board of directors and an executive director of Lai Fung with effect from 1 November 2012.

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

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

Note:

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

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

#### Long position in the ordinary shares of HK\$0.01 each and underlying shares in MAGH

Name of Director	Capacity	Number of ordinary shares held	Number of underlying shares held	Total number of issued shares and underlying shares	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	1,264,012,837 (Note 1)	218,340,611 (Note 2)	1,482,353,448	69.40%

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (b) Associated Corporations (Continued)

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

Notes:

1. As at 31 January 2016, these interests in MAGH represented the shares beneficially owned by Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun, representing approximately 59.18% of the issued share capital of MAGH. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 67.88% by the Company. As the Company is approximately 12.63% owned by Dr. Lam Kin Ngok, Peter and approximately 29.70% owned by Wisdoman Limited which is in turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 1,264,012,837 shares in MAGH.

842,675,225 shares in MAGH (39.45%) held by Perfect Sky were pledged as security by eSun pursuant to its 8.375% secured guaranteed notes due 2018 under a share charge dated 24 June 2014.

2. By virtue of Dr. Lam Kin Ngok, Peter's interests through the controlled corporations described in Note (1) above, he was also deemed to be interested in the 218,340,611 underlying shares of MAGH comprised in the convertible notes issued to Perfect Sky by MAGH pursuant to a subscription agreement dated 17 April 2015.

Save as disclosed above, as at 31 January 2016, none of the Directors and the chief executive of the Company and their respective close associates was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, or notified under the Securities Code or otherwise known by the Directors.

# Corporate Governance and Other Information (Continued)

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 January 2016, so far as is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (one being a Director) who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

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

Name	Capacity	Nature of interests	Number of Shares	Approximate % of Shares in issue
Lam Kin Ngok, Peter (Note 1)	Beneficial owner/ Owner of controlled corporation	Personal and corporate	801,931,620 (Note 2)	42.33%
Wisdoman Limited (Note 1)	Beneficial owner	Corporate	562,590,430 (Notes 1 & 2)	29.70%
Yu Cheuk Yi	Beneficial owner	Personal	381,926,129 (Note 3)	20.19%
Yu Siu Yuk	Beneficial Owner	Personal	381,926,129 (Note 3)	20.19%

Notes:

1. Dr. Lam Kin Ngok, Peter, Director of the Company, is also director of Wisdoman Limited.
2. Dr. Lam Kin Ngok, Peter was deemed to be interested in 562,590,430 Shares owned by Wisdoman Limited by virtue of his 100% interests in the issued share capital of Wisdoman Limited.
3. Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 381,926,129 Shares, which were held jointly by them.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 January 2016, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company as recorded in the Register of Shareholders.

# Corporate Governance and Other Information (Continued)

## SHARE OPTION SCHEME

### (1) The Company

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

The purpose of the New Share Option Scheme is designed to recognize the contribution or future contribution of the Eligible Participants (as defined in the New Share Option Scheme) to the Group by granting share options to them as incentives or rewards and to attract and motivate high-caliber Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the New Share Option Scheme). Eligible Participants include but are not limited to the directors and any employees of the Group. Unless otherwise cancelled or amended, the New Share Option Scheme will remain in force for 10 years from the Commencement Date.

Information on movements of share options under the Old Share Option Scheme during the six months ended 31 January 2016 is set out below:

Name and category of participant	Date of grant of share options (Note 1)	Number of underlying Shares comprised in share options				As at 31 January 2016	Exercise Period of share options	Exercise price of share options HK\$ per share (Note 2)
		As at 1 August 2015	Granted During the period	Lapsed during the period				
<b>Directors</b>								
Lam Kin Ngok, Peter	18/01/2013	1,876,211 (Note 3)	—	—	1,876,211	18/01/2013 to 17/01/2023	1.21 (Note 3)	
Chew Fook Aun	05/06/2012	8,012,111 (Notes 3 and 4)	—	—	8,012,111	05/06/2012 to 04/06/2022	0.501 (Note 3)	
Lam Hau Yin, Lester	18/01/2013	18,762,111 (Note 3)	—	—	18,762,111	18/01/2013 to 17/01/2023	1.21 (Note 3)	
		28,650,433	—	—	28,650,433			
<b>Other employees, in aggregate</b>	18/01/2013	12,397,056 (Note 3)	—	—	12,397,056	18/01/2013 to 17/01/2023	1.21 (Note 3)	
<b>Other employees, in aggregate</b>	26/07/2013	580,000 (Note 3)	—	—	580,000	26/07/2013 to 25/07/2023	1.28 (Note 3)	
<b>Other employees, in aggregate</b>	21/01/2015	600,000	—	—	600,000	21/01/2015 to 20/01/2025	1.05	
<b>Grand Total</b>		42,227,489	—	—	42,227,489			

# Corporate Governance and Other Information (Continued)

## SHARE OPTION SCHEME (CONTINUED)

### (1) The Company (Continued)

Notes:

1. The share options were vested on the date of grant.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.
3. On 7 February 2014, the exercise price of and the number of Shares entitled to be subscribed for under the outstanding share options have been adjusted in the following manner following the completion of rights issue of the Company:

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

4. A share option comprising a total of 3,000,000 underlying Shares and a share option comprising a total of 7,750,000 underlying Shares in the Company had been exercised by Mr. Chew Fook Aun under the Old Share Option Scheme on 6 and 22 May 2015, respectively, thus, the total number of share options of Mr. Chew Fook Aun has been decreased to 8,012,111 share options.

Save as disclosed above, during the period under review, no share options were granted, exercised, cancelled or lapsed in accordance with the terms of the Old Share Option Scheme.

As at 31 January 2016 and the date of this Report, share options comprising a total of 42,227,489 underlying Shares were outstanding granted under the Old Share Option Scheme, which represented approximately 2.23% of the Company's shares in issue as at those dates.

# Corporate Governance and Other Information (Continued)

## SHARE OPTION SCHEME (CONTINUED)

### (2) LSD

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

The purpose of the LSD New Share Option Scheme is designed to recognize the contribution or future contribution of the Eligible Participants (as defined in the LSD New Share Option Scheme) to LSD Group by granting share options to them as incentives and rewards and to attract and motivate high-caliber Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the LSD New Share Option Scheme). Eligible Participants include but are not limited to the Directors and any employees of LSD Group. Unless otherwise cancelled or amended, the LSD New Share Option Scheme will remain in force for 10 years from the Commencement Date.

Information on movements of share options under the LSD Old Share Option Scheme during the six months ended 31 January 2016 is set out below:

Name and category of participant	Date of grant of LSD Share Options (Note 1)	Number of underlying shares comprised in LSD Share Options				As at 31 January 2016 (Note 3)	Exercise period of LSD Share Options	Exercise price of LSD Share Options HK\$ per share (Note 2)
		As at 1 August 2015	Granted during the period	Lapsed during the period				
<b>Director</b>								
Lam Kin Ngok, Peter	18/01/2013	20,062,893	—	—	20,062,893 (Note 3)	18/01/2013 to 17/01/2023	0.335 (Note 3)	
Chew Fook Aun	05/06/2012	200,628,932	—	—	200,628,932 (Note 3)	05/06/2012 to 04/06/2022	0.112 (Note 3)	
Lam Hau Yin, Lester	18/01/2013	200,628,932	—	—	200,628,932 (Note 3)	18/01/2013 to 17/01/2023	0.335 (Note 3)	
Lau Shu Yan, Julius	18/01/2013	100,314,466	—	—	100,314,466 (Note 3)	18/01/2013 to 17/01/2023	0.335 (Note 3)	
		521,635,223	—	—	521,635,223			
<b>Other employees, in aggregate</b>	18/01/2013	177,188,680	—	—	177,188,680 (Note 3)	18/01/2013 to 17/01/2023	0.335 (Note 3)	
<b>Other employees, in aggregate</b>	26/07/2013	4,000,000	—	—	4,000,000 (Note 3)	26/07/2013 to 25/07/2023	0.235 (Note 3)	
<b>Other employees, in aggregate</b>	21/01/2015	11,000,000	—	—	11,000,000 (Note 3)	21/01/2015 to 20/01/2025	0.174 (Note 3)	
<b>Other employees, in aggregate</b>	22/01/2016	—	15,000,000	—	15,000,000	22/01/2016 to 21/01/2026	0.094	
<b>Grand Total</b>		713,823,903	15,000,000	—	728,823,903			

# Corporate Governance and Other Information (Continued)

## SHARE OPTION SCHEME (CONTINUED)

### (2) LSD (Continued)

Notes:

1. The share options were vested on the date of grant.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in LSD's share capital.
3. On 17 February 2016, the exercise price of and the number of shares entitled to be subscribed for under the outstanding share options of LSD granted under the LSD Old Share Option Scheme have been adjusted in the following manner following the completion of the rights issue of LSD:

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

Save as disclosed above, during the period under review, no LSD Share Options were granted, exercised, cancelled or lapsed in accordance with the terms of the LSD Old Share Option Scheme.

As at 31 January 2016, LSD had 728,823,903 LSD Share Options outstanding granted under the LSD Old Share Option Scheme, which represented approximately 3.62% of LSD's shares in issue as at that date.

## 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 nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

## Corporate Governance and Other Information (Continued)

### UPDATE OF DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' and Chief Executive Officer's information since the disclosure made in the Company's annual report 2014-2015 are set out as follows:

- (1) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Dr. Lam Kin Ngok, Peter and Mr. Chew Fook Aun were adjusted upward with effect from 1 January 2016 (within the range from 4.0% to 4.5%). Directors' remuneration for the six months ended 31 January 2016 and 2015 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>For the six months ended 31 January 2016</b>				
EDs:				
Lam Kin Ming ( <i>Chairman</i> ) ( <i>note a</i> )	149	405	—	554
Lam Kin Ngok, Peter ( <i>Deputy Chairman</i> ) ( <i>note b</i> )	24	11,655	18	11,697
Chew Fook Aun ( <i>Deputy Chairman</i> ) ( <i>note c</i> )	—	5,023	18	5,041
Lam Hau Yin, Lester (also alternate to U Po Chu) ( <i>note d</i> )	—	966	9	975
Lam Kin Hong, Matthew	24	192	9	225
U Po Chu ( <i>note a</i> )	149	1,800	—	1,949
	<b>346</b>	<b>20,041</b>	<b>54</b>	<b>20,441</b>
INEDs:				
Chow Bing Chiu	125	—	—	125
Lam Bing Kwan ( <i>note a</i> )	250	—	—	250
Leung Shu Yin, William ( <i>note a</i> )	250	—	—	250
	<b>625</b>	<b>—</b>	<b>—</b>	<b>625</b>
	<b>971</b>	<b>20,041</b>	<b>54</b>	<b>21,066</b>

## Corporate Governance and Other Information (Continued)

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

(1) (Continued)

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>For the six months ended 31 January 2015</b>				
EDs:				
Lam Kin Ming (Chairman) (note a)	149	405	—	554
Lam Kin Ngok, Peter (Deputy Chairman) (note b)	24	9,989	18	10,031
Chew Fook Aun (Deputy Chairman) (note c)	—	5,443	18	5,461
Lam Hau Yin, Lester (also alternate to U Po Chu) (note d)	—	925	9	934
Lam Kin Hong, Matthew	24	192	9	225
U Po Chu (note a)	149	1,800	—	1,949
	346	18,754	54	19,154
INEDs:				
Chow Bing Chiu	125	—	—	125
Lam Bing Kwan (note a)	250	—	—	250
Leung Shu Yin, William (note a)	250	—	—	250
	625	—	—	625
	971	18,754	54	19,779

Notes:

- (a) The amount for each of these directors included fees paid by LSD of HK\$125,000 (Six months ended 31 January 2015: HK\$125,000).
- (b) The amounts included salaries and pension scheme contributions paid by LSD of HK\$9,550,000 (Six months ended 31 January 2015: HK\$8,185,000).
- (c) The amounts included salaries and pension scheme contributions paid by LSD of HK\$4,314,000 (Six months ended 31 January 2015: HK\$4,675,000).
- (d) The amounts were paid by LSD.
- (2) Dr. Lam Kin Ngok, Peter was re-appointed the chairman of Hong Kong Tourism Board for 3 years from 1 April 2016 to 31 March 2019.
- (3) Mr. Chew Fook Aun's appointment as a council member of the Financial Reporting Council ended on 30 November 2015.
- (4) The basic salary of Mr. Yip Chai Tuck, the Chief Executive Officer of the Company, was adjusted upward by 3.0% with effect from 1 January 2016. During the six months ended 31 January 2016, the salaries and pension scheme contributions of Mr. Yip paid by the Group amounted to HK\$3,543,000 (Six months ended 31 January 2015: HK\$3,412,000), of which HK\$2,363,000 (Six months ended 31 January 2015: HK\$2,276,000) was paid by LSD.

# Corporate Governance and Other Information (Continued)

## 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:

Month	Event	Organiser	Location
October 2015	Post results non-deal roadshow	BNP	Hong Kong
October 2015	Post results non-deal roadshow	DBS	New York/ Philadelphia/ 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 & 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 REPORT

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