LAI FUNG HOLDINGS

Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1125)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2018

RESULTS

The board of directors (the "**Board**") of Lai Fung Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 January 2018 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement
For the six months ended 31 January 2018

	Notes	For the six months ended 31 January 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
TURNOVER	3	**509,410**	479,022
Cost of sales		**(163,683)**	(138,617)
Gross profit		**345,727**	340,405
Other income and gains		**80,907**	76,642
Selling and marketing expenses		**(20,775)**	(55,801)
Administrative expenses		**(159,592)**	(141,130)
Other operating expenses, net		**(23,548)**	(30,086)
Fair value gains on investment properties		**351,180**	123,995
PROFIT FROM OPERATING ACTIVITIES	4	**573,899**	314,025
Finance costs	5	**(97,610)**	(78,024)
Share of profits of joint ventures		**115,282**	310,979
Share of losses of associates		**(101)**	—
PROFIT BEFORE TAX		**591,470**	546,980
Tax	6	**(191,238)**	(200,364)
PROFIT FOR THE PERIOD		**400,232**	346,616
ATTRIBUTABLE TO:			
Owners of the Company		**358,911**	336,424
Non-controlling interests		**41,321**	10,192
		400,232	346,616

Condensed Consolidated Income Statement (continued)
For the six months ended 31 January 2018

	Note	**For the six months ended 31 January**	
		2018	2017
		(Unaudited)	(Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	7		(Adjusted)
Basic		**HK$1.102**	HK$1.038
Diluted		**HK$1.096**	HK$1.037

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2018

	For the six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**400,232**	346,616
OTHER COMPREHENSIVE INCOME/(EXPENSES) TO BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		
Exchange differences arising on translation to presentation currency	**1,138,251**	(537,468)
Share of other comprehensive income/(expenses) of joint ventures	**100,715**	(29,521)
Share of other comprehensive income of an associate	**23**	—
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**159,924**	(101,887)
Reclassification adjustments for exchange gain/(loss) included in the condensed consolidated income statement	**(134,959)**	69,653
	24,965	(32,234)
	1,263,954	(599,223)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	**1,664,186**	(252,607)
ATTRIBUTABLE TO:		
Owners of the Company	**1,592,407**	(252,907)
Non-controlling interests	**71,779**	300
	1,664,186	(252,607)

Condensed Consolidated Statement of Financial Position
As at 31 January 2018

	Notes	**31 January 2018 (Unaudited) HK$'000**	31 July 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,101,172**	1,703,731
Prepaid land lease payments		**4,585**	4,397
Investment properties		**18,625,868**	16,457,221
Properties under development		**1,659,495**	1,341,974
Investments in joint ventures		**1,604,302**	1,387,570
Investments in associates		**805**	343
Total non-current assets		**23,996,227**	20,895,236
CURRENT ASSETS			
Properties under development		**327,218**	213,818
Completed properties for sale		**879,178**	904,811
Debtors, deposits and prepayments	8	**303,872**	256,671
Prepaid tax		**35,852**	42,844
Pledged and restricted time deposits and bank balances		**1,006,896**	571,022
Cash and cash equivalents		**4,033,149**	2,057,346
		6,586,165	4,046,512
Asset classified as held for sale	9	**—**	278,531
Total current assets		**6,586,165**	4,325,043
CURRENT LIABILITIES			
Creditors and accruals	10	**1,378,153**	957,047
Deposits received and deferred income		**196,700**	245,024
Interest-bearing bank loans, secured		**43,271**	82,031
Fixed rate senior notes	11	**2,219,658**	2,080,366
Derivative financial instruments		**46,378**	208,223
Loans from a joint venture		**205,196**	192,731
Tax payable		**126,898**	104,958
Total current liabilities		**4,216,254**	3,870,380
NET CURRENT ASSETS		**2,369,911**	454,663
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,366,138**	21,349,899

Condensed Consolidated Statement of Financial Position (continued)
As at 31 January 2018

	Note	**31 January 2018 (Unaudited) HK$'000**	31 July 2017 (Audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,366,138**	21,349,899
NON-CURRENT LIABILITIES			
Long-term deposits received		**151,800**	140,240
Interest-bearing bank loans, secured		**3,120,002**	2,814,062
Advances from a former substantial shareholder		**57,645**	54,143
Loans from a fellow subsidiary		**229,075**	218,279
Loans from a joint venture		**691,804**	649,779
Guaranteed notes	12	**2,712,910**	—
Derivative financial instruments		**1,921**	—
Deferred tax liabilities		**3,013,533**	2,704,032
Total non-current liabilities		**9,978,690**	6,580,535
		16,387,448	14,769,364
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**1,635,221**	1,628,509
Reserves		**14,495,195**	12,955,602
		16,130,416	14,584,111
Non-controlling interests		**257,032**	185,253
		16,387,448	14,769,364

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**" and the "**Stock Exchange**") and the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements for the period under review are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 July 2017 (the "**2017 Financial Statements**"). These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2017.

In addition, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include HKASs and Interpretations) which are applicable to the Group for the first time for the current period's unaudited condensed consolidated interim financial statements. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

3. OPERATING SEGMENT INFORMATION

	For the six months ended 31 January (Unaudited)					
	Property development		Property investment		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**129,883**	133,192	**379,527**	345,830	**509,410**	479,022
Other revenue	**1,387**	1,132	**64,940**	59,945	**66,327**	61,077
Total	**131,270**	134,324	**444,467**	405,775	**575,737**	540,099
Segment results	**28,112**	31,447	**610,341**	304,699	**638,453**	336,146
Interest income from bank deposits					**10,539**	12,685
Unallocated gains					**4,041**	2,880
Unallocated expenses, net					**(79,134)**	(37,686)
Profit from operating activities					**573,899**	314,025
Finance costs					**(97,610)**	(78,024)
Share of profits of joint ventures	**115,282**	310,979	**—**	—	**115,282**	310,979
Share of losses of associates	**—**	—	**(101)**	—	**(101)**	—
Profit before tax					**591,470**	546,980
Tax					**(191,238)**	(200,364)
Profit for the period					**400,232**	346,616
Other segment information:						
Fair value gains on investment properties	**—**	—	**351,180**	123,995	**351,180**	123,995
Reversal of write-down/(write-down) of completed properties for sale to net realisable value	**692**	(618)	**—**	—	**692**	(618)
Compensation received on return of land use right to the local authority	**—**	6,813	**—**	—	**—**	6,813
Gain on swap of properties	**—**	—	**41,379**	—	**41,379**	—
Loss on disposal of items of property, plant and equipment	**11**	32	**145**	137	**156**	169

	Property development		Property investment		Consolidated	
	31 January 2018 (Unaudited)	31 July 2017 (Audited)	**31 January 2018 (Unaudited)**	31 July 2017 (Audited)	**31 January 2018 (Unaudited)**	31 July 2017 (Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets/liabilities:						
Segment assets	**2,903,311**	2,502,894	**20,811,311**	18,240,394	**23,714,622**	20,743,288
Investments in joint ventures	**1,604,302**	1,387,570	**—**	—	**1,604,302**	1,387,570
Investments in associates	**—**	—	**805**	343	**805**	343
Unallocated assets					**5,262,663**	2,810,547
Asset classified as held for sale					**—**	278,531
Total assets					**30,582,392**	25,220,279
Segment liabilities	**561,872**	439,278	**983,849**	767,616	**1,545,721**	1,206,894
Unallocated liabilities					**12,649,223**	9,244,021
Total liabilities					**14,194,944**	10,450,915

4. PROFIT FROM OPERATING ACTIVITIES

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

		For the six months ended 31 January	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Cost of completed properties sold		**78,990**	61,184
Outgoings in respect of rental income		**84,693**	77,433
Depreciation#		**39,023**	35,292
Ineffective portion of the effective hedge recognised in profit or loss##		**—**	7,925
Foreign exchange differences, net##		**33,423**	(5,364)
Loss on disposal of items of property, plant and equipment##		**156**	169
Amortisation of prepaid land lease payments		**92**	89
Compensation received on return of land use right to the local authority##		**—**	(6,813)
Gain on swap of properties##	9	**(41,379)**	—
Write-down/(reversal of write-down) of completed properties for sale to net realisable value##		**(692)**	618

The depreciation charge of HK$30,472,000 (six months ended 31 January 2017: HK$29,935,000) for serviced apartments and related leasehold improvements is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

These items of expenses/(income) are included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

5. FINANCE COSTS

	For the six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on:		
Bank loans	**77,216**	66,910
Fixed rate senior notes	**71,415**	70,958
Guaranteed notes	**5,237**	—
Loans from a joint venture	**15,272**	11,592
Amortisation of:		
Bank loans	**9,337**	9,455
Fixed rate senior notes	**4,333**	4,034
Guaranteed notes	**152**	—
Bank financing charges and direct costs	**6,759**	6,364
	189,721	169,313
Less: Capitalised in properties under development	**(36,059)**	(51,103)
Capitalised in investment properties under construction	**(37,435)**	(28,496)
Capitalised in construction in progress	**(18,617)**	(11,690)
	(92,111)	(91,289)
Total finance costs	**97,610**	78,024

6. TAX

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the period (six months ended 31 January 2017: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	For the six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current - Mainland China		
Corporate income tax	**35,311**	10,670
Land appreciation tax	**18,554**	110,217
Deferred	**137,373**	79,477
Total tax charge for the period	**191,238**	200,364

In connection with the listing of the Company on the Stock Exchange (currently on the Main Board), a tax indemnity deed was signed on 12 November 1997, pursuant to which Lai Sun Development Company Limited ("**LSD**") has undertaken to indemnify the Group in respect of certain potential Mainland China income tax and land appreciation tax payable or shared by the Group in consequence of the disposal of certain property interests attributable to the Group through its subsidiaries and its joint ventures as at 31 October 1997. During the period, no tax indemnity was received by the Group under the aforesaid indemnities (six months ended 31 January 2017: Nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts was based on the profit for the period attributable to owners of the Company of HK$358,911,000 (six months ended 31 January 2017: HK$336,424,000), and the weighted average number of ordinary shares of 325,820,865 (six months ended 31 January 2017: adjusted as 324,193,731) in issue during the period, as adjusted to reflect the effect of the Share Consolidation as defined below. Comparative figures have also been adjusted on the assumption that the Share Consolidation had been effective in the prior period.

The shareholders of the Company approved at the extraordinary general meeting held on 14 August 2017 that every fifty issued and unissued ordinary shares of HK$0.10 each in the share capital of the Company are consolidated into one ordinary share of HK$5.00 each in the share capital of the Company which became effective on 15 August 2017 (the "**Share Consolidation**").

The calculation of diluted earnings per share amounts was based on the profit for the period attributable to owners of the Company as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**358,911**	336,424
	Number of shares	
		(Adjusted)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**325,820,865**	324,193,731
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,629,347**	244,222
	327,450,212	324,437,953

8. DEBTORS, DEPOSITS AND PREPAYMENTS

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. Serviced apartments charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables of the Group were interest-free.

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

	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000
Trade receivables, net:		
Within one month	**104,614**	103,530
One to three months	**1,974**	2,897
Over three months	**5,308**	3,794
	111,896	110,221
Other receivables, deposits and prepayments	**191,976**	146,450
Total	**303,872**	256,671

9. ASSET CLASSIFIED AS HELD FOR SALE

The Transaction (as defined and disclosed in note 22 to the 2017 Financial Statements) was completed during the period ended 31 January 2018 and a gain of HK$41,379,000 was recognised and included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

10. CREDITORS AND ACCRUALS

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

	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000
Trade payables:		
Within one month	**366,556**	201,075
One to three months	**14,888**	4,244
Over three months	**76**	552
	381,520	205,871
Accruals and other payables	**996,633**	751,176
Total	**1,378,153**	957,047

11. FIXED RATE SENIOR NOTES

RMB1,800,000,000 6.875% Senior Notes due 2018

On 25 April 2013, the Company issued RMB1,800,000,000 of 6.875% fixed rate senior notes, which will mature on 25 April 2018 for bullet repayment. The fixed rate senior notes bear interest from 25 April 2013 and are payable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013. The fixed rate senior notes are listed on the Stock Exchange.

12. GUARANTEED NOTES

US$350,000,000 5.65% Guaranteed Notes due 2023

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of the Company issued US$350,000,000 of 5.65% fixed rate guaranteed notes, which will mature on 18 January 2023 for bullet repayment. The guaranteed notes bear interest from 18 January 2018 and are payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2018. The guaranteed notes are listed on the Stock Exchange.

The guaranteed notes are guaranteed by the Company and also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from LSD.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2018 (six months ended 31 January 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Major economies around the world continue to navigate in uncertain waters during the period under review. The capital market has demonstrated robustness despite a delicate economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the United States and Europe and the geopolitical situation in the Korean peninsula. Some of these events are likely to linger in the near future and continue to cast a shadow on the outlook.

Notwithstanding the seemingly turbulent environment, the Central Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. However some sectors such as exports, weakened as a result of lackluster global economic performance. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption. The property sector has been a beneficiary of this as observed in various land auctions and transaction values recently. We believe the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The Central Government's approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike. With the first session of the 13th National People's Congress and the first session of the 13th National Committee of the Chinese People's Political Consultative Conference came to a conclusion, it is reassuring that we can expect continued stability and continuity going forward.

The Group's regional focus and rental-led strategy has demonstrated resilience in recent years. The rental portfolio of approximately 3.3 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. The asset swap transaction as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. The total gross floor area ("**GFA**") of this property owned by the Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

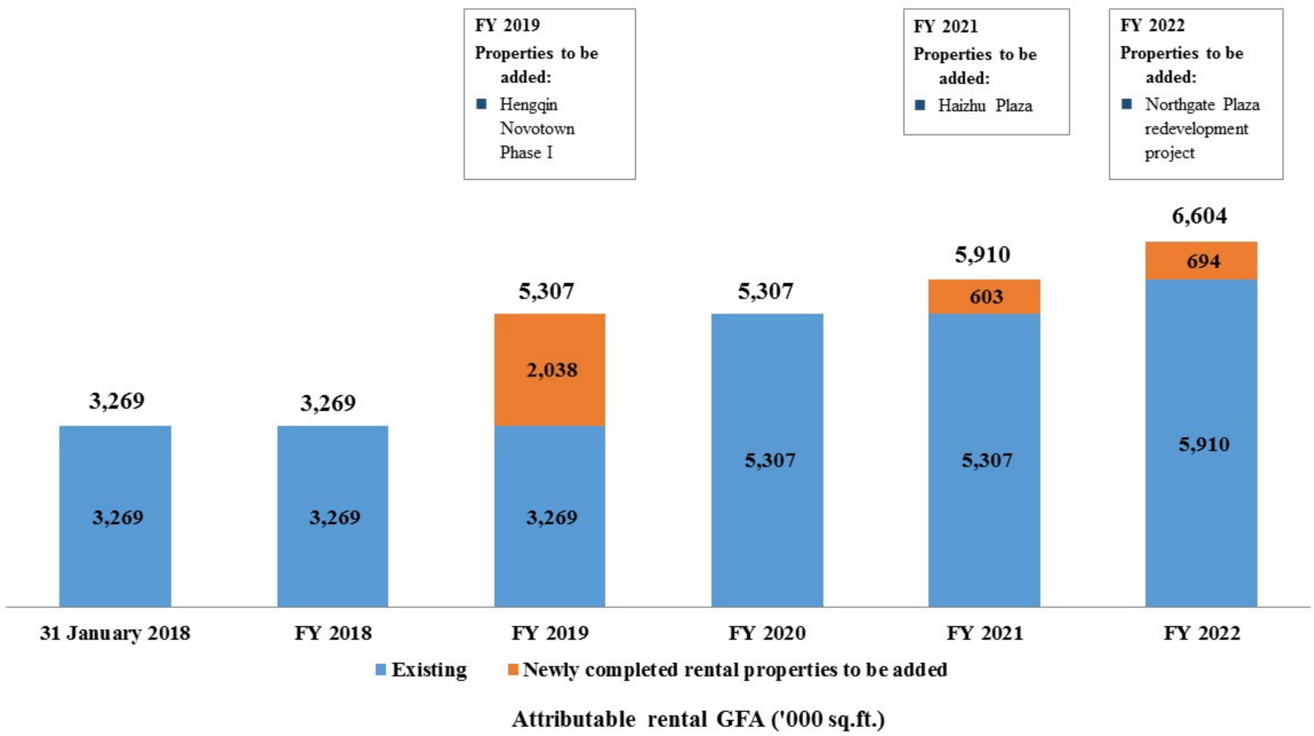
The Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.3 million square feet to approximately 6.6 million square feet through developing the existing projects on hand over the next few years. Demolition of Shanghai Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works for the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building commenced in September 2017. The redevelopment plan includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group.

The construction works of Phase I of the Novotown project in Hengqin ("**Novotown**") commenced at the end of 2015 and is now progressing at a good pace. In June 2017, the Group entered into a licence agreement with Real Madrid Club de Fútbol ("**Real Madrid**") in relation to the development and operation of a location based entertainment centre ("**Real Madrid LBE**") in Novotown. In September 2017, the Group entered into a framework agreement with Dr. Ing. h.c. F. Porsche AG ("**Porsche**") in relation to the development and operation of an auto experience theme centre named Porsche City ("**Porsche City**") in Novotown. In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up an Innovation Leadership Academy Hengqin ("**ILA Hengqin**") in Hengqin, Zhuhai. The cooperation aims to enhance the general education experience in Hengqin and across the region catering for learning needs of local and overseas families residing within the Pearl River Delta area, including Hengqin, Zhuhai, Macau and the Greater Bay Area. The Real Madrid LBE, Porsche City and ILA Hengqin are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

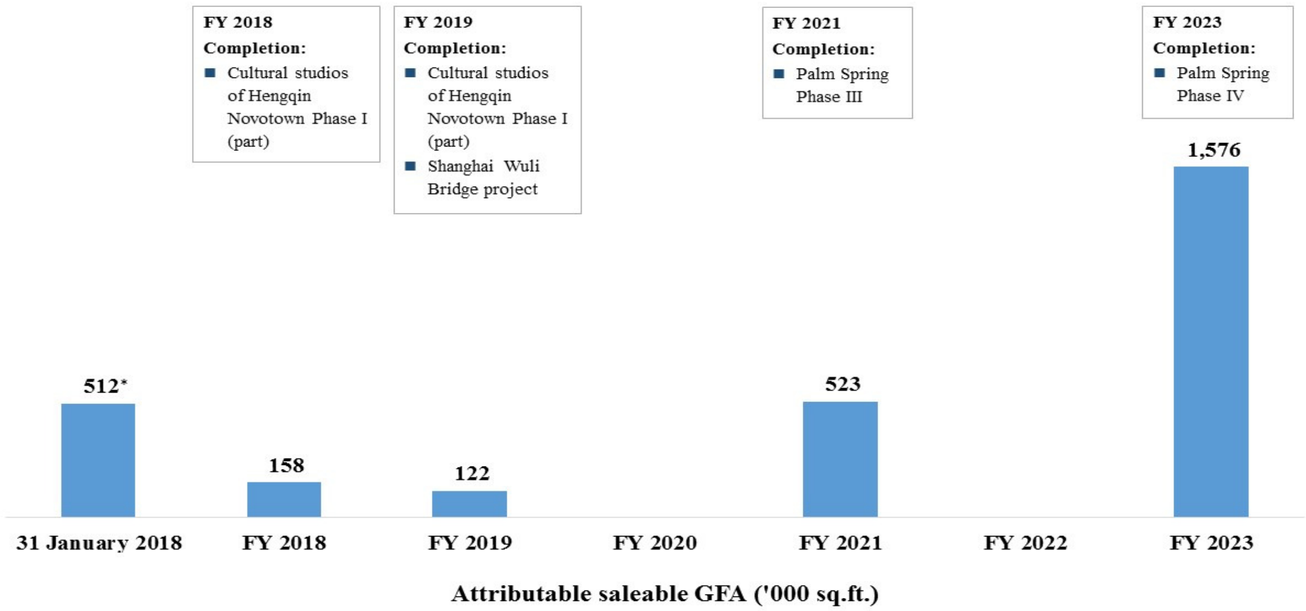
The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I are expected to contribute to the income of the Group in the coming financial years. The Group will continue its prudent and flexible approach in growing its landbank.

Set out below is the expected growth of the rental portfolio of the Group and the pipeline of development projects of the Group as at 31 January 2018:

Rental Portfolio



For-sale Projects



* *Excluding commercial portion of the Zhongshan Palm Spring for self-use.*

The share consolidation on a 1-for-50 basis ("**Share Consolidation**") and change in board lot size from 20,000 shares to 400 shares announced by the Group on 18 July 2017 is effective from 15 August 2017. It is hoped that this will make investing in the shares of the Group more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor and thus help to further broaden the shareholder base of the Company.

As at 31 January 2018, the Group has a landbank of 5.7 million square feet. The Group's strong cash position of HK$5,040.0 million of cash on hand and undrawn facilities of HK$4,473.6 million with a net debt to equity ratio of 26% as at 31 January 2018 provides the Group with full confidence and the means to review opportunities more actively. The financial liquidity of the Group has been bolstered by the US$350 million guaranteed notes issued in January 2018 which is listed on the Stock Exchange of Hong Kong Limited. The proceeds from this guaranteed notes will help to refinance the CNY1,800 million fixed rate senior notes issued by the Company in 2013 which will mature in April 2018. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2018, the Group recorded a turnover of HK$509.4 million (2017: HK$479.0 million) and a gross profit of HK$345.7 million (2017: HK$340.4 million), representing an increase of approximately 6.3% and 1.6%, respectively over the same period last year. The average Renminbi exchange rate for the period under review appreciated by approximately 3.9% over the same period last year. Excluding the effect of currency translation, the increase in Renminbi denominated turnover was 2.4%. Set out below is the turnover by segment:

	For the six months ended 31 January			**For the six months ended 31 January**		
	2018*	2017*	**%**	**2018**	2017	**%**
	(HK$ million)	(HK$ million)	**change**	**(RMB million)**	(RMB million)	**change**
Rental income	**379.5**	345.8	9.7%	**320.1**	303.0	5.6%
Sales of properties	**129.9**	133.2	-2.5%	**109.5**	116.7	-6.2%
Total:	**509.4**	479.0	6.3%	**429.6**	419.7	2.4%

* *The exchange rates adopted for the six months ended 31 January 2018 and 2017 are 0.8433 and 0.8762, respectively.*

Net profit attributable to owners of the Company was approximately HK$358.9 million (2017: HK$336.4 million), representing an increase of approximately 6.7% over the same period last year. The increase is due to a mix of: i) higher revaluation gain arising from the revaluation of the Group's investment properties for the six months ended 31 January 2018 as compared to the same period last year; and ii) decreased profit contribution from the sales of Guangzhou Dolce Vita, the joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") as compared to the same period last year, which has been substantially sold and is recognised as a component of "Share of profits of joint ventures" in the condensed consolidated income statement.

Basic earnings per share was HK$1.102 (2017 (adjusted): HK$1.038).

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$132.7 million (2017: HK$246.3 million), representing a decrease of approximately 46.1% over the same period last year. Basic earnings per share excluding the effect of property revaluations decreased to HK$0.4075 (2017 (adjusted): HK$0.7597).

Adjustment has been made to the weighted average number of issued shares of the Company for the six months ended 31 January 2017 for the calculations of basic earnings per share and adjusted basic earnings per share as above due to the Share Consolidation of the Company being effective on 15 August 2017.

	Six months ended 31 January	
Profit attributable to owners of the Company (HK$ million)	**2018**	2017
Reported	**358.9**	336.4
Adjustments in respect of investment properties		
Revaluation of properties	**(351.2)**	(124.0)
Deferred tax on investment properties	**87.8**	31.0
Non-controlling interests' share of revaluation movements less deferred tax	**37.2**	2.9
Net profit after tax excluding revaluation gains of investment properties	**132.7**	246.3

Net assets attributable to owners of the Company as at 31 January 2018 amounted to HK$16,130.4 million (31 July 2017: HK$14,584.1 million). The increase is primarily due to increase in exchange fluctuation reserve arising from RMB appreciation during the period under review. Net asset value per share attributable to owners of the Company increased to HK$49.32 per share as at 31 January 2018 from HK$44.78 per share (adjusted) as at 31 July 2017. Adjustment has been made to the total number of issued shares of the Company as at 31 July 2017 due to the Share Consolidation of the Company being effective on 15 August 2017.

PROPERTY PORTFOLIO COMPOSITION

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 January 2018:

	Commercial/ Retail	**Office**	**Serviced Apartments**	**Residential**	**Total (excluding car-parking spaces & ancillary facilities)**	**No. of car-parking spaces**
Completed Properties Held for Rental[1]	1,623	1,048	-	-	2,671	799
Completed Hotel Properties and Serviced Apartments	-	-	598	-	598	-
Properties under Development[2]	1,100	1,740	821	2,052	5,713	4,380
Completed Properties Held for Sale	66[3]	-	-	500	566	2,234
Total GFA of major properties of the Group	**2,789**	**2,788**	**1,419**	**2,552**	**9,548**	**7,413**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale, including 53,223 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use.*

PROPERTY INVESTMENT

Rental Income

For the six months ended 31 January 2018, the Group's rental operations recorded a turnover of HK$379.5 million (2017: HK$345.8 million), representing a 9.7% increase over the same period last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 5.6%. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January			**Six months ended 31 January**			
	2018#	2017#	%	**2018**	2017	%	**Period end**
	HK$ million	HK$ million	Change	**RMB million**	RMB million	Change	**occupancy (%)**
Shanghai							
Shanghai Hong Kong Plaza	**206.3**	201.3	2.5	**174.0**	176.4	-1.4	Retail: 93.7% Office: 93.4% Serviced Apartments: 80.7%
Shanghai May Flower Plaza	**38.8**	37.8	2.6	**32.7**	33.1	-1.2	Retail: 100.0% Hotel: 69.9%
Shanghai Regents Park	**12.4**	7.0	77.1	**10.5**	6.1	72.1	100.0%
Guangzhou							
Guangzhou May Flower Plaza	**55.0**	55.8	-1.4	**46.4**	48.9	-5.1	99.2%
Guangzhou West Point	**9.9**	9.1	8.8	**8.3**	8.0	3.8	98.8%
Guangzhou Lai Fung Tower	**51.9**	30.3	71.3	**43.8**	26.5	65.3	Retail: 100.0% Office: 100.0%*
Zhongshan							
Zhongshan Palm Spring	**5.2**	4.5	15.6	**4.4**	4.0	10.0	Retail: 86.0%* Serviced Apartments: 49.6%
Total:	**379.5**	345.8	9.7	**320.1**	303.0	5.6	

The exchange rates adopted for the six months ended 31 January 2018 and 2017 are 0.8433 and 0.8762, respectively

* *Excluding self-use area*

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

	Six months ended 31 January 2018			Six months ended 31 January 2017		
	Group interest	**Turnover (HK$ million)**	**Attributable GFA (square feet)**	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		**90.4**	**468,434**		91.8	468,434
Office		**50.0**	**362,096**		48.2	360,687
Serviced Apartments (room revenue and F&B)		**62.0**	**355,267**		58.1	355,267
Car-parking spaces		**3.9**	**N/A**		3.2	N/A
		206.3	**1,185,797**		201.3	1,184,388
Shanghai May Flower Plaza	100%			100%		
Retail		**17.3**	**320,314**		17.6	320,314
Hotel (room revenue and F&B)		**19.4**	**143,846**		18.3	143,846
Car-parking spaces		**2.1**	**N/A**		1.9	N/A
		38.8	**464,160**		37.8	464,160
Shanghai Regents Park	95%			95%		
Retail		**10.3**	**77,959**		5.5	77,959
Car-parking spaces		**2.1**	**N/A**		1.5	N/A
		12.4	**77,959**		7.0	77,959
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		**47.8**	**357,424**		48.8	357,424
Office		**5.7**	**79,431**		5.3	79,431
Car-parking spaces		**1.5**	**N/A**		1.7	N/A
		55.0	**436,855**		55.8	436,855
Guangzhou West Point	100%			100%		
Retail		**9.9**	**171,968**		9.1	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		**6.3**	**99,399**		4.6	100,701
Office		**42.7**	**606,495**		24.7	525,463
Car-parking spaces		**2.9**	**N/A**		1.0	N/A
		51.9	**705,894**		30.3	626,164
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail*		**2.1**	**127,884**		2.0	112,124
Serviced Apartments (room revenue)		**3.1**	**98,556**		2.5	98,556
		5.2	**226,440**		4.5	210,680
Total:		**379.5**	**3,269,073**		345.8	3,172,174

* *Excluding self-use area*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The strong growth from Guangzhou Lai Fung Tower is primarily due to its being fully leased during the period under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Limited ("**Guangzhou Light Industry**") as announced on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. The total GFA of this property owned by the Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Review of Major Rental Properties

Shanghai Hong Kong Plaza
Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, Tiffany and internationally renowned luxury brands and a wide array of dining options.

The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

The Group owns 100% of this property.

Shanghai May Flower Plaza
Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

The Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility.

Guangzhou May Flower Plaza
Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

The Group owns 100% of this property.

Guangzhou West Point
Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where the Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower
Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

The asset swap transaction with Guangzhou Light Industry as announced on 15 January 2015 was completed in August 2017. The total GFA of this property owned by the Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall
Zhongshan Palm Spring Rainbow Mall is the commercial element of the wholly-owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at period end was approximately 86.0%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai
Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 86.9% was achieved during the period under review and the average room tariff was approximately HK$1,221.

STARR Hotel Shanghai
STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 78.6% was achieved during the period under review and the average room tariff was approximately HK$537.

STARR Resort Residence Zhongshan
STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type: one- and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has an F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 56.4% was achieved during the period under review and the average room tariff was approximately HK$370.

PROPERTY DEVELOPMENT

Recognised Sales

For the six months ended 31 January 2018, the Group's property development operations recorded a turnover of HK$129.9 million (2017: HK$133.2 million) from sale of properties, representing a 2.5% decrease in sales revenue over the same period last year. Total recognised sales was primarily driven by the sales performance of residential units of Zhongshan Palm Spring.

For the six months ended 31 January 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$1,282 per square foot (2017: HK$3,075 per square foot), which is driven by lower average selling price in Zhongshan compared to Guangzhou. Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$3,474 per square foot (2017: HK$2,416 per square foot). This is recognised as a component of "Share of profits of joint ventures" in the condensed consolidated income statement.

Breakdown of turnover for the six months ended 31 January 2018 from property sales is as follows:

Recognised basis	**No. of Units**	**Approximate GFA** (Square feet)	**Average Selling Price#** (HK$/square foot)	**Turnover*** (HK$ million##)	(RMB million)
Guangzhou Eastern Place					
Residential Units - Phase V	2	2,460	6,435	14.9	12.5
Zhongshan Palm Spring					
Residential High-rise Units	69	83,629	1,131	90.1	76.0
Others				0.5	0.4
Subtotal	**71**	**86,089**	**1,282**	**105.5**	**88.9**
Guangzhou Eastern Place					
Car-parking Spaces	19			21.3	18.0
Guangzhou King's Park					
Car-parking Spaces	4			3.1	2.6
Total				**129.9**	**109.5**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	40	85,278	3,460	277.4	233.9
Retail Units**(47.5% basis)	-	665	5,365	3.3	2.8
Subtotal	**40**	**85,943**	**3,474**	**280.7**	**236.7**
Car-parking Spaces**(47.5% basis)	39			13.6	11.5
Total				**294.3**	**248.2**

Before business tax and value-added tax inclusive

The exchange rate adopted for the six months ended 31 January 2018 is 0.8433

* *After business tax and value-added tax exclusive*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. For the six months ended 31 January 2018, the recognised sales (after business tax and value-added tax exclusive) attributable to the project on 100% basis is HK$591.0 million (excluding car-parking spaces) and approximately 180,932 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the project on 100% basis is HK$28.7 million.*

Contracted Sales

As at 31 January 2018, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$35.9 million and HK$3.2 million from sales of residential units in Guangzhou Eastern Place Phase V and Zhongshan Palm Spring, respectively and HK$6.3 million from sales of car-parking spaces in Guangzhou Eastern Place and Guangzhou King's Park. Sales of the remainder of the completed residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring were strong and achieved an average selling price of HK$7,092 and HK$1,225 per square foot, respectively. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 January 2018 amounted to RMB38.3 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of the Group as at 31 January 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$79.9 million (31 July 2017: HK$402.8 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 January 2018 amounted to RMB67.4 million (31 July 2017: RMB353.6 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2018 is as follows:

Contracted basis	**No. of Units**	**Approximate GFA**	**Average Selling Price#**	**Turnover#**	
		(Square feet)	(HK$/square foot)	(HK$ million##)	(RMB million)
Guangzhou Eastern Place					
Residential Units - Phase V	5	5,062	7,092	35.9	30.3
Zhongshan Palm Spring					
Residential High-rise Units	2	2,613	1,225	3.2	2.7
Subtotal	**7**	**7,675**	**5,094**	**39.1**	**33.0**
Guangzhou Eastern Place					
Car-parking Spaces	4			4.7	4.0
Guangzhou King's Park					
Car-parking Spaces	2			1.6	1.3
Subtotal				**45.4**	**38.3**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	2	7,010	4,822	33.8	28.5
Car-parking Spaces**(47.5% basis)	2			0.7	0.6
Subtotal				**34.5**	**29.1**
Total (excluding car-parking spaces)	**9**	**14,685**	**4,964**	**72.9**	**61.5**

Before business tax and value-added tax inclusive

The exchange rate adopted for the year ended 31 January 2018 is 0.8433

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 January 2018, the contracted but not yet recognised sales attributable to the project on 100% basis is HK$71.1 million (excluding car-parking spaces) and approximately 14,757 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the project on 100% basis is HK$1.5 million.*

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project
Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. Demolition of Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works commenced in September 2017. This project is expected to complete in the third quarter of 2021.

Shanghai May Flower Plaza
Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station.

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,500 square feet of GFA. As of 31 January 2018, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$110.9 million.

Shanghai Wuli Bridge Project
In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 83,700 square feet and is intended to be developed into a high end luxury residential project. Construction works commenced in August 2017. This project is expected to complete in the first quarter of 2019.

Guangzhou Eastern Place Phase V
Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 1,025,300 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 705,900 square feet approximately). Construction work of residential blocks was completed during the year ended 31 July 2015 and the office block was completed in June 2016.

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the six months ended 31 January 2018, 2,460 square feet was recognised at an average selling price of HK$6,435 per square foot, which contributed HK$14.9 million to the turnover. As at 31 January 2018, completed residential units held for sale in this development amounted to approximately 5,062 square feet with a carrying amount of approximately HK$14.2 million.

Guangzhou Dolce Vita
The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou has a total project GFA of approximately 5.459 million square feet. The project will comprise of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.833 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

During the period under review, 85,943 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK$280.7 million. As at 31 January 2018, contracted but not yet recognised sales excluding car-parking spaces amounted to HK$33.8 million at average selling prices of HK$4,822 per square foot. Construction of this project has been completed.

Guangzhou King's Park
This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. The project was launched for sale in January 2014.

During the period under review, the sales of 4 car-parking spaces contributed HK$3.1 million to the turnover. As at 31 January 2018, the contracted but not yet recognised sales of the 2 car-parking spaces amounted to approximately HK$1.6 million.

Guangzhou Haizhu Plaza
Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 602,800 square feet and is intended to be developed for rental purposes. The completion is expected to be in the first half of 2021.

Zhongshan Palm Spring
The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

During the period under review, 83,629 square feet of high-rise residential units were recognised at average selling prices of HK$1,131 per square foot, which contributed a total of HK$90.1 million to the sales turnover. As at 31 January 2018, contracted but not yet recognised sales for high-rise residential units amounted to HK$3.2 million, at average selling prices of HK$1,225 per square foot. As at 31 January 2018, completed units held for sale in this development amounted to 488,000 square feet with a carrying amount of approximately HK$425.0 million. The remaining GFA under development was approximately 2,099,200 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	**Description**	**Approximate GFA* (square feet)**	**Expected completion**
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2022

** Excluding car-parking spaces and ancillary facilities*

The Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Hengqin Novotown

On 25 September 2013, the Company announced it had successfully won Phase I of the Novotown project in Hengqin which is 80% owned by the Group and 20% owned by eSun Holdings Limited. The Phase I of Novotown has a total GFA of 4.2 million square feet including car-parking spaces and ancillary facilities. The minimum investment requirement for the Phase I of Novotown is approximately RMB3.0 billion (equivalent to approximately HK$3.7 billion), of which approximately RMB523.3 million (equivalent to approximately HK$645.9 million) is land cost as per the land grant contract entered into between the Group and The Land and Resources Bureau of Zhuhai on 27 September 2013. The master layout plan for Phase I of Novotown has been approved in January 2015 and construction work commenced at the end of 2015. Completion is expected to be in the fourth quarter of 2018.

The expected GFA breakdown by usage is set out below:

Usage	**GFA (square feet)**
Cultural themed hotel	596,727
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	167,982
Cultural attractions	286,247
Office	542,447
Cultural studios (for sale)	244,936
Car-parking spaces	582,827
Ancillary facilities and others	844,817
Total:	**4,219,467**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment World™ in one of the two performance halls in the Phase I of Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, oversee its preopening and to operate the Lionsgate Entertainment World™ for a minimum of ten years. The Lionsgate Entertainment World™ is expected to feature attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

The Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer, the size of which is expected to be approximately 50,200 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

In June 2017, the Group entered into a cooperation agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

In January 2017, the Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company co-developing a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximate 80,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

In June 2017, the Group entered into a licence agreement with Real Madrid in relation to the development and operation of the Real Madrid LBE in Novotown. In September 2017, the Group entered into a framework agreement with Porsche in relation to the development and operation of Porsche City in Novotown. In November 2017, the Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. Real Madrid LBE, the Porsche City and the ILA Hengqin are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between the Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE

As at 31 January 2018, cash and bank balances held by the Group amounted to HK$5,040.0 million and undrawn facilities of the Group was HK$4,473.6 million.

As at 31 January 2018, the Group had total borrowings amounting to HK$9,279.6 million (as at 31 July 2017: HK$6,091.4 million), representing an increase of HK$3,188.2 million from 31 July 2017. The consolidated net assets attributable to the owners of the Company amounted to HK$16,130.4 million (as at 31 July 2017: HK$14,584.1 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 26% (as at 31 July 2017: 24%). The maturity profile of the Group's borrowings of HK$9,279.6 million is well spread with HK$2,468.1 million repayable within 1 year, HK$1,357.3 million repayable in the second year, HK$5,285.0 million repayable in the third to fifth years and HK$169.2 million repayable beyond the fifth year.

Approximately 63% and 34% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 3% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes and guaranteed notes, the Group's other borrowings of HK$4,347.0 million were 60% denominated in Renminbi ("**RMB**"), 29% in Hong Kong dollars ("**HKD**") and 11% in United States Dollars ("**USD**").

The Group's fixed rate senior notes of HK$2,219.7 million were denominated in RMB. The Group has entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the fixed rate notes have been effectively converted into USD denominated debts. The Group's guaranteed notes of HK$2,712.9 million were denominated in USD. The Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

The Group's cash and bank balances of HK$5,040.0 million were 45% denominated in RMB, 6% in HKD and 49% in USD.

The Group's presentation currency is denominated in HKD. The Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, the Group has a net exchange exposure to RMB as the Group's assets are principally located in China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$11,673.0 million, properties under development with a total carrying amount of approximately HK$1,333.6 million, serviced apartments and related properties with a total carrying amount of approximately HK$507.2 million, construction in progress with a total carrying amount of approximately HK$754.1 million and bank balances of approximately HK$555.2 million.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing property development and investment projects.

CONTINGENT LIABILITIES

There has been no material change in contingent liabilities of the Group since 31 July 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 31 January 2018 save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

None of the existing non-executive directors ("**NEDs**", including the independent non-executive directors ("**INEDs**")) of the Company is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**") which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by the shareholders of the Company and the retiring Directors are eligible for re-election. In addition, in accordance with the provisions of the Articles of Association, any person appointed by the Board as a Director (including a NED) either to fill a casual vacancy or as an addition to the Board will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election. 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. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2018, the Group employed a total of around 1,300 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

INVESTOR RELATIONS

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

During the six months ended 31 January 2018, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
October 2017	Post results non-deal roadshow	CLSA	Hong Kong
October 2017	Post results non-deal roadshow	DBS	Singapore
November 2017	Post results non-deal roadshow	BNP	London
November 2017	Post results non-deal roadshow	BNP	New York/ Los Angeles
January 2018	Deal roadshow – Lai Fung USD guaranteed notes	DBS/HSBC/OCBC/UBS	Singapore
January 2018	Deal roadshow – Lai Fung USD guaranteed notes	DBS/HSBC/OCBC/UBS	Hong Kong
January 2018	The Pulse of Asia Conference	DBS	Singapore

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

Firm	Analyst	Publication Date
HSBC	Keith CHAN	23 October 2017

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@laifung.com.

REVIEW OF INTERIM RESULTS

The audit committee of the Company ("**Audit Committee**") currently comprises two of the INEDs, namely Mr. Law Kin Ho and Mr. Lam Bing Kwan, and a NED, Mr. Lucas Ignatius Loh Jen Yuh (alternate: Mr. Puah Tze Shyang). The Audit Committee has reviewed the unaudited interim results (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2018.

By Order of the Board
Chew Fook Aun
Chairman

Hong Kong, 22 March 2018

As at the date of this announcement, the Board of the Company comprises seven Executive Directors, namely Mr. Chew Fook Aun (Chairman), Dr. Lam Kin Ming (Deputy Chairman), Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman), Mr. Lam Hau Yin, Lester (Chief Executive Officer), Madam U Po Chu, Mr. Cheng Shin How and Mr. Lee Tze Yan, Ernest; two Non-executive Directors, namely Mr. Lucas Ignatius Loh Jen Yuh and Mr. Puah Tze Shyang (also alternate to Mr. Lucas Ignatius Loh Jen Yuh); and five Independent Non-executive Directors, namely Messrs. Lam Bing Kwan, Ku Moon Lun, Law Kin Ho, Mak Wing Sum, Alvin and Shek Lai Him, Abraham.