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LAI SUN DEVELOPMENT

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

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

RESULTS

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

		Six months ended 31 January	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
TURNOVER	3	863,780	818,436
Cost of sales		<u>(366,937)</u>	<u>(333,965)</u>
Gross profit		496,843	484,471
Other revenue		73,273	21,776
Selling and marketing expenses		(10,901)	(20,212)
Administrative expenses		(155,237)	(136,132)
Other operating expenses		(148,823)	(132,907)
Fair value gains on investment properties		<u>575,044</u>	<u>502,876</u>
PROFIT FROM OPERATING ACTIVITIES	4	830,199	719,872
Finance costs	5	(138,522)	(84,488)
Share of profits and losses of associates		(11,832)	6,960
Share of profits and losses of joint ventures		<u>612,585</u>	<u>333,817</u>
PROFIT BEFORE TAX		1,292,430	976,161
Tax	6	<u>(41,176)</u>	<u>(43,653)</u>
PROFIT FOR THE PERIOD		<u>1,251,254</u>	<u>932,508</u>
Attributable to:			
Owners of the Company		1,223,639	913,135
Non-controlling interests		<u>27,615</u>	<u>19,373</u>
		<u>1,251,254</u>	<u>932,508</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		(Adjusted)
Basic		<u>HK\$2.022</u>	<u>HK\$1.513</u>
Diluted		<u>HK\$2.013</u>	<u>HK\$1.510</u>

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

	Six months ended	
	31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>1,251,254</u>	<u>932,508</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Changes in fair values of available-for-sale financial assets	167,315	52,177
Exchange realignments	114,518	(50,324)
Share of other comprehensive income/(expense) of associates	267,994	(135,542)
Share of other comprehensive income of a joint venture	962	-
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(5,728)	-
Reclassification adjustments for exchange loss included in the condensed consolidated income statement	<u>(3,535)</u>	-
	<u>(9,263)</u>	-
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	<u>541,526</u>	<u>(133,689)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>1,792,780</u></u>	<u><u>798,819</u></u>
Attributable to:		
Owners of the Company	1,765,183	779,318
Non-controlling interests	<u>27,597</u>	<u>19,501</u>
	<u><u>1,792,780</u></u>	<u><u>798,819</u></u>

Condensed Consolidated Statement of Financial Position

As at 31 January 2018

	<i>Notes</i>	31 January 2018 (Unaudited) <i>HK\$'000</i>	31 July 2017 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,742,709	4,034,466
Prepaid land lease payments		19,359	19,873
Investment properties		17,233,922	16,447,014
Properties under development for sale		815,394	1,571,635
Goodwill		5,161	5,161
Interests in associates		3,807,340	3,555,876
Interests in joint ventures		7,925,439	7,224,183
Available-for-sale financial assets		1,785,379	1,589,670
Pledged bank balances and time deposits		62,404	69,675
Deposits paid and other receivables		338,128	231,868
Total non-current assets		<u>36,735,235</u>	<u>34,749,421</u>
CURRENT ASSETS			
Properties under development for sale		965,856	-
Completed properties for sale		252,121	252,121
Inventories		33,549	31,327
Debtors, deposits paid and other receivables	8	639,319	530,416
Pledged bank balances and time deposits		239,690	213,640
Cash and cash equivalents		2,025,409	2,664,066
Total current assets		<u>4,155,944</u>	<u>3,691,570</u>
CURRENT LIABILITIES			
Creditors, deposits received and accruals	9	1,445,838	452,005
Tax payable		99,557	119,062
Guaranteed notes	10	-	2,731,230
Bank borrowings		172,486	157,582
Total current liabilities		<u>1,717,881</u>	<u>3,459,879</u>
NET CURRENT ASSETS		<u>2,438,063</u>	<u>231,691</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>39,173,298</u>	<u>34,981,112</u>
NON-CURRENT LIABILITIES			
Bank borrowings		6,403,514	6,748,399
Guaranteed notes	10	3,105,184	-
Derivative financial instruments		5,728	-
Deferred tax		146,453	141,291
Provision for tax indemnity		93,000	93,000
Long term deposits received and other payables		591,141	886,435
Deferred rental		6,083	7,448
Total non-current liabilities		<u>10,351,103</u>	<u>7,876,573</u>
		<u>28,822,195</u>	<u>27,104,539</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,076,816	4,063,736
Investment revaluation reserve		1,621,161	1,442,513
Share option reserve		64,490	64,693
Hedging reserve		(2,552)	1,852
Capital reduction reserve		4,692	4,692
General reserve		646,700	646,700
Other reserve		202,822	215,998
Statutory reserve		55,211	46,240
Exchange fluctuation reserve		(15,027)	(382,327)
Retained profits		<u>21,650,060</u>	<u>20,495,693</u>
		<u>28,304,373</u>	<u>26,599,790</u>
Non-controlling interests		517,822	504,749
		<u>28,822,195</u>	<u>27,104,539</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 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 “**Stock Exchange**”) 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 2017 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 2017 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 auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its 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 auditor 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 2017.

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	-	-	349,482	345,839	231,933	209,081	268,469	248,653	13,896	14,863	-	-	863,780	818,436
Intersegment sales	-	-	10,120	7,955	-	90	-	-	13,556	12,547	(23,676)	(20,592)	-	-
Other revenue	2,041	3,637	548	757	564	16	168	180	17,971	4,683	-	-	21,292	9,273
Total	2,041	3,637	360,150	354,551	232,497	209,187	268,637	248,833	45,423	32,093	(23,676)	(20,592)	885,072	827,709
Segment results	(6,711)	(18,751)	273,059	283,832	37,814	37,777	(5,705)	(7,800)	12,948	(6,927)	-	-	311,405	288,131
Interest income from bank deposits														
- unallocated													31,633	5,487
Unallocated revenue													20,348	7,016
Fair value gains on investment properties	-	-	575,044	502,876	-	-	-	-	-	-	-	-	575,044	502,876
Unallocated expenses													(108,231)	(83,638)
Profit from operating activities													830,199	719,872
Finance costs													(138,522)	(84,488)
Share of profits and losses of associates	28	16	-	-	(251)	-	(1,288)	(2,147)	-	1,749	-	-	(1,511)	(382)
Share of profits and losses of associates - unallocated													(10,321)	7,342
Share of profits and losses of joint ventures	(2,314)	(26,026)	623,873	359,843	-	-	(577)	-	(8,397)	-	-	-	612,585	333,817
Profit before tax													1,292,430	976,161
Tax													(41,176)	(43,653)
Profit for the period													1,251,254	932,508

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 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
Segment assets	2,607,315	2,233,477	17,473,374	16,657,105	4,921,206	4,076,803	578,672	586,663	264,984	242,782	25,845,551	23,796,830
Interests in associates	5,876	5,890	-	-	172,957	159,478	(10,992)	(9,078)	-	-	167,841	156,290
Interests in associates - unallocated											3,639,499	3,399,586
Interests in joint ventures	1,188,983	1,116,246	6,610,320	5,986,447	-	-	(577)	-	126,713	121,490	7,925,439	7,224,183
Unallocated assets											3,312,849	3,864,102
Total assets											40,891,179	38,440,991
Segment liabilities	1,482,643	777,431	180,020	194,047	247,390	279,216	40,772	43,158	9,198	9,932	1,960,023	1,303,784
Bank borrowings											6,576,000	6,905,981
Guaranteed notes											3,105,184	2,731,230
Other unallocated liabilities											427,777	395,457
Total liabilities											12,068,984	11,336,452

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation [#]	42,145	37,005
Interest income from bank deposits	(31,633)	(5,487)
Other interest income	(6,404)	(3,872)
Dividend income from unlisted available-for-sale financial assets	(10,700)	(7,740)
Foreign exchange (gains)/losses, net	(9,105)	9,734 [*]
	<u> </u>	<u> </u>

[#] Depreciation charge of approximately HK\$39,648,000 (Six months ended 31 January 2017: HK\$34,884,000) for property, plant and equipment is included in "other operating expenses" on the condensed consolidated income statement.

^{*} Foreign exchange losses, net was included in "other operating expenses" on the condensed consolidated income statement in prior period.

(b) Other than those mentioned in note 4(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operation in Vietnam of approximately HK\$36,664,000 (Six months ended 31 January 2017: HK\$31,994,000).

5. FINANCE COSTS

	Six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings	75,483	57,356
Interest on guaranteed notes	127,168	79,490
Bank financing charges	21,599	24,256
	<u>224,250</u>	<u>161,102</u>
Less: Amount capitalised in a hotel development project	(60,306)	(48,441)
Amount capitalised in properties under development for sale	(25,422)	(28,173)
	<u>138,522</u>	<u>84,488</u>

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2017: 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax		
Hong Kong	20,398	21,999
Overseas	16,101	14,041
	<u>36,499</u>	<u>36,040</u>
Deferred tax	4,609	7,800
Prior years' underprovision /(overprovision)		
Hong Kong	75	(85)
Overseas	(7)	(102)
	<u>68</u>	<u>(187)</u>
Tax charge for the period	<u>41,176</u>	<u>43,653</u>

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	1,223,639	913,135
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share	(202)	(47)
Earnings for the purpose of diluted earnings per share	<u>1,223,437</u>	<u>913,088</u>
	'000	'000 (Adjusted)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	605,075	603,327
Effect of dilutive potential ordinary shares arising from share options	<u>2,593</u>	<u>1,227</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>607,668</u>	<u>604,554</u>

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

The number of shares for the purpose of earnings per share were calculated to reflect the share consolidation (i.e. every fifty issued shares are consolidated into one share in the share capital of the Company as approved by the shareholders of the Company in the General Meeting with effect from 15 August 2017) (the “**Share Consolidation**”). Comparative figures have also been adjusted on the assumption that the Share Consolidation had been effective in the prior period. Further details of the Share Consolidation are set out in the Company’s announcements dated 27 April 2017 and 18 July 2017, and the Company’s circular dated 26 July 2017.

8. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

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:

	31 January 2018 (Unaudited) HK\$’000	31 July 2017 (Audited) HK\$’000
Trade debtors:		
Not yet due or less than 30 days past due	14,176	11,468
31 - 60 days past due	3,434	2,269
61 - 90 days past due	1,555	655
Over 90 days past due	5,658	4,611
	24,823	19,003
Other receivables	498,625	436,939
Deposits paid and prepayments	115,871	74,474
	639,319	530,416

9. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	31 January 2018 (Unaudited) HK\$’000	31 July 2017 (Audited) HK\$’000
Trade creditors:		
Not yet due or less than 30 days past due	25,433	18,966
31 - 60 days past due	1,609	865
61 - 90 days past due	420	120
Over 90 days past due	433	74
	27,895	20,025
Other payables and accruals	174,070	267,498
Deposits received and other provisions	1,243,873	164,482
	1,445,838	452,005

10. GUARANTEED NOTES

US\$350,000,000 5.7% Guaranteed Notes due 2018

On 18 January 2013, Lai Sun International Finance (2012) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US\$350,000,000 (the “**2013 Notes**”). The 2013 Notes were guaranteed by the Company, had a maturity term of five years and bear a fixed interest rate of 5.7% per annum with interest payable semi-annually in arrears. The 2013 Notes were listed on the Stock Exchange and have been fully redeemed in January 2018 upon maturity.

US\$400,000,000 4.6% Guaranteed Notes due 2022

On 13 September 2017, LSD Bonds (2017) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US\$400,000,000 (the “**2017 Notes**”). The 2017 Notes are guaranteed by the Company, have a maturity term of five years and bear a fixed interest rate of 4.6% per annum with interest payable semi-annually in arrears. The 2017 Notes are listed on the Stock Exchange.

The net proceeds from the offering of the 2017 Notes are approximately US\$397,000,000. Apart from refinancing the 2013 Notes, the proceeds will be used for general corporate purposes.

INTERIM ORDINARY DIVIDEND

The Board of the Company has resolved not to declare the payment of an interim ordinary dividend for the financial year ending 31 July 2018. No interim ordinary dividend was declared in respect of the last corresponding period.

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 markets 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 US and Europe, and 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.

The property sector in Hong Kong as a whole continued to show resilience and robustness. During the period under review, the slowdown in the luxury end of the retail market has been recovering due to improving visitor numbers while rent has yet to catch up with improved sales. The office leasing market continues to stabilise due to tight supply and continuing demand to consolidate office space in Central as well as general improvement in business sentiment and therefore the need to expand. The residential market was robust, underpinned by a lack of supply with record prices being achieved in recent land tenders, as well as a sustained period of low interest rates. The effect of the recent rate hike since the beginning of last year has yet to be seen, however, interest rates remain low relative to recent history. Labour supply shortages in the construction industry continues to drive wage inflation and pose a challenge on the cost management side.

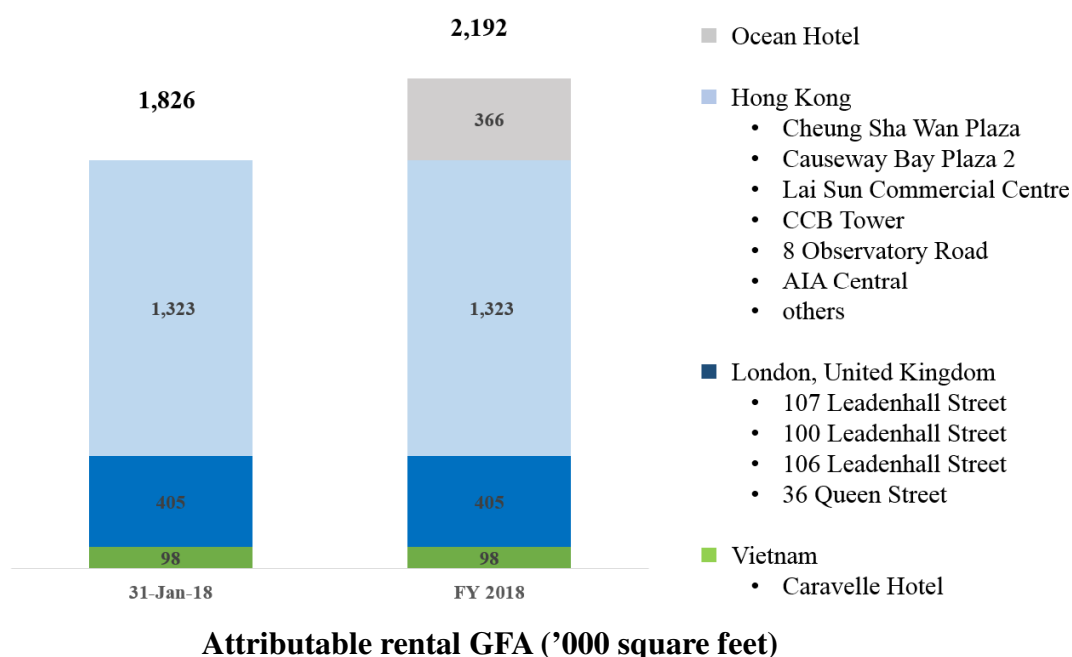
The management believes it is paramount to prepare the Group for the challenges and opportunities ahead. The Group completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider Lai Sun Group since refocusing 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 Gross Floor Area (“GFA”) (square feet)	Use	Expected Construction Completion Date
Hong Kong				
Development Properties				
November 2012	Alto Residences	573,268	Commercial/ Residential	Q2 2018
April 2014	93 Pau Chung Street	111,354	Commercial/ Residential	Q2 2018
May 2014	Hong Kong Ocean Park Marriott Hotel	365,974	Hotel	Q2 2018
September 2015	Sai Wan Ho Street Project	59,799	Residential	Q3 2019
May 2016	Novi	42,851	Commercial/ Residential	Q3 2019
London, United Kingdom				
Investment Properties				
April 2014	107 Leadenhall Street	146,606	Commercial/ Office	N/A
November 2014	100 Leadenhall Street	177,700	Office	N/A
December 2015	106 Leadenhall Street	19,924	Commercial/ Office	N/A

The Group as a whole performed steadily against this challenging environment. The rental portfolio comprises of approximately 1.8 million square feet attributable to the Group, of which about 1.3 million square feet is located in Hong Kong. Despite the softened economic sentiment and weakened retail activity, the Group’s Hong Kong properties performed steadily at nearly full occupancy levels.

The London properties weathered the uncertainties of Brexit well during the period under review. As at the date of this results announcement, over 70% of the floor area of 106 Leadenhall Street in London has been leased out. This multi-tenanted property located adjacent to our other two wholly-owned properties, namely 100 and 107 Leadenhall Street, is expected to enhance and enlarge the Group’s strategic property investment portfolio in the City of London. All leases of 100, 106 and 107 Leadenhall Street in London has been aligned to expire in 2023. The Group has appointed DP9, one of the leading professional consultancies in planning, development and regeneration in the United Kingdom to advise on the redevelopment of the site comprising 100, 106 and 107 Leadenhall Street. Skidmore, Owings & Merrill LLP has also been engaged as architect for this project. A planning application was submitted to the City of London Corporation in February 2018 and the proposed new building will rise to 263 meters above ordnance datum, made up of basement storeys, a ground floor and 56 floors above and is expected to provide up to 1.2 million square feet gross external area of high quality, flexible office accommodation to meet forecast demands in the City of London.

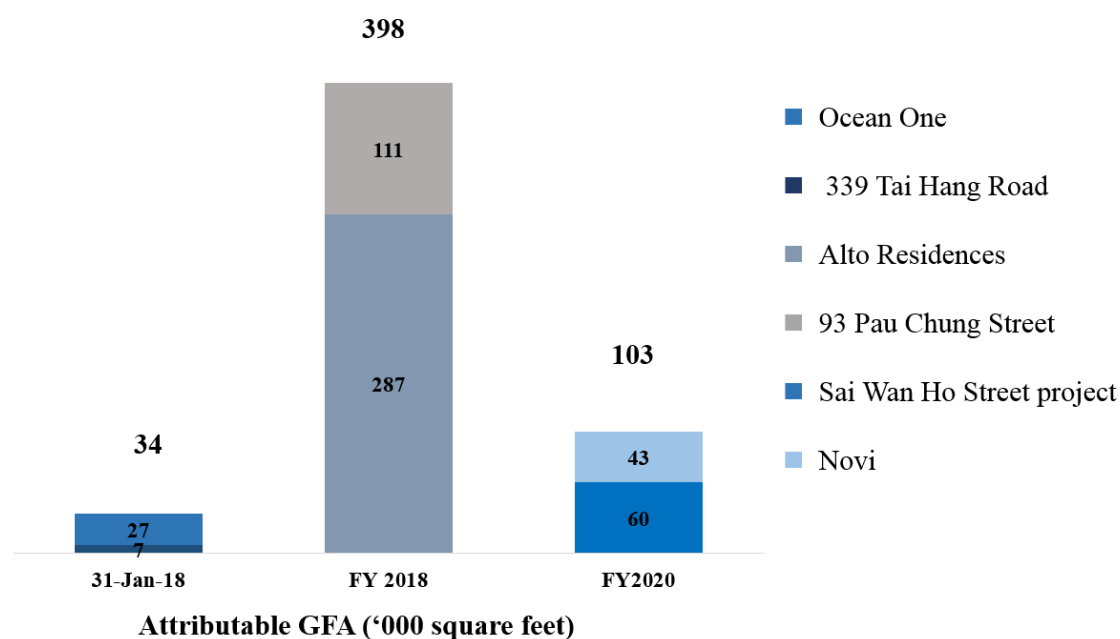
The Hong Kong Ocean Park Marriott Hotel (“**Ocean Hotel**”), to be operated by the Marriott group, will provide a total of 471 rooms and approximately 365,974 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.8 million square feet. Its construction is expected to be completed in the second quarter of 2018. The hotel project in Phuket, Thailand that the Group invested in June 2017 is at the start of the development stage and the Group will provide material updates on this project as and when available. Set out below is the expected growth of the rental portfolio of the Group:



The Urban Renewal Authority project in Ma Tau Kok, Kowloon, named “93 Pau Chung Street” and the joint venture project in Tseung Kwan O named “Alto Residences” were launched for pre-sale in September 2016 and October 2016, respectively. The 93 Pau Chung Street project offers 209 flats in total, including studios, one and two-bedroom units. Up to 18 March 2018, the Group has pre-sold 207 units in 93 Pau Chung Street with saleable area of approximately 74,500 square feet at an average selling price of approximately HK\$16,300 per square foot. The Alto Residences project provides 605 flats, including 23 detached houses. Up to 18 March 2018, the Group has pre-sold 532 units in Alto Residences with saleable area of approximately 298,600 square feet at an average selling price of approximately HK\$15,600 per square foot. The Ki Lung Street project in Mong Kok, Kowloon, named “Novi”, offering 138 flats in total was launched for pre-sale in July 2017. Up to 18 March 2018, the Group has pre-sold 135 units in Novi with saleable area of approximately 28,000 square feet at an average selling price of approximately HK\$18,700 per square foot. The Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong is planned to provide about 144 residential units upon completion with a total GFA of 59,799 square feet.

The Group is encouraged by the sales of 93 Pau Chung Street, Alto Residences and Novi which will be recognised in coming financial years. The Group will continue to participate in government tenders to grow the pipeline.

Set out below is the pipeline of development projects for sale based on construction completion timetable of the Group:



The share consolidation on a 1-for-50 basis (“Share Consolidation”) and change in board lot size from 15,000 shares to 300 shares announced by the Group on 27 April 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.

The Group's strong cash position of HK\$2,327.5 million of cash on hand and HK\$4,129.5 million of undrawn facilities with a net debt to equity ratio of 26.0% as at 31 January 2018 provides the Group with full confidence and the means to review opportunities more actively. The Group's gearing excluding the net debt of the London portfolio all of which have a positive carry net of financing costs is 20.2%. The financial liquidity of the Group has been bolstered by the US\$400 million guaranteed notes issued in September 2017 which is listed on The Stock Exchange of Hong Kong Limited. The proceeds from this new bond helped to refinance the US\$350 million guaranteed notes issued by the Group in 2013 which matured in January 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 turnover of HK\$863.8 million (2017: HK\$818.4 million) and a gross profit of HK\$496.8 million (2017: HK\$484.5 million), representing an increase of approximately 5.5% and 2.5%, respectively over the same period last year.

Set out below is the turnover by segment:

	Six months ended 31 January		Difference (HK\$ million)	% change
	2018 (HK\$ million)	2017 (HK\$ million)		
Property investment	349.5	345.8	3.7	1.1%
Property development and sales	-	-	-	N/A
Restaurant operation	268.5	248.7	19.8	8.0%
Hotel operation and others	245.8	223.9	21.9	9.8%
Total	863.8	818.4	45.4	5.5%

For the six months ended 31 January 2018, net profit attributable to owners of the Company was approximately HK\$1,223.6 million (2017: HK\$913.1 million), representing an increase of approximately 34.0% over the same period last year. The increase is primarily due to a substantial increase in the revaluation of investment properties owned by the Group and held through joint ventures of the Group during the period under review.

Basic earnings per share was HK\$2.022 (Adjusted 2017: HK\$1.513).

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$30.0 million (2017: HK\$80.0 million). Net profit per share excluding the effect of property revaluations was HK\$0.050 (Adjusted 2017: HK\$0.133 per share).

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 calculation of basic earnings per share and adjusted net profit per share as above due to the Share Consolidation of the Company being effective on 15 August 2017.

	Six months ended 31 January	
	2018 HK\$ million	2017 HK\$ million
Profit attributable to owners of the Company		
Reported	1,223.6	913.1
Less: Adjustments in respect of revaluation gains of investment properties held by		
- the Company and subsidiaries	(575.0)	(502.9)
- associates and joint ventures	(618.6)	(330.2)
Net profit after tax excluding revaluation gains of investment properties	30.0	80.0

Equity attributable to owners of the Company as at 31 January 2018 amounted to HK\$28,304.4 million, up from HK\$26,599.8 million as at 31 July 2017. Net asset value per share attributable to owners of the Company increased by 6.2% to HK\$46.701 per share as at 31 January 2018 from HK\$43.965 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

As at 31 January 2018, the Group maintained a property portfolio with attributable GFA of approximately 2.7 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 /Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental ¹	536	1,128	64	-	-	1,728	1,027
Completed Hotel Properties	-	-	-	-	98	98	-
Properties Under Development ²	80	-	-	421	366	867	196
Completed Properties Held for Sale	27	-	-	7	-	34	10
Total GFA of major properties of the Group	643	1,128	64	428	464	2,727	1,233

1. Completed and rental generating properties

2. All properties under construction

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

PROPERTY INVESTMENT

Rental Income

During the period under review, the Group's rental operations recorded a turnover of HK\$349.5 million (2017: HK\$345.8 million), representing a 1.1% increase over the same period last year.

The Group wholly owns three major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. The 50:50 joint venture with Henderson Land Development Company Limited (“**Henderson Land**”) at 8 Observatory Road, Kowloon is now fully leased. This is recognised as a component of “Share of profits and losses 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		% Change	Period end occupancy (%)
	2018 HK\$ million	2017 HK\$ million		
Hong Kong				
Cheung Sha Wan Plaza (including car-parking spaces)	153.7	151.5	1.5	95.0
Causeway Bay Plaza 2 (including car-parking spaces)	89.0	90.2	-1.3	98.2
Lai Sun Commercial Centre (including car-parking spaces)	25.4	29.3	-13.3	84.1
Others	6.3	6.2	1.6	
Subtotal:	274.4	277.2	-1.0	
London, United Kingdom				
36 Queen Street	12.6	11.5	9.6	100.0
107 Leadenhall Street	27.4	22.8	20.2	100.0
100 Leadenhall Street	32.4	31.6	2.5	100.0
106 Leadenhall Street	2.7	2.7	-	73.6
Subtotal:	75.1	68.6	9.5	
Total:	349.5	345.8	1.1	
Rental proceeds from joint venture projects				
Hong Kong				
CCB Tower [#] (50% basis)	66.1	60.4	9.4	100.0
8 Observatory Road ^{##} (50% basis)	28.4	26.3	8.0	100.0
Total:	94.5	86.7	9.0	

[#] CCB Tower is a joint venture project with China Construction Bank Corporation (“**CCB**”) in which each of the Group and CCB has an effective 50% interest. For the six months ended 31 January 2018, the rental proceeds recorded by the joint venture is HK\$132.2 million (2017: HK\$120.7 million).

^{##} 8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the six months ended 31 January 2018, the rental proceeds recorded by the joint venture is HK\$56.8 million (2017: HK\$52.6 million).

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)
Hong Kong						
Cheung Sha Wan Plaza	100%			100%		
Commercial		80.4	233,807		79.1	233,807
Office		63.7	409,896		63.8	409,896
Car-parking spaces		9.6	N/A		8.6	N/A
Subtotal:		153.7	643,703		151.5	643,703
Causeway Bay Plaza 2	100%			100%		
Commercial		60.1	109,770		61.5	109,770
Office		26.4	96,268		26.2	96,268
Car-parking spaces		2.5	N/A		2.5	N/A
Subtotal:		89.0	206,038		90.2	206,038
Lai Sun Commercial Centre	100%			100%		
Commercial		11.9	95,063		15.6	95,063
Office		4.2	74,181		5.0	74,181
Car-parking spaces		9.3	N/A		8.7	N/A
Subtotal:		25.4	169,244		29.3	169,244
Others		6.3	63,592*		6.2	63,592*
Subtotal:		274.4	1,082,577*		277.2	1,082,577*
London, United Kingdom						
36 Queen Street	100%			100%		
Office		12.6	60,816		11.5	60,816
107 Leadenhall Street	100%			100%		
Commercial		2.5	48,182		2.0	48,149
Office		24.9	98,424		20.8	98,457
Subtotal:		27.4	146,606		22.8	146,606
100 Leadenhall Street	100%			100%		
Office		32.4	177,700		31.6	177,700
106 Leadenhall Street	100%			100%		
Commercial		0.6	3,540		0.5	3,540
Office		2.1	16,384		2.2	16,384
Subtotal:		2.7	19,924		2.7	19,924
Subtotal:		75.1	405,046		68.6	405,046
Total:		349.5	1,487,623*		345.8	1,487,623*
Joint Venture Projects						
Hong Kong						
CCB Tower [#] (50% basis)	50%			50%		
Office		65.8	114,603**		60.1	114,555**
Car-parking spaces		0.3	N/A		0.3	N/A
Subtotal:		66.1	114,603**		60.4	114,555**
8 Observatory Road ^{###} (50% basis)	50%			50%		
Commercial		23.0	45,312***		21.1	45,312***
Office		4.2	37,273***		4.0	37,273***
Car-parking spaces		1.2	N/A		1.2	N/A
Subtotal:		28.4	82,585***		26.3	82,585***
Total:		94.5	197,188		86.7	197,140

* Excluding 10% interest in AIA Central.

** Referring to GFA attributable to the Group. The total GFA of CCB Tower is 229,206 square feet.

*** Referring to GFA attributable to the Group. 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 the Group and CCB has an effective 50% interest. For the six months ended 31 January 2018, the rental proceeds recorded by the joint venture is HK\$132.2 million (2017: HK\$120.7 million).

8 Observatory Road is a joint venture project with Henderson Land in which each of the Group and Henderson Land has an effective 50% interest. For the six months ended 31 January 2018, the rental proceeds recorded by the joint venture is HK\$56.8 million (2017: HK\$52.6 million).

The average Sterling exchange rate for the period under review appreciated by approximately 4.4% compared with the same period last year. Excluding the effect of currency translation, the Sterling denominated turnover from London properties increased by 4.8% during the period under review. Breakdown of rental turnover of London portfolio for the six months ended 31 January 2018 is as follows:

	2018 HK\$'000	2017 HK\$'000	% Change	2018 GBP'000	2017 GBP'000	% Change
36 Queen Street	12,612	11,514	9.5	1,206	1,149	5.0
107 Leadenhall Street	27,370	22,818	19.9	2,617	2,277	14.9
100 Leadenhall Street	32,344	31,570	2.5	3,092	3,151	-1.9
106 Leadenhall Street	2,734	2,721	0.5	261	272	-4.0
Total:	75,060	68,623	9.4	7,176	6,849	4.8

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).

CCB Tower

The Group 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 229,206 square feet (excluding car-parking spaces). CCB Tower was completed in 2012 and added 114,603 square feet of attributable GFA to the rental portfolio of the Group. 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

The Group 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 is now fully leased out.

AIA Central

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

Overseas Properties

36 Queen Street, London EC4, United Kingdom

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

107 Leadenhall Street, London EC3, United Kingdom

In April 2014, the Group 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 gross internal area 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 Leadenhall Street in April 2014, the Group 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 gross internal area of offices and ancillary accommodation. The property is currently fully let to Chubb Market Company Limited.

106 Leadenhall Street, London EC3, United Kingdom

In December 2015, the Group acquired the property located adjacent to 100 and 107 Leadenhall Street, namely 106 Leadenhall Street, which is a multi-tenanted asset with approximately 19,924 square feet gross internal area of commercial and offices including ancillary space. Up to the date of this results announcement, over 70% floor area of the property has been leased out.

PROPERTY DEVELOPMENT

No turnover from sales of properties was recognised for the six months ended 31 January 2018 (2017: Nil).

Review of major projects for sale

339 Tai Hang Road, Hong Kong

The Group 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 approximately 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is approximately HK\$670 million. Up to the date of this results announcement, 8 out of 9 units of this project have been sold.

Ocean One, 6 Shung Shun Street, Yau Tong

The Group wholly owns this development project, namely "Ocean One" located at No. 6 Shung Shun Street, Yau Tong, Kowloon. This property is a residential-cum-commercial property with a total GFA of about 122,000 square feet (excluding car-parking spaces) or 124 residential units and 2 commercial units. All units have been sold other than 2 shops and 7 car-parking spaces.

Review of major projects under development

Ocean Hotel

The Group 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 365,974 square feet of attributable rental space to the existing rental portfolio of the Group of approximately 1.8 million square feet. The total development cost is estimated to be approximately HK\$4.4 billion. Construction is expected to be completed in the second quarter of 2018.

Alto Residences

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of 229,338 square feet with a total GFA of 573,268 square feet split into 458,874 square feet for residential use and 114,394 square feet for commercial use. Construction is expected to be completed in the second quarter of 2018.

This project providing 605 flats, including 23 detached houses was named “Alto Residences” and was launched for pre-sale in October 2016. Up to 18 March 2018, the Group has pre-sold 532 units in Alto Residences with saleable area of approximately 298,600 square feet at an average selling price of approximately HK\$15,600 per square foot.

93 Pau Chung Street

In April 2014, the Group was successful 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 111,354 square feet split into 94,486 square feet for residential use and 16,868 square feet for commercial use. The total development cost is estimated to be approximately HK\$1 billion and construction is expected to be completed in the second quarter of 2018.

This project was named “93 Pau Chung Street” and launched for pre-sale in September 2016, offering 209 flats in total, including studios, one and two-bedroom units. Up to 18 March 2018, the Group has pre-sold 207 units in this project with saleable area of approximately 74,500 square feet at an average selling price of HK\$16,300 per square foot.

Novi

On 16 May 2016, the Group has completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Mong Kok, Kowloon. The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet. It is planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,851 square feet. The total development cost is expected to be approximately HK\$0.4 billion and construction is expected to be completed in the third quarter of 2019.

This project was named “Novi” and launched for pre-sale in July 2017, offering 138 flats in total, including studios, one and two-bedroom units. Up to 18 March 2018, the Group has pre-sold 135 units in this project with saleable area of approximately 28,000 square feet at an average selling price of HK\$18,700 per square foot.

Sai Wan Ho Street project

The Group 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 59,799 square feet. The total development cost is estimated to be approximately HK\$0.9 billion and construction is expected to be completed in the third quarter of 2019.

RESTAURANT OPERATIONS

For the six months ended 31 January 2018, restaurant operations contributed HK\$268.5 million to the Group's turnover (2017: HK\$248.7 million), representing an increase of approximately 8.0% from the same period last year. The turnover from the restaurants segment was primarily boosted by contributions from the newly opened restaurants, including Chiu Tang in Central, Hong Kong and Old Bazaar Kitchen in Wanchai, Hong Kong.

Up to the date of this results announcement, restaurant operations include the Group's interests in 18 restaurants in Hong Kong and mainland China and 2 restaurants in Macau and Las Vegas under management.

Cuisine	Restaurant	Location	Attributable interest to the Group	Award
<i>Owned restaurants</i>				
Western Cuisine	8 ^{1/2} Otto e Mezzo BOMBANA Hong Kong	Hong Kong	37%	Three Michelin stars (2012-2018)
	8 ^{1/2} Otto e Mezzo BOMBANA Shanghai	Shanghai	13%	Two Michelin stars (2017)
	Opera BOMBANA	Beijing	20%	
	CIAK - In The Kitchen	Hong Kong	62%	One Michelin star (2015-2017)
	CIAK - All Day Italian	Hong Kong	67%	Michelin Bib Gourmand (2017)
	Beefbar	Hong Kong	62%	One Michelin star (2017-2018)
	Operetta	Hong Kong	67%	
	Grubers	Hong Kong	34%	
Asian Cuisine	China Tang Landmark	Hong Kong	50%	
	China Tang Harbour City	Hong Kong	60%	
	Howard's Gourmet	Hong Kong	50%	
	Beijing Howard's Gourmet	Beijing	67%	
	Chiu Tang Central	Hong Kong	67%	
	Tang ²	Hong Kong	67%	
	Old Bazaar Kitchen	Hong Kong	63%	
Japanese Cuisine	Kaiseki Den by Saotome (formally known as "Wagyu Kaiseki Den")	Hong Kong	59%	One Michelin star (2010-2018)
	Takumi by Daisuke Mori (formally known as "Wagyu Takumi")	Hong Kong	63%	One Michelin star (2017-2018)
	Sushi Masataka (formally known as "Rozan")	Hong Kong	63%	
<i>Managed restaurants</i>				
Western Cuisine	8 ^{1/2} Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2018)
Asian Cuisine	China Tang Las Vegas	Las Vegas	N/A	

HOTEL OPERATIONS

Turnover from hotel operations 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 2018, the hotel operation contributed HK\$231.9 million to the Group's turnover (2017: HK\$209.1 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 98,376 square feet.

The Group 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 2018. 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 team 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 soft opened in August 2013 and comprises two 16-storey blocks with 90 fully furnished serviced apartment units located in the Palm Lifestyle complex in Zhongshan Western district at Cui Sha Road, opposite to the new Zhongshan traditional Chinese medical centre. STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel with 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 2018, the Group's interest in eSun Holdings Limited ("eSun") is 36.94%.

During the period under review, share of loss of eSun amounting to HK\$5.3 million (2017: share of profit of HK\$11.6 million). The decrease is primarily due to (a) a consolidated loss from Media Asia Group Holdings Limited ("MAGHL") owing to unsatisfactory performance of the films released by MAGHL Group during the period under review and (b) lower profit contribution from a joint venture of Lai Fung as sale of the project has been substantially completed, despite a higher fair value gain arising from the revaluation of Lai Fung's investment properties during the period under review.

INTERESTS IN JOINT VENTURES

During the period ended 31 January 2018, contribution from joint ventures amounted to HK\$612.6 million (2017: HK\$333.8 million), representing an increase of 83.5%. This is primarily due to strong revaluation gains of CCB Tower and 8 Observatory Road being recognised during the period under review as compared to the same period last year.

	Six months ended 31 January	
	2018 (HK\$ million)	2017 (HK\$ million)
Revaluation gains	562.6	303.0
Operating profits	50.0	30.8
Contribution from joint ventures	612.6	333.8

Liquidity and Financial Resources

As at 31 January 2018, cash and bank balances and undrawn facilities held by the Group amounted to HK\$2,327.5 million and HK\$4,129.5 million, respectively.

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

As at 31 January 2018, the Group had bank borrowings of approximately HK\$6,576.0 million and guaranteed notes of approximately HK\$3,105.2 million. The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings and guaranteed notes less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company, was approximately 26.0%. The Group's gearing excluding the net debt of the London portfolio all of which had a positive carry net of financing costs was approximately 20.2%. As at 31 January 2018, the maturity profile of the bank borrowings of HK\$6,576.0 million was spread over a period of less than 5 years with HK\$172.5 million repayable within 1 year, HK\$676.7 million repayable in the second year and HK\$5,726.8 million repayable in the third to fifth years. All the Group's borrowings carried interest on a floating rate basis except for the guaranteed notes issued in 2017 which has a fixed rate of 4.6% per annum.

On 13 September 2017, the Group issued guaranteed notes in an aggregate principal amount of US\$400 million ("**2017 Notes**"). The 2017 Notes are guaranteed by the Company, have a maturity term of five years and bear a fixed interest rate of 4.6% per annum with interest payable semi-annually in arrears. The net proceeds from the offering of the 2017 Notes are approximately US\$397 million. Apart from refinancing the guaranteed notes of US\$350 million issued in 2013, the proceeds will be used for general corporate purposes. The Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from the 2017 Notes.

As at 31 January 2018, certain investment properties with carrying amounts of approximately HK\$16,983.3 million, certain property, plant and equipment with carrying amounts of approximately HK\$4,173.2 million, and certain bank balances and time deposits with banks of approximately HK\$302.1 million were pledged to banks to secure banking facilities granted to the Group and its joint venture. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to 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. All the investments were primarily 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. 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 additional need arise.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2018, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) nor did the Company or any of its subsidiaries purchase or sell any of such shares.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 31 January 2018 save for the deviations from code provisions A.4.1, A.5.1 and E.1.2.

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

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

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

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

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

Due to other pre-arranged business commitments which must be attended to by Dr. Lam Kin Ngok, Peter, the Chairman, Dr. Lam was not present at the AGM held on 15 December 2017. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2018, the Group employed a total of approximately 1,600 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 six months ended 31 January 2018, the Company has met with a number of research analysts and investors and attended 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	The Pulse of Asia Conference	DBS	Singapore

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

Firm	Analyst	Publication Date
DBS	Jeff YAU, Ian CHUI	20 October 2017
HSBC	Roanna CHAU, Keith CHAN	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@laisun.com.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (“**Audit Committee**”) currently comprises two INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and a NED, Dr. Lam Kin Ming. The Audit Committee has reviewed the 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
Lam Kin Ngok, Peter
Chairman

Hong Kong, 22 March 2018

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

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

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

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