



LAI FUNG HOLDINGS

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

## Interim Report

For the six months ended 31 January 2017



# Corporate Information

## PLACE OF INCORPORATION

Cayman Islands

## BOARD OF DIRECTORS

### Executive Directors

Chew Fook Aun (*Chairman*)  
Lam Kin Ming (*Deputy Chairman*)  
Lam Kin Hong, Matthew (*Executive Deputy Chairman*)  
Lam Hau Yin, Lester (*Chief Executive Officer*)  
Cheng Shin How  
Lee Tze Yan, Ernest  
U Po Chu

### Non-executive Directors <sup>Note</sup>

Lucas Ignatius Loh Jen Yuh  
Chan Boon Seng  
(*also alternate director to Lucas Ignatius Loh Jen Yuh*)

### Independent Non-executive Directors

Ku Moon Lun  
Lam Bing Kwan  
Law Kin Ho  
Mak Wing Sum, Alvin  
Shek Lai Him, Abraham

## AUDIT COMMITTEE

Law Kin Ho (*Chairman*)  
Lam Bing Kwan  
Lucas Ignatius Loh Jen Yuh

## REMUNERATION COMMITTEE

Lam Bing Kwan (*Chairman*)  
Chew Fook Aun  
Ku Moon Lun  
Law Kin Ho  
Lucas Ignatius Loh Jen Yuh

## AUTHORISED REPRESENTATIVES

Chew Fook Aun  
Lam Kin Ming

## COMPANY SECRETARY

Yim Lai Wa

## REGISTERED OFFICE

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS

11th Floor  
Lai Sun Commercial Centre  
680 Cheung Sha Wan Road  
Kowloon, Hong Kong

Tel: (852) 2741 0391  
Fax: (852) 2741 9763

Note:

With effect from 1 April 2017,

- (i) Mr. Chan Boon Seng will resign as a Non-executive Director and the Alternate Director to Mr. Lucas Ignatius Loh Jen Yuh; and
- (ii) Mr. Puah Tze Shyang will be appointed a Non-executive Director and the Alternate Director to Mr. Lucas Ignatius Loh Jen Yuh.

## SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## INDEPENDENT AUDITORS

Ernst & Young  
Certified Public Accountants

## PRINCIPAL BANKERS

Bank of China Limited  
The Bank of East Asia, Limited  
China CITIC Bank Corporation Limited  
DBS Bank Ltd., Hong Kong Branch  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Oversea-Chinese Banking Corporation Limited  
United Overseas Bank Limited

## LISTING INFORMATION

### Shares

The issued shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

### Stock Code/Board Lot

1125/20,000 shares

### Notes

CNY1,800,000,000 6.875% senior notes due 2018 (Stock Code: 85920) issued by the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

## AMERICAN DEPOSITARY RECEIPT

CUSIP Number:	50731L104
Trading Symbol:	LNGHY
ADR to Ordinary Share Ratio:	1:400
Depository Bank:	The Bank of New York Mellon

## WEBSITE

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

## INVESTOR RELATIONS

Tel: (852) 2853 6116  
Fax: (852) 2853 6651  
E-mail: [ir@laifung.com](mailto:ir@laifung.com)

The board of directors (the “**Board**”) of Lai Fung Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 January 2017 together with the comparative figures of the last corresponding period as follows:

## Condensed Consolidated Income Statement

For the six months ended 31 January 2017

	Notes	For the six months ended 31 January	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
TURNOVER	3	<b>479,022</b>	833,552
Cost of sales		<b>(138,617)</b>	(363,032)
Gross profit		<b>340,405</b>	470,520
Other income and gains		<b>76,642</b>	64,135
Selling and marketing expenses		<b>(55,801)</b>	(28,482)
Administrative expenses		<b>(141,130)</b>	(144,927)
Other operating expenses, net		<b>(30,086)</b>	(99,257)
Fair value gains on investment properties		<b>123,995</b>	226,381
PROFIT FROM OPERATING ACTIVITIES	4	<b>314,025</b>	488,370
Finance costs	5	<b>(78,024)</b>	(83,014)
Share of profits of joint ventures		<b>310,979</b>	88,641
PROFIT BEFORE TAX		<b>546,980</b>	493,997
Tax	6	<b>(200,364)</b>	(177,184)
PROFIT FOR THE PERIOD		<b>346,616</b>	316,813
ATTRIBUTABLE TO:			
Owners of the Company		<b>336,424</b>	303,213
Non-controlling interests		<b>10,192</b>	13,600
		<b>346,616</b>	316,813
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	7		
Basic		<b>HK\$0.021</b>	HK\$0.019
Diluted		<b>HK\$0.021</b>	HK\$0.019

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2017

	Note	For the six months ended	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD		<b>346,616</b>	316,813
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		<b>(537,468)</b>	(859,775)
Share of other comprehensive expenses of joint ventures		<b>(29,521)</b>	(45,377)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period	11	<b>(101,887)</b>	(119,047)
Reclassification adjustments for exchange gain included in the condensed consolidated income statement		<b>69,653</b>	119,348
		<b>(32,234)</b>	301
		<b>(599,223)</b>	(904,851)
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD		<b>(252,607)</b>	(588,038)
ATTRIBUTABLE TO:			
Owners of the Company		<b>(252,907)</b>	(587,144)
Non-controlling interests		<b>300</b>	(894)
		<b>(252,607)</b>	(588,038)

# Condensed Consolidated Statement of Financial Position

As at 31 January 2017

	Notes	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,509,650	1,450,871
Prepaid land lease payments		4,382	4,623
Investment properties		15,072,949	14,661,728
Properties under development		1,348,350	1,184,375
Investments in joint ventures		1,061,385	804,431
Deposit for acquisition of an investment property		—	228,620
<b>Total non-current assets</b>		<b>18,996,716</b>	18,334,648
<b>CURRENT ASSETS</b>			
Properties under development		864,503	791,844
Completed properties for sale		447,231	503,187
Debtors, deposits and prepayments	8	271,144	367,068
Prepaid tax		33,257	32,575
Pledged and restricted time deposits and bank balances		718,488	1,066,374
Cash and cash equivalents		1,882,144	2,546,240
		4,216,767	5,307,288
Asset classified as held for sale		249,622	257,666
<b>Total current assets</b>		<b>4,466,389</b>	5,564,954
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	9	620,506	797,512
Deposits received and deferred income		661,182	596,367
Interest-bearing bank loans, secured		17,798	287,548
Loans from a joint venture		188,193	350,328
Tax payable		370,679	399,326
<b>Total current liabilities</b>		<b>1,858,358</b>	2,431,081
<b>NET CURRENT ASSETS</b>		<b>2,608,031</b>	3,133,873
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>21,604,747</b>	21,468,521
<b>NON-CURRENT LIABILITIES</b>			
Long-term deposits received		132,954	124,389
Interest-bearing bank loans, secured		2,724,741	2,747,970
Advances from a former substantial shareholder		52,868	54,675
Loans from a fellow subsidiary		213,566	221,714
Loans from a joint venture		634,481	222,430
Fixed rate senior notes	10	2,027,122	2,092,741
Derivative financial instruments	11	319,880	210,068
Deferred tax liabilities		2,409,180	2,406,920
<b>Total non-current liabilities</b>		<b>8,514,792</b>	8,080,907
		13,089,955	13,387,614

# Condensed Consolidated Statement of Financial Position

(Continued)

As at 31 January 2017

	<b>31 January 2017 (Unaudited) HK\$'000</b>	31 July 2016 (Audited) HK\$'000
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>1,628,509</b>	1,619,770
Reserves	<b>11,388,299</b>	11,694,997
	<b>13,016,808</b>	13,314,767
<b>Non-controlling interests</b>	<b>73,147</b>	72,847
	<b>13,089,955</b>	13,387,614

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2017

	Attributable to owners of the Company										Non-controlling interests	Total
	Issued capital	Share premium account	Asset revaluation reserve	Share option reserve	Hedge reserve	Exchange fluctuation reserve	Capital reserve	Statutory reserve	Retained earnings	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 July 2016 and 1 August 2016 (Audited)	1,619,770	4,069,257	68,959	29,424	40,403	827,098	137,165	241,397	6,281,294	13,314,767	72,847	13,387,614
Profit for the period	—	—	—	—	—	—	—	—	336,424	336,424	10,192	346,616
Other comprehensive expenses for the period, net of tax:												
Exchange differences arising on translation to presentation currency	—	—	—	—	—	(527,576)	—	—	—	(527,576)	(9,892)	(537,468)
Share of other comprehensive expenses of joint ventures	—	—	—	—	—	(29,521)	—	—	—	(29,521)	—	(29,521)
Net loss on cash flow hedges	—	—	—	—	(32,234)	—	—	—	—	(32,234)	—	(32,234)
Total comprehensive income/(expenses) for the period, net of tax	—	—	—	—	(32,234)	(557,097)	—	—	336,424	(252,907)	300	(252,607)
Issue of shares upon exercise of share options*	3,000	2,361	—	(1,371)	—	—	—	—	—	3,990	—	3,990
Release of reserve upon lapse of share options	—	—	—	(170)	—	—	—	—	170	—	—	—
Transfer to statutory reserve	—	—	—	—	—	—	—	6,380	(6,380)	—	—	—
Share of statutory reserve of joint ventures	—	—	—	—	—	—	—	24,931	(24,931)	—	—	—
Shares issued in lieu of cash dividend**	5,739	3,639	—	—	—	—	—	—	—	9,378	—	9,378
Final 2016 dividend paid	—	—	—	—	—	—	—	—	(58,420)	(58,420)	—	(58,420)
<b>As at 31 January 2017 (Unaudited)</b>	<b>1,628,509</b>	<b>4,075,257<sup>#</sup></b>	<b>68,959<sup>#</sup></b>	<b>27,883<sup>#</sup></b>	<b>8,169<sup>#</sup></b>	<b>270,001<sup>#</sup></b>	<b>137,165<sup>#</sup></b>	<b>272,708<sup>#</sup></b>	<b>6,528,157<sup>#</sup></b>	<b>13,016,808</b>	<b>73,147</b>	<b>13,089,955</b>

# These reserve accounts comprise the consolidated reserves of HK\$11,388,299,000 (31 July 2016: HK\$11,694,997,000) in the condensed consolidated statement of financial position.

\* During the period ended 31 January 2017, 30,000,000 ordinary shares of HK\$0.10 each were issued in respect of a share option exercised under the Company's share option scheme at an exercise price of HK\$0.133 per share and total cash consideration of HK\$3,990,000 was received. The share option reserve of HK\$1,371,000 was released to the share premium account.

\*\* On 16 December 2016, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.0036 per share payable in cash with a scrip dividend alternative (the "2016 Scrip Dividend Scheme") for the year ended 31 July 2016 (the "2016 Final Dividend"). During the period, 57,394,650 new shares were issued by the Company at a deemed price of HK\$0.1634 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2016 Scrip Dividend Scheme to settle HK\$9,378,000 of the 2016 Final Dividend. The remainder of the 2016 Final Dividend of HK\$49,042,000 was satisfied by cash.

Further details of the 2016 Scrip Dividend Scheme are set out in the Company's circular dated 4 January 2017.

# Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 31 January 2017

	Attributable to owners of the Company										Non-controlling interests	Total
	Issued capital	Share premium account	Asset revaluation reserve	Share option reserve	Hedge reserve	Exchange fluctuation reserve	Capital reserve	Statutory reserve	Retained earnings	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 July 2015 and 1 August 2015 (Audited)	1,612,968	4,068,087	68,959	29,594	(6,656)	1,846,681	144,498	229,587	5,472,635	13,466,353	78,875	13,545,228
Profit for the period	—	—	—	—	—	—	—	—	303,213	303,213	13,600	316,813
Other comprehensive income/(expenses) for the period, net of tax:												
Exchange differences arising on translation to presentation currency	—	—	—	—	—	(845,281)	—	—	—	(845,281)	(14,494)	(859,775)
Share of other comprehensive expenses of joint ventures	—	—	—	—	—	(45,377)	—	—	—	(45,377)	—	(45,377)
Net gain on cash flow hedges	—	—	—	—	301	—	—	—	—	301	—	301
Total comprehensive income/(expenses) for the period, net of tax	—	—	—	—	301	(890,658)	—	—	303,213	(587,144)	(894)	(588,038)
Release of reserve upon lapse of share options	—	—	—	(170)	—	—	—	—	170	—	—	—
Share of statutory reserve of joint ventures	—	—	—	—	—	—	—	4,380	(4,380)	—	—	—
Shares issued in lieu of cash dividend*	6,802	1,170	—	—	—	—	—	—	—	7,972	—	7,972
Final 2015 dividend paid	—	—	—	—	—	—	—	—	(53,228)	(53,228)	—	(53,228)
As at 31 January 2016 (Unaudited)	1,619,770	4,069,257 <sup>#</sup>	68,959 <sup>#</sup>	29,424 <sup>#</sup>	(6,355) <sup>#</sup>	956,023 <sup>#</sup>	144,498 <sup>#</sup>	233,967 <sup>#</sup>	5,718,410 <sup>#</sup>	12,833,953	77,981	12,911,934

<sup>#</sup> These reserve accounts comprise the consolidated reserves of HK\$11,214,183,000 (31 July 2015: HK\$11,853,385,000) in the condensed consolidated statement of financial position.

\* On 11 December 2015, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.0033 per share payable in cash with a scrip dividend alternative (the "2015 Scrip Dividend Scheme") for the year ended 31 July 2015 (the "2015 Final Dividend"). During the period ended 31 January 2016, 68,017,617 new shares were issued by the Company at a deemed price of HK\$0.1172 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2015 Scrip Dividend Scheme to settle HK\$7,972,000 of the 2015 Final Dividend. The remainder of the 2015 Final Dividend of HK\$45,256,000 was satisfied by cash.

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



# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2017

	For the six months ended	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	<b>(119,149)</b>	594,676
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<b>12,685</b>	8,572
Purchase of items of property, plant and equipment	<b>(124,645)</b>	(23,359)
Additions to investment properties	<b>(463,370)</b>	(308,529)
Repayment/(advances) of loans to a joint venture	<b>(574)</b>	49,721
Decrease in pledged and restricted time deposits and bank balances	<b>313,856</b>	305,938
Increase in deposit for acquisition of an investment property	<b>—</b>	(230,400)
NET CASH FLOW USED IN INVESTING ACTIVITIES	<b>(262,048)</b>	(198,057)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	<b>3,990</b>	—
New bank loans, net of direct costs	<b>214,000</b>	268,528
Repayment of bank loans	<b>(484,520)</b>	(519,596)
Loans from a fellow subsidiary	<b>3,648</b>	800
Repayment of loans from a fellow subsidiary	<b>(4,800)</b>	—
Loans from a joint venture	<b>420,489</b>	—
Repayment of a loan from a joint venture	<b>(154,078)</b>	—
Interest and bank financing charges paid	<b>(164,590)</b>	(157,545)
Dividend paid	<b>(49,042)</b>	(45,256)
NET CASH FLOW USED IN FINANCING ACTIVITIES	<b>(214,903)</b>	(453,069)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(596,100)</b>	(56,450)
Cash and cash equivalents at beginning of period	<b>2,546,240</b>	1,571,281
Effect of foreign exchange rate changes, net	<b>(67,996)</b>	(95,606)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>1,882,144</b>	1,419,225
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	<b>1,518,063</b>	1,326,151
Non-pledged and non-restricted time deposits	<b>364,081</b>	93,074
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	<b>1,882,144</b>	1,419,225

# 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 2017 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 2016. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2016.

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	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue/results:</b>						
Segment revenue						
Sales to external customers	<b>133,192</b>	523,411	<b>345,830</b>	310,141	<b>479,022</b>	833,552
Other revenue	<b>1,132</b>	351	<b>59,945</b>	52,497	<b>61,077</b>	52,848
<b>Total</b>	<b>134,324</b>	523,762	<b>405,775</b>	362,638	<b>540,099</b>	886,400
<b>Segment results</b>	<b>31,447</b>	170,178	<b>304,699</b>	383,424	<b>336,146</b>	553,602
Interest income from bank deposits					<b>12,685</b>	8,572
Unallocated gains					<b>2,880</b>	2,715
Unallocated expenses, net					<b>(37,686)</b>	(76,519)
Profit from operating activities					<b>314,025</b>	488,370
Finance costs					<b>(78,024)</b>	(83,014)
Share of profits of joint ventures	<b>310,979</b>	88,641	—	—	<b>310,979</b>	88,641
Profit before tax					<b>546,980</b>	493,997
Tax					<b>(200,364)</b>	(177,184)
Profit for the period					<b>346,616</b>	316,813
<b>Other segment information:</b>						
Fair value gains on investment properties	—	—	<b>123,995</b>	226,381	<b>123,995</b>	226,381
Reversal of write-down/(write-down) of completed properties for sale to net realisable value	<b>(618)</b>	148	—	—	<b>(618)</b>	148
Loss on return of land use right to the local authority	—	23,493	—	—	—	23,493
Compensation received on return of land use right to the local authority	<b>6,813</b>	—	—	—	<b>6,813</b>	—
Loss on disposal of items of property, plant and equipment	<b>32</b>	8	<b>137</b>	81	<b>169</b>	89

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Property development		Property investment		Consolidated	
	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
<b>Segment assets/liabilities:</b>						
Segment assets	2,733,221	2,690,689	16,642,776	16,379,121	19,375,997	19,069,810
Investments in joint ventures	1,061,385	804,431	—	—	1,061,385	804,431
Unallocated assets					2,776,101	3,767,695
Asset classified as held for sale					249,622	257,666
Total assets					23,463,105	23,899,602
Segment liabilities	739,666	830,687	523,557	541,816	1,263,223	1,372,503
Unallocated liabilities					9,109,927	9,139,485
Total liabilities					10,373,150	10,511,988

## 4. PROFIT FROM OPERATING ACTIVITIES

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

	Note	For the six months ended	
		31 January 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of completed properties sold		61,184	287,579
Outgoings in respect of rental income		77,433	75,453
Depreciation <sup>#</sup>		35,292	35,846
Ineffective portion of the effective hedge recognised in profit or loss <sup>##</sup>	11	7,925	22,568
Foreign exchange differences, net <sup>##</sup>		(5,364)	19,415
Loss on disposal of items of property, plant and equipment <sup>##</sup>		169	89
Amortisation of prepaid land lease payments		89	94
Loss on return of land use right to the local authority <sup>##</sup>		—	23,493
Compensation received on return of land use right to the local authority <sup>##</sup>		(6,813)	—
Write-down/(reversal of write-down) of completed properties for sale to net realisable value <sup>##</sup>		618	(148)

<sup>#</sup> The depreciation charge of HK\$29,935,000 (six months ended 31 January 2016: HK\$30,399,000) for serviced apartments and related leasehold improvements is included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

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

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 5. FINANCE COSTS

	For the six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on:		
Bank loans	66,910	71,024
2013 Notes (as defined and disclosed in note 10)	70,958	70,944
Loans from a joint venture	11,592	7,485
Amortisation of:		
Bank loans	9,455	6,407
2013 Notes	4,034	3,744
Bank financing charges and direct costs	6,364	9,263
	<b>169,313</b>	168,867
Less: Capitalised in properties under development	(51,103)	(45,014)
Capitalised in investment properties under construction	(28,496)	(34,736)
Capitalised in construction in progress	(11,690)	(6,103)
	<b>(91,289)</b>	(85,853)
Total finance costs	<b>78,024</b>	83,014

## 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 2016: 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current — Mainland China		
Corporate income tax	10,670	49,818
Land appreciation tax	110,217	72,472
Deferred	79,477	54,894
Total tax charge for the period	<b>200,364</b>	177,184

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 any of the 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 2016: Nil).

# Notes to Condensed Consolidated Financial Statements

(Continued)

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to owners of the Company of HK\$336,424,000 (six months ended 31 January 2016: HK\$303,213,000), and the weighted average number of ordinary shares of 16,209,686,506 (six months ended 31 January 2016: 16,130,783,452) in issue during the period.

The calculation of diluted earnings per share amounts is 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company used in the basic earnings per share calculation	<b>336,424</b>	303,213
	<b>Number of shares</b>	
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>16,209,686,506</b>	16,130,783,452
Effect of dilution — weighted average number of ordinary shares: Share options	<b>12,211,091</b>	—
	<b>16,221,897,597</b>	16,130,783,452

## 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 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Trade receivables, net:		
Within one month	<b>116,240</b>	239,078
One to three months	<b>3,560</b>	6,466
Over three months	<b>3,288</b>	5,276
	<b>123,088</b>	250,820
Other receivables, deposits and prepayments	<b>148,056</b>	116,248
Total	<b>271,144</b>	367,068

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 9. 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:

	<b>31 January 2017 (Unaudited) HK\$'000</b>	31 July 2016 (Audited) HK\$'000
Trade payables:		
Within one month	<b>34,253</b>	81,680
One to three months	<b>10,169</b>	16,777
Over three months	<b>11</b>	72
	<b>44,433</b>	98,529
Accruals and other payables	<b>576,073</b>	698,983
Total	<b>620,506</b>	797,512

## 10. 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 (the "2013 Notes"), which will mature on 25 April 2018 for bullet repayment. The 2013 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 2013 Notes are listed on the Stock Exchange.

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>31 January 2017 (Unaudited) HK\$'000</b>	31 July 2016 (Audited) HK\$'000
Financial liabilities — Cross currency swap agreements (the "CCS")	<b>319,880</b>	210,068

The carrying amounts of the CCS are the same as their fair values.

The CCS are designated as hedging instruments in respect of the 2013 Notes and the CCS balances vary with the changes in foreign exchange forward rates.

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The effectiveness of the cash flow hedges is assessed semi-annually by the Group.

As at 31 January 2017 and 31 January 2016, the cash flow hedges of the 2013 Notes are assessed to be highly effective and the movements in the financial liabilities arising from the CCS during the period are as follows:

	Note	For the six months ended	
		31 January 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Carrying amount at beginning of the period		210,068	111,654
Fair value losses charged to the hedge reserve		101,887	119,047
Ineffective portion of the effective hedge recognised in profit or loss	4	7,925	22,568
Carrying amount at end of the period		319,880	253,269

## 12. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Contracted, but not provided for:		
Construction and development costs	1,370,119	439,578
Consideration for acquisition of an investment property	—	187,053
	1,370,119	626,631

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 13. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

	Notes	For the six months ended	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Lai Sun Garment (International) Limited ("LSG") and its subsidiaries:			
Rental and management fee expenses paid or payable	(i)	1,267	1,058
Rental and management fee income received or receivable	(ii)	32	35
Sharing of corporate salaries on a cost basis allocated from		11,236	11,706
Sharing of administrative expenses on a cost basis allocated from		1,194	1,374
Sharing of corporate salaries on a cost basis allocated to		1,678	1,147
Sharing of administrative expenses on a cost basis allocated to		200	87
eSun and its subsidiaries excluding the Group:			
Rental and management fee income received or receivable	(iii)	4,123	4,065
Advance of loans received	(iv)	3,648	800
Repayment of loans	(iv)	4,800	—
Sharing of corporate salaries on a cost basis allocated from		1,129	1,265
Sharing of administrative expenses on a cost basis allocated from		—	100
Sharing of corporate salaries on a cost basis allocated to		404	468
Sharing of administrative expenses on a cost basis allocated to		—	28
A subsidiary of CapitaLand Limited:			
Management and other service fees paid or payable	(v)	4,786	5,156



# Notes to Condensed Consolidated Financial Statements

## (Continued)

### 13. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Transactions with related parties (Continued)

	Notes	For the six months ended	
		31 January 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Joint ventures of the Group:			
Advance of loans received	(vi)	420,489	—
Advance of a loan repaid	(vi)	154,078	—
Repayment of loans received/(advances of loans)		(574)	49,721
Interest expenses paid or payable	(vi)	11,592	7,485

#### Notes:

- (i) The related companies are LSD and a subsidiary of LSD, which are the subsidiaries of LSG. eSun, an associate of LSD, is the ultimate holding company of the Company. The Company is therefore also an associate of LSD. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.
- (ii) The related company is a subsidiary of LSD. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related company.
- (iii) The related companies are subsidiaries of eSun where the Company does not hold, directly or indirectly, any equity interest in the related companies. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.
- (iv) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. The related company is a 20% shareholder of Rosy Commerce Holdings Limited ("RCHL", a subsidiary of the Company in which the Group has the remaining 80% interest). During the period, the related company advanced loans amounting to HK\$3,648,000 (six months ended 31 January 2016: HK\$800,000) and received repayment of loans amounting to HK\$4,800,000 (six months ended 31 January 2016: Nil) according to its percentage of interest in RCHL.
- (v) The related company is a subsidiary of CapitaLand Limited and the Company is an associate of CapitaLand Limited. The related company provides management and other services on the serviced apartment operation of the Group. The terms of the management and other service fees were determined based on the agreement entered into between the Group and the related company.
- (vi) The related company is a joint venture of the Group, Guangzhou Beautiwin Real Estate Development Company Limited ("Guangzhou Beautiwin"). The terms of the loans are determined based on the agreements entered into between the Group and Guangzhou Beautiwin. During the period, interest expenses were charged at fixed interest rates of 3.045%-4.20% per annum (six months ended 31 January 2016: 3.92%-4.20% per annum) for loans advanced from Guangzhou Beautiwin to the Group.

# Notes to Condensed Consolidated Financial Statements

(Continued)

## 13. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended	
	31 January 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	13,581	13,175
Pension scheme contributions	65	65
<b>Total</b>	<b>13,646</b>	13,240

## 14. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's certain financial instruments are as follows:

	Carrying amounts		Fair values	
	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
<b>Financial liabilities</b>				
Derivative financial instruments	319,880	210,068	319,880	210,068
Fixed rate senior notes	2,027,122	2,092,741	1,991,859	2,097,984
	<b>2,347,002</b>	2,302,809	<b>2,311,739</b>	2,308,052

Each year, the Group's management appoints external valuers to be responsible for the external valuations of the Group's derivative financial instruments (the "Financial Instrument Valuers"). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the Financial Instrument Valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (i) The fair values of fixed rate senior notes are based on quoted market prices; and
- (ii) Derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values.

Other than the above financial liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 January 2017 and 31 July 2016.

# Notes to Condensed Consolidated Financial Statements

(Continued)

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

### Fair value hierarchy

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

#### 31 January 2017

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$0.00 to HK\$0.36 million	1
		Expected exposure at default — the Company	HK\$167.43 million to HK\$169.23 million	2
		Credit spread — counterparty	10.51 basis point to 188.41 basis point	3
		Credit spread — the Company	372.07 basis point to 661.43 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

#### 31 July 2016

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$0.00 to HK\$4.97 million	1
		Expected exposure at default — the Company	HK\$114.77 million to HK\$121.22 million	2
		Credit spread — counterparty	10.91 basis point to 230 basis point	3
		Credit spread — the Company	377.37 basis point to 715.13 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

#### Notes:

1. The higher the expected exposure at default — counterparty, the lower the fair value of CCS
2. The higher the expected exposure at default — the Company, the higher the fair value of CCS
3. The higher the credit spread — counterparty, the lower the fair value of CCS
4. The higher the credit spread — the Company, the higher the fair value of CCS
5. The higher the loss given default ratio — counterparty, the lower the fair value of CCS
6. The higher the loss given default ratio — the Company, the higher the fair value of CCS

# Notes to Condensed Consolidated Financial Statements

(Continued)

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

Liabilities measured at fair value

As at 31 January 2017

	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Derivative financial instruments	—	—	319,880	319,880

As at 31 July 2016

	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Derivative financial instruments	—	—	210,068	210,068

The Group did not have any financial assets measured at fair value as at 31 January 2017 and 31 July 2016.

During the period and the year ended 31 July 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

### Liabilities for which fair values are disclosed

The Group's financial liabilities for which fair values are disclosed includes fixed rate senior notes, fair value of which are based on quoted market prices and are categorised in Level 1 as at 31 January 2017 and 31 July 2016.

## 15. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 23 March 2017.

# Interim Dividend

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2017 (six months ended 31 January 2016: Nil).

## Management Discussion and Analysis

### BUSINESS REVIEW AND OUTLOOK

Major economies around the world continue to tread cautiously during the period under review. The conclusion of the US presidential election and the passing of the initial shock from Brexit seem to have renewed optimism as suggested by the capital markets. However, it is far from clear how such optimism will be sustained by the fundamentals. The new US president and his officials are still attempting to establish themselves whilst the exit terms for Brexit remain unclear. The impending leadership elections in Europe and the protracted conflicts in the Middle East still cast a shadow on the global growth outlook.

Notwithstanding the seemingly turbulent environment, the PRC Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. Whilst it is clear that some of the sectors, such as exports, continued to contract 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 recent land auctions and transaction values recently. We have benefited the same in recent years which has been reflected in the results, before they were mitigated by a depreciating Renminbi during the corresponding periods. We believe the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The PRC 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.

The Group's regional focus and rental-led strategy has demonstrated resilience in recent years. The rental portfolio of approximately 3.2 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. Lai Fung Tower in Guangzhou was completed in June 2016 and has been added to the rental portfolio of the Group. Up to the date of this Interim Report, excluding the office area that is subject to the asset swap transaction as announced by the Company on 15 January 2015, approximately 99.0% of the gross floor area ("**GFA**") of the office building has been leased or has offers to lease and the commercial podium has been fully leased.

During the six months ended 31 January 2017, the Group performed steadily but suffered from currency translation against a depreciating Renminbi on a reported basis. The sale of residential units in Guangzhou Dolce Vita, Guangzhou Eastern Place Phase V and Zhongshan Palm Spring underpinned this set of results.

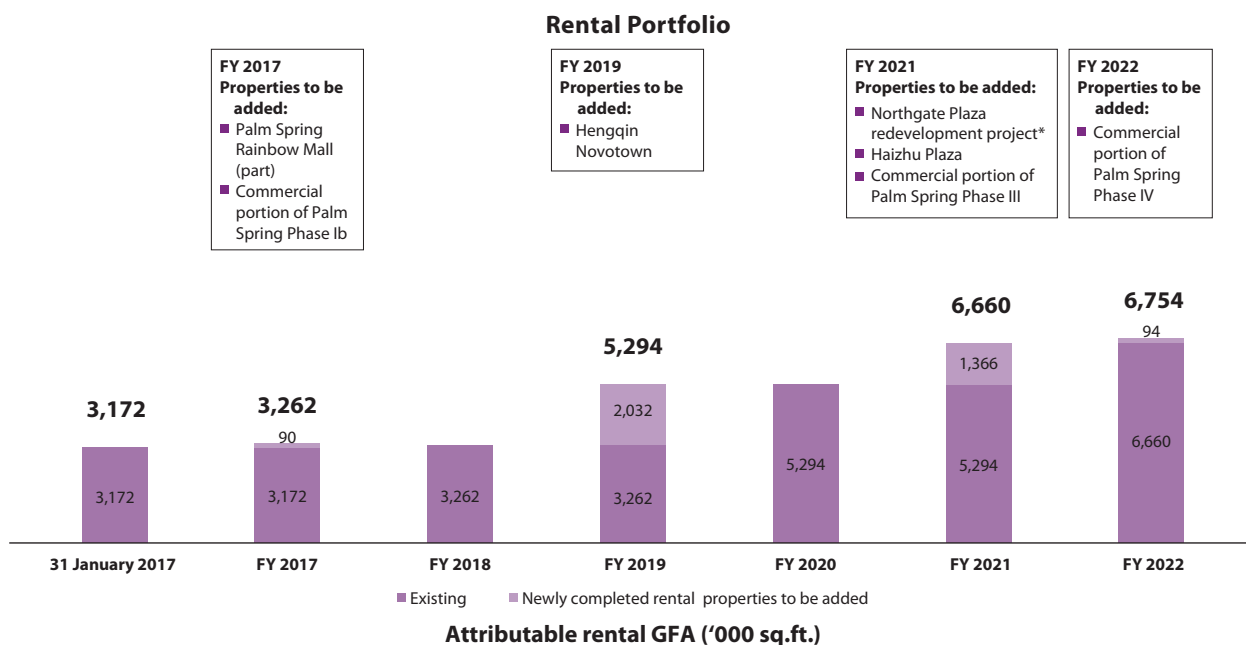
The Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.2 million square feet to approximately 6.8 million square feet through developing the existing projects on hand over the next few years. The acquisition of the 6th to 11th floors of Hui Gong Building that is physically connected to Northgate Plaza I in Shanghai, together with the right to use 20 car-parking spaces in the basement ("**Hui Gong Building**") was completed in September 2016. This will facilitate the redevelopment plan of Northgate Plaza I and the adjacent Northgate Plaza II and enhance the overall value of the combined development once they are redeveloped. The Group is currently finalising the redevelopment proposal with professional consultants and local authorities. Northgate Plaza I has been vacated and demolition has commenced. It is expected that the demolition will be completed before the end of this financial year. The Group expects to obtain the building approval from local authorities in the second half of 2017 and construction works will commence afterwards.

The remaining residential units in Guangzhou Dolce Vita, Guangzhou Eastern Place Phase V and Zhongshan Palm Spring are expected to contribute to the income statement of the Group in the coming financial years. The Group will continue its prudent and flexible approach in growing its landbank.

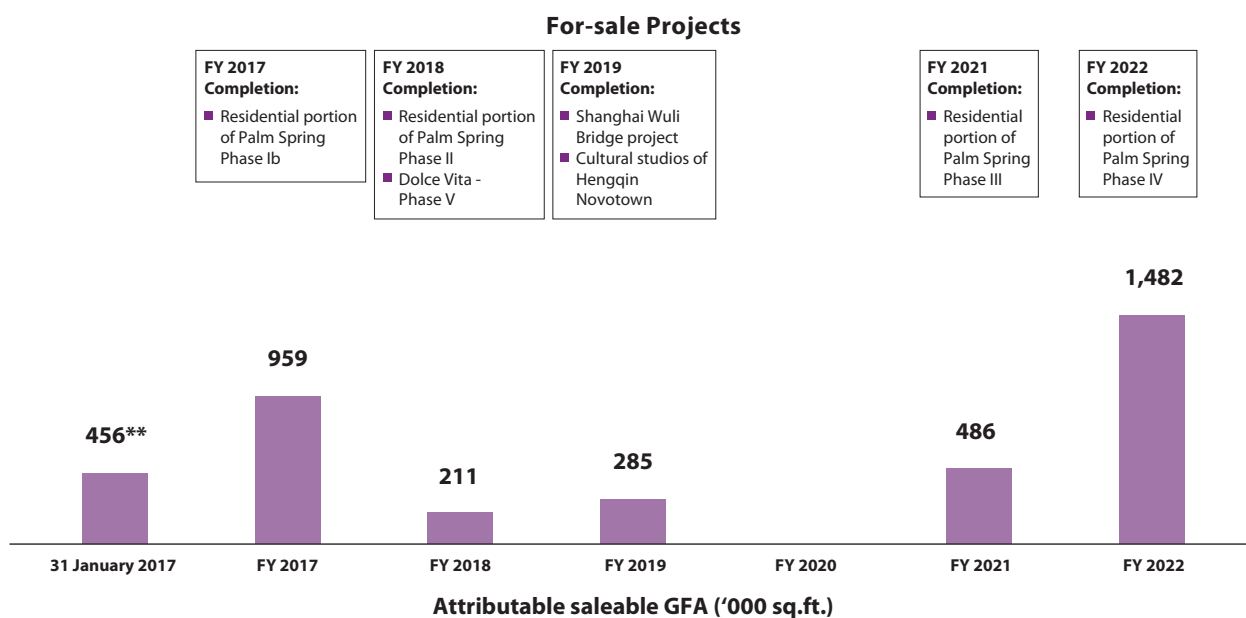
# Management Discussion and Analysis (Continued)

## BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Set out below is the expected growth of the rental portfolio of the Group and pipeline of development projects of the Group as at 31 January 2017:



\* In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building with a total GFA of approximately 111,400 square feet 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.



\*\* Excluding commercial portion of the Zhongshan Palm Spring which will be reclassified as completed properties held for rental purposes as it is being leased out over time and Guangzhou Paramount Centre which is subject to the asset swap transaction that is now pending for completion.

As at 31 January 2017, the Group has a landbank of 6.9 million square feet. The Group's strong cash position of HK\$2,600.6 million of cash on hand and undrawn facilities of HK\$3,636.4 million with a net debt to equity ratio of 25.0% as at 31 January 2017 provides the Group with full confidence and the means to review opportunities more actively.

# Management Discussion and Analysis (Continued)

## OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2017, the Group recorded a turnover of HK\$479.0 million (2016: HK\$833.6 million) and a gross profit of HK\$340.4 million (2016: HK\$470.5 million), representing a decrease of approximately 42.5% and 27.7%, respectively over the same period last year. The decrease in turnover and gross profit was primarily due to the substantial sale of residential units and serviced apartment units, where relevant, in Guangzhou Eastern Place Phase V, Guangzhou King's Park, Shanghai May Flower Plaza and Zhongshan Palm Spring having been recognised during the six months ended 31 January 2016 and fewer properties being available for sale during the period under review. The average Renminbi exchange rate for the period under review depreciated by over 5% over the same period last year. Excluding the effect of currency translation against a depreciating Renminbi, the decrease in Renminbi denominated turnover was 39.2%. Set out below is the turnover by segment:

	Six months ended 31 January			Six months ended 31 January		
	2017 (HK\$ million) @0.8762	2016 (HK\$ million) @0.8285	% Change	2017 (RMB million)	2016 (RMB million)	% Change
Rental income	345.8	310.1	11.5%	303.0	256.9	17.9%
Sales of properties	133.2	523.5	-74.6%	116.7	433.7	-73.1%
<b>Total</b>	<b>479.0</b>	<b>833.6</b>	<b>-42.5%</b>	<b>419.7</b>	<b>690.6</b>	<b>-39.2%</b>

Net profit attributable to owners of the Company was approximately HK\$336.4 million (2016: HK\$303.2 million), representing an increase of approximately 11.0% over the same period last year. The increase is primarily due to increased 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. This is recognised as a component of "Share of profits of joint ventures" in the condensed consolidated income statement. Basic earnings per share was HK\$0.021 (2016: HK\$0.019).

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$246.3 million (2016: HK\$134.9 million). Basic earnings per share excluding the effect of property revaluations increased to HK\$0.0152 (2016: HK\$0.0084).

Profit attributable to owners of the Company (HK\$ million)	Six months ended 31 January	
	2017	2016
Reported	336.4	303.2
Adjustments in respect of investment properties		
Revaluation of properties	(124.0)	(226.4)
Deferred tax on investment properties	31.0	56.6
Non-controlling interests' share of revaluation movements less deferred tax	2.9	1.5
Net profit after tax excluding revaluation gains of investment properties	246.3	134.9
Adjustments in respect of ineffective portion of the effective hedge recognised in profit or loss	7.9	22.6
Net profit after tax excluding adjustments in respect of investment properties and ineffective portion of the effective hedge recognised in profit or loss	254.2	157.5

# Management Discussion and Analysis (Continued)

## OVERVIEW OF INTERIM RESULTS (CONTINUED)

Net assets attributable to owners of the Company as at 31 January 2017 amounted to HK\$13,016.8 million, representing a 2.2% decrease from HK\$13,314.8 million as at 31 July 2016. Net asset value per share attributable to owners of the Company decreased to HK\$0.799 per share as at 31 January 2017 from HK\$0.822 per share as at 31 July 2016. The slight decrease in net asset value is primarily due to the depreciation of Renminbi over the six months ended 31 January 2017 by over 5% partially offset by net profits earned during the period under review.

## PROPERTY PORTFOLIO COMPOSITION

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 January 2017:

	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental <sup>1</sup>	1,609	966	—	—	2,575	695
Completed Hotel Properties and Serviced Apartments	—	—	598	—	598	—
Properties Under Development <sup>2</sup>	1,162	1,746	816	3,214	6,938	5,056
Completed Properties Held for Sale	79 <sup>3</sup>	76	—	452	607	1,320
<b>Total GFA of major properties of the Group</b>	<b>2,850</b>	<b>2,788</b>	<b>1,414</b>	<b>3,666</b>	<b>10,718</b>	<b>7,071</b>

1. Completed and rental generating properties

2. All properties under construction

3. Completed properties for sale, including 69,000 square feet of shopping arcade space in Zhongshan Palm Spring Rainbow Mall which is expected to be reclassified as completed properties held for rental purpose as it is being leased out over time.



# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT

### Rental Income

For the six months ended 31 January 2017, the Group's rental operations recorded a turnover of HK\$345.8 million (2016: HK\$310.1 million), representing an 11.5% increase over the same period last year. The increase is primarily due to the contributions from Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V completed in June 2016. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January			Six months ended 31 January			Period ended occupancy (%)
	2017 (HK\$ million) @0.8762	2016 (HK\$ million) @0.8285	% Change	2017 (RMB million)	2016 (RMB million)	% Change	
<b>Shanghai</b>							
Shanghai Hong Kong Plaza	201.3	197.6	1.9	176.4	163.7	7.8	Retail: 98.2% Office: 96.6% Serviced Apartments: 67.4%
Shanghai May Flower Plaza	37.8	34.7	8.9	33.1	28.7	15.3	Retail: 99.6% Hotel: 66.5%
Shanghai Regents Park	7.0	6.6	6.1	6.1	5.5	10.9	100.0%
Shanghai Northgate Plaza I*	—	4.1	-100.0	—	3.4	-100.0	0.0%
<b>Guangzhou</b>							
Guangzhou May Flower Plaza	55.8	54.6	2.2	48.9	45.2	8.2	98.0%
Guangzhou Lai Fung Tower	30.3	—	N/A	26.5	—	N/A	Retail: 100.0% Office: 81.8%**
Guangzhou West Point	9.1	8.7	4.6	8.0	7.2	11.1	97.8%
<b>Zhongshan</b>							
Zhongshan Palm Spring	4.5	3.8	18.4	4.0	3.2	25.0	Retail: 84.8%*** Serviced Apartments: 41.3%
<b>Total</b>	<b>345.8</b>	<b>310.1</b>	<b>11.5</b>	<b>303.0</b>	<b>256.9</b>	<b>17.9</b>	

\* All tenants have been vacated for project redevelopment and demolition is in progress

\*\* Excluding the office area that is subject to the asset swap transaction as announced by the Company on 15 January 2015

\*\*\* Excluding self-use area

# Management Discussion and Analysis (Continued)

## PROPERTY INVESTMENT (CONTINUED)

### Rental Income (Continued)

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

	Six months ended 31 January 2017			Six months ended 31 January 2016		
	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)
<b>Shanghai</b>						
Shanghai Hong Kong Plaza	100%			100%		
Retail		91.8	468,434		83.6	468,434
Office		48.2	360,687		48.3	360,687
Serviced apartments (room revenue and F&B)		58.1	355,267		62.3	354,239
Car-parking spaces		3.2	N/A		3.4	N/A
		<b>201.3</b>	<b>1,184,388</b>		<b>197.6</b>	<b>1,183,360</b>
Shanghai May Flower Plaza	100%			100%		
Retail		17.6	320,314		14.7	320,314
Hotel (room revenue and F&B)		18.3	143,846		18.8	143,846
Car-parking spaces		1.9	N/A		1.2	N/A
		<b>37.8</b>	<b>464,160</b>		<b>34.7</b>	<b>464,160</b>
Shanghai Regents Park	95%			95%		
Retail		5.5	77,959		5.4	77,959
Car-parking spaces		1.5	N/A		1.2	N/A
		<b>7.0</b>	<b>77,959</b>		<b>6.6</b>	<b>77,959</b>
Shanghai Northgate Plaza I*	100%			99%		
Retail		—	—		—	190,425
Office		—	—		3.9	128,931
Car-parking spaces		—	—		0.2	N/A
		—	—		<b>4.1</b>	<b>319,356</b>
<b>Guangzhou</b>						
Guangzhou May Flower Plaza	100%			100%		
Retail		48.8	357,424		47.1	357,424
Office		5.3	79,431		5.6	79,431
Car-parking spaces		1.7	N/A		1.9	N/A
		<b>55.8</b>	<b>436,855</b>		<b>54.6</b>	<b>436,855</b>
Guangzhou Lai Fung Tower	100%			100%		
Retail		4.6	100,701		—	23,326
Office**		24.7	525,463		—	—
Car-parking spaces		1.0	N/A		—	—
		<b>30.3</b>	<b>626,164</b>		—	<b>23,326</b>
Guangzhou West Point	100%			100%		
Retail		9.1	171,968		8.7	171,968
<b>Zhongshan</b>						
Zhongshan Palm Spring	100%			100%		
Retail***		2.0	112,124		1.4	86,842
Serviced apartments (room revenue)		2.5	98,556		2.4	98,556
		<b>4.5</b>	<b>210,680</b>		<b>3.8</b>	<b>185,398</b>
<b>Total</b>		<b>345.8</b>	<b>3,172,174</b>		<b>310.1</b>	<b>2,862,382</b>

\* All tenants have been vacated for project redevelopment and demolition is in progress

\*\* Upon completion of the asset swap transaction as announced on 15 January 2015, the total GFA of Guangzhou Lai Fung Tower is expected to be approximately 707,000 square feet excluding car-parking spaces.

\*\*\* Excluding self-use area

# Management Discussion and Analysis *(Continued)*

## PROPERTY INVESTMENT *(CONTINUED)*

### Rental Income *(Continued)*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. Rental income growth was partially offset by depreciation of Renminbi during the period under review.

Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed and added to the rental portfolio of the Group in June 2016 and has started to contribute to the rental income of the Group. Up to the date of this Interim Report, excluding the office area that is subject to the asset swap transaction as announced by the Company on 15 January 2015, approximately 99.0% of the GFA of the office building has been leased or has offers to lease and the commercial podium has been fully leased.

The Group is currently finalising the proposal for redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the 6th to 11th floors of Hui Gong Building acquired by the Group in September 2016 with professional consultants and local authorities. Northgate Plaza I has been vacated and demolition has commenced. It is expected that the demolition will be completed before the end of this financial year. The Group expects to obtain the building approval from local authorities in the second half of 2017 and construction works will commence afterwards.

Excluding self-use area of approximately 53,200 square feet, a portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 87.7% of total GFA, has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes 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 1.18 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 360,700 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, MCM, Tiffany, Y3 and internationally renowned luxury brands and a wide array of dining options. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza has been completed and new tenants have moved in by the end of 2014.

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.

# Management Discussion and Analysis *(Continued)*

## PROPERTY INVESTMENT *(CONTINUED)*

### Review of Major Rental Properties *(Continued)*

#### *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 Group currently owns a total GFA of approximately 626,200 square feet of this property excluding 209 car-parking spaces.

The asset swap transaction with Guangzhou Light Industry Real Estate Limited ("**Guangzhou Light Industry**") as announced on 15 January 2015 was approved by the shareholders of eSun Holdings Limited ("**eSun**"), the ultimate holding company of the Company, on 5 March 2015 and is now pending for completion. This would enable the Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Group. Upon completion of the asset swap transaction, the total GFA of Guangzhou Lai Fung Tower is expected to be approximately 707,000 square feet excluding car-parking spaces.

Up to the date of this Interim Report, excluding the office area that is subject to the asset swap transaction, approximately 99.0% of the GFA of the office building has been leased or has offers to lease and the commercial podium has been fully leased.

# Management Discussion and Analysis *(Continued)*

## PROPERTY INVESTMENT *(CONTINUED)*

### Review of Major Rental Properties *(Continued)*

#### *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 84.8%.

### 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 81.8% was achieved during the period under review and the average room tariff was approximately HK\$1,210.

#### *STARR Hotel Shanghai*

STARR Hotel Shanghai soft opened in November 2013 and 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 78.3% was achieved during the period under review since its soft opening in November 2013 and the average room tariff was approximately HK\$504.

#### *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 52.2% was achieved during the period under review and the average room tariff was approximately HK\$345.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT

### Recognised Sales

For the six months ended 31 January 2017, the Group's property development operations recorded a turnover of HK\$133.2 million (2016: HK\$523.5 million) from sale of properties, representing a 74.6% decrease in sales revenue over the same period last year.

Total recognised sales was primarily driven by the sales performance of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 13,340 and 29,254 square feet of GFA were sold, respectively, achieving sales revenue of HK\$82.1 million and HK\$42.4 million, respectively.

For the six months ended 31 January 2017, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK\$3,075 per square foot (2016: HK\$3,598 per square foot) against a depreciated Renminbi. Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK\$2,416 per square foot (2016: HK\$3,100 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 2017 from property sales is as follows:

Recognised basis	No. of Units	Approximate GFA Square feet	Average Selling Price# HK\$/square foot	Turnover*	
				HK\$ million @0.8762	RMB million
Guangzhou Eastern Place Residential Units — Phase V	12	13,340	6,465	82.1	71.9
Zhongshan Palm Spring Residential House Units	10	29,254	1,529	42.4	37.2
<b>Subtotal</b>	<b>22</b>	<b>42,594</b>	<b>3,075</b>	<b>124.5</b>	<b>109.1</b>
Guangzhou King's Park Car-parking Spaces	12			8.0	7.0
Guangzhou West Point Car-parking Spaces	1			0.7	0.6
<b>Total</b>				<b>133.2</b>	<b>116.7</b>
<b>Recognised sales from joint venture project</b>					
Guangzhou Dolce Vita Residential Units**(47.5% basis)	314	409,722	2,390	926.5	811.8
Retail Units**(47.5% basis)	2	2,521	6,532	15.6	13.7
<b>Subtotal</b>	<b>316</b>	<b>412,243</b>	<b>2,416</b>	<b>942.1</b>	<b>825.5</b>
Car-parking Spaces**(47.5% basis)	292			98.8	86.6
<b>Total</b>				<b>1,040.9</b>	<b>912.1</b>

# Before business tax and value-added tax inclusive

\* 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 2017, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK\$1,983.4 million (excluding car-parking spaces) and approximately 867,880 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales (after business tax and value-added tax exclusive) from car-parking spaces attributable to the full project is HK\$208.0 million.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### Recognised Sales (Continued)

Breakdown of turnover for the six months ended 31 January 2016 from property sales is as follows:

Recognised basis	No. of Units	Approximate GFA Square feet	Average Selling Price# HK\$/square foot	Turnover*	
				HK\$ million @0.8285	RMB million
<b>Shanghai May Flower Plaza</b>					
Residential Units	6	5,083	5,170	24.8	20.5
Office Apartment Units	18	11,994	3,704	41.9	34.7
<b>Guangzhou Eastern Place</b>					
Residential Units — Phase V	61	57,943	5,892	322.0	266.8
<b>Guangzhou King's Park</b>					
Residential Units	5	9,569	4,789	43.2	35.8
<b>Zhongshan Palm Spring</b>					
Residential High-rise Units	8	9,160	707	6.1	5.1
Residential House Units	22	60,482	1,498	85.5	70.8
<b>Total</b>	<b>120</b>	<b>154,231</b>	<b>3,598</b>	<b>523.5</b>	<b>433.7</b>
<b>Recognised sales from joint venture project</b>					
<b>Guangzhou Dolce Vita</b>					
Residential Units**(47.5% basis)	53	118,954	3,081	345.8	286.5
Retail Units**(47.5% basis)	1	798	5,971	4.5	3.7
<b>Subtotal</b>	<b>54</b>	<b>119,752</b>	<b>3,100</b>	<b>350.3</b>	<b>290.2</b>
Car-parking Spaces**(47.5% basis)	45			13.2	10.9
<b>Total</b>				<b>363.5</b>	<b>301.1</b>

# Before business tax

\* After business tax

\*\* 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 2016, the recognised sales (after business tax) attributable to the full project is HK\$737.4 million (excluding car-parking spaces) and approximately 252,111 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK\$27.8 million.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### Contracted Sales

As at 31 January 2017, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK\$558.9 million and HK\$20.6 million from sales of residential units in Zhongshan Palm Spring and Guangzhou Eastern Place Phase V, respectively and HK\$1.9 million from sales of 3 car-parking spaces in Guangzhou King's Park. Sales of the remainder of the completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK\$805 per square foot. Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 January 2017 amounted to RMB509.4 million (31 July 2016: RMB484.4 million).

The total contracted but not yet recognised sales of the Group as at 31 January 2017 including Guangzhou Dolce Vita and car-parking spaces amounted to HK\$1,601.7 million (31 July 2016: HK\$2,249.1 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 2017 amounted to RMB1,403.4 million (31 July 2016: RMB1,881.8 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2017 is as follows:

<b>Contracted basis</b>	<b>No. of units</b>	<b>Approximate GFA Square feet</b>	<b>Average Selling Price# HK\$/square foot</b>	<b>Turnover# HK\$ million</b>
Guangzhou Eastern Place				
Residential Units — Phase V	3	3,114	6,615	20.6
Zhongshan Palm Spring				
Residential High-rise Units	547	680,443	786	534.8
Residential House Units	5	14,142	1,704	24.1
<b>Subtotal</b>	<b>555</b>	<b>697,699</b>	<b>831</b>	<b>579.5</b>
Guangzhou King's Park				
Car-parking Spaces	3			1.9
<b>Subtotal</b>				<b>581.4</b>
<b>Contracted sales from joint venture project</b>				
Guangzhou Dolce Vita				
Residential Units**(47.5% basis)	228	369,967	2,736	1,012.2
Car-parking Spaces**(47.5% basis)	22			8.1
<b>Subtotal</b>				<b>1,020.3</b>
<b>Total (excluding car-parking spaces)</b>	<b>783</b>	<b>1,067,666</b>	<b>1,491</b>	<b>1,591.7</b>

# Before business tax and value-added tax inclusive

\*\* 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 2017, the contracted but not yet recognised sales attributable to the full project is HK\$2,130.9 million (excluding car-parking spaces) and approximately 778,878 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK\$17.0 million.



# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### 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. The redeveloped project will include an office tower, a shopping arcade and underground car-parking spaces. The Group is currently finalising the redevelopment proposal with professional consultants and local authorities. Northgate Plaza I has been vacated and demolition has commenced. It is expected that the demolition will be completed before the end of this financial year. The Group expects to obtain the building approval from local authorities in the second half of 2017 and construction works will commence afterwards.

#### *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 2017, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK\$101.8 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 84,600 square feet and is intended to be developed into a high end luxury residential project. Construction work is expected to commence in the second quarter of 2017. This project is expected to complete in the fourth quarter of 2018.

#### *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 945,600 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 626,200 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 2017, 13,340 square feet was recognised at an average selling price of HK\$6,465 per square foot, which contributed HK\$82.1 million to the turnover. As at 31 January 2017, completed residential units held for sale in this development amounted to approximately 15,500 square feet with a carrying amount of approximately HK\$40.8 million.

# Management Discussion and Analysis *(Continued)*

## PROPERTY DEVELOPMENT *(CONTINUED)*

### Review of major properties completed for sale and under development *(Continued)*

#### *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 will have a total project GFA of approximately 5.860 million square feet. The project will comprise of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.820 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, 412,243 square feet attributable to the Group was recognised and generated attributable sale proceeds of HK\$942.1 million. As at 31 January 2017, contracted but not yet recognised sales excluding car-parking spaces amounted to HK\$1,012.2 million at average selling prices of HK\$2,736. Up to the period end, constructions of this project have been completed except for the commercial units with a total GFA of approximately 19,400 square feet that are currently used by the Group as a sales centre for the project. These commercial units are expected to be refurbished for sale by end of 2017.

#### *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 12 car-parking spaces contributed HK\$8.0 million to the turnover. As at 31 January 2017, the contracted but not yet recognised sales of the 3 car-parking spaces amounted to approximately HK\$1.9 million.

#### *Guangzhou Paramount Centre*

This property locates at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The attributable GFA is approximately 83,000 square feet excluding 46 car-parking spaces and ancillary facilities. This project is subject to the asset swap transaction that was announced by the Group on 15 January 2015 and the transaction was approved by the shareholders of eSun on 5 March 2015 and is now pending for completion.

#### *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.

# Management Discussion and Analysis (Continued)

## PROPERTY DEVELOPMENT (CONTINUED)

### Review of major properties completed for sale and under development (Continued)

#### 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 6.037 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

Phase Ia of the project, which was completed during the first half of the financial year ended 31 July 2013, comprises of high-rise residential towers and house units. During the period under review, 29,254 square feet of house units were recognised at average selling prices of HK\$1,529 per square foot, which contributed a total of HK\$42.4 million to the sales turnover. As at 31 January 2017, contracted but not yet recognised sales for high-rise residential units and houses amounted to HK\$534.8 million and HK\$24.1 million, at average selling prices of HK\$786 and HK\$1,704 per square foot, respectively. As at 31 January 2017, completed units held for sale in this development amounted to 22,600 square feet with a carrying amount of approximately HK\$22.9 million. The remaining GFA under development was approximately 3,306,300 square feet.

Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* (square feet)	Expected completion
Ib	High-rise residential units	980,100	Q2 2017
II	Townhouses	201,500	Q3 2017
III	High-rise residential units including commercial units	548,500	Q3 2020
IV	High-rise residential units including commercial units	1,576,200	Q1 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 ("Novotown") which is 80% owned by the Group and 20% owned by eSun. The Novotown has a total GFA of 4.2 million square feet including car-parking spaces and ancillary facilities. The minimum investment requirement for the Novotown is approximately RMB3.0 billion (equivalent to approximately HK\$3.4 billion), of which approximately RMB523.3 million (equivalent to approximately HK\$592.4 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 Novotown has been approved in January 2015 and construction work commenced at the end of 2015.

The expected GFA breakdown by usage is set out below:

Usage	GFA (square feet)
Cultural themed hotel	590,182
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	167,982
Cultural attractions	286,247
Office	542,447
Cultural studios (for sale)	250,553
Car-parking spaces	593,797
Ancillary facilities and others	835,345
<b>Total</b>	<b>4,220,037</b>

# Management Discussion and Analysis *(Continued)*

## PROPERTY DEVELOPMENT *(CONTINUED)*

### Review of major properties completed for sale and under development *(Continued)*

#### *Hengqin Novotown (Continued)*

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 an immersive experience center in one of the two performance halls in 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 of the Lionsgate-themed immersive experience center in Novotown, oversee the preopening and to operate the immersive experience center for a minimum of ten years. The immersive experience center is expected to feature attractions, retail, and dining experiences themed around some of Lionsgate's most captivating global film franchises, including The Hunger Games, The Divergent Series, Now You See Me and three additional film franchises yet to be announced.

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. The size of the Family Edutainment Center is expected to be approximately 50,200 square feet, containing no less than 5 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 April 2016, the Group entered into a cooperation framework 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 cultural center in Novotown. This healthcare tourism destination is expected to have an area of approximate 86,000 square feet providing visitors with comprehensive medical body check-up, beauty consultation and wellness services.

# Management Discussion and Analysis (Continued)

## CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE

As at 31 January 2017, cash and bank balances held by the Group amounted to HK\$2,600.6 million and undrawn facilities of the Group was HK\$3,636.4 million.

As at 31 January 2017, the Group had total borrowings amounting to HK\$5,858.8 million (as at 31 July 2016: HK\$5,977.4 million), representing a decrease of HK\$118.6 million from 31 July 2016. The consolidated net assets attributable to the owners of the Company amounted to HK\$13,016.8 million (as at 31 July 2016: HK\$13,314.8 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 25% (as at 31 July 2016: 18%). The maturity profile of the Group's borrowings of HK\$5,858.8 million is well spread with HK\$206.0 million repayable within 1 year, HK\$2,356.5 million repayable in the second year, HK\$3,175.3 million repayable in the third to fifth years and HK\$121.0 million repayable beyond the fifth year.

Approximately 48% and 47% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 5% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK\$3,831.7 million were 49% denominated in Renminbi ("**RMB**"), 39% in Hong Kong dollars ("**HKD**") and 12% in United States Dollars ("**USD**").

The Group's fixed rate senior notes of HK\$2,027.1 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK\$2,600.6 million were 81% denominated in RMB, 10% in HKD and 9% 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\$8,657.4 million, properties under development with a total carrying amount of approximately HK\$501.6 million, serviced apartments and related properties with a total carrying amount of approximately HK\$536.7 million, completed properties for sale with a total carrying amount of approximately HK\$54.1 million, construction in progress with a total carrying amount of approximately HK\$15.7 million and bank balances of approximately HK\$260.7 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 2016.

# Particulars of Major Properties

## COMPLETED PROPERTIES HELD FOR RENTAL

Property Name	Location	Group Interest	Tenure	Approximate Attributable GFA (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
<b>Shanghai</b>							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	468,434	360,687	829,121	350
May Flower Plaza	Sujiaxiang, Jing'an District	100%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	320,314	—	320,314	—
Regents Park	88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,959	—	77,959	—
<b>Subtotal of major completed properties held for rental in Shanghai:</b>				<b>866,707</b>	<b>360,687</b>	<b>1,227,394</b>	<b>350</b>
<b>Guangzhou</b>							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	357,424	79,431	436,855	136
West Point	Zhongshan Qi Road, Liwan District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	171,968	—	171,968	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	100,701	525,463	626,164	209
<b>Subtotal of major completed properties held for rental in Guangzhou:</b>				<b>630,093</b>	<b>604,894</b>	<b>1,234,987</b>	<b>345</b>
<b>Zhongshan</b>							
Palm Spring	Caihong Planning Area, Western District	100%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	112,124	—	112,124	—
<b>Subtotal of major completed properties held for rental in Zhongshan:</b>				<b>112,124</b>	<b>—</b>	<b>112,124</b>	<b>—</b>
<b>Total of major completed properties held for rental:</b>				<b>1,608,924</b>	<b>965,581</b>	<b>2,574,505</b>	<b>695</b>

## Particulars of Major Properties (Continued)

### COMPLETED HOTEL PROPERTIES AND SERVICED APARTMENTS

Property Name	Location	Group Interest	Tenure	No. of rooms	Approximate Attributable GFA (square feet)	No. of car-parking spaces attributable to the Group
<b>Shanghai</b>						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	300	355,267	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	100%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	143,846	—
<b>Subtotal of major hotel properties and serviced apartments in Shanghai:</b>				<b>539</b>	<b>499,113</b>	<b>—</b>
<b>Zhongshan</b>						
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District	100%	The property is held for a term expiring on 23 October 2073	90	98,556	—
<b>Subtotal of major hotel properties and serviced apartments in Zhongshan:</b>				<b>90</b>	<b>98,556</b>	<b>—</b>
<b>Total of major hotel properties and serviced apartments:</b>				<b>629</b>	<b>597,669</b>	<b>—</b>

# Particulars of Major Properties (Continued)

## PROPERTIES UNDER DEVELOPMENT

Property Name	Location	Group Interest	Stage of Construction	Expected Completion Date	Approximate Site Area (square feet) (Note 1)	Approximate Attributable GFA (square feet)				Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Serviced Apartments	Residential		
<b>Guangzhou</b>											
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	47.5%	Construction work in progress	Q4 2017	3,217,769 (Note 2)	9,177	—	—	—	9,177	22
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	H1 2021 (Note 3)	90,708	91,925	510,860 (Note 4)	—	—	602,785	299
<b>Subtotal of major properties under development in Guangzhou:</b>						<b>101,102</b>	<b>510,860</b>	<b>—</b>	<b>—</b>	<b>611,962</b>	<b>321</b>
<b>Zhongshan</b>											
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase Ib: Q2 2017 Phase II: Q3 2017 Phase III: Q3 2020 Phase IV: Q1 2022	2,547,298 (Note 2)	177,972	—	—	3,128,394	3,306,366	2,415
<b>Subtotal of major properties under development in Zhongshan:</b>						<b>177,972</b>	<b>—</b>	<b>—</b>	<b>3,128,394</b>	<b>3,306,366</b>	<b>2,415</b>
<b>Shanghai</b>											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	100%	Development under planning	Q1 2021 (Note 5)	107,223	100,310	601,126	—	—	701,436	554
Wuli Bridge project	Wuliqiao Road, 104 Jie Fang, Huangpu District	100%	Development under planning	Q4 2018	74,112	—	—	—	84,611	84,611	96
<b>Subtotal of major properties under development in Shanghai:</b>						<b>100,310</b>	<b>601,126</b>	<b>—</b>	<b>84,611</b>	<b>786,047</b>	<b>650</b>
<b>Hengqin</b>											
Novotown	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	80%	Construction work in progress	Q4 2018	1,401,184	782,458	634,400	815,858	—	2,232,716	1,670
<b>Subtotal of major properties under development in Hengqin:</b>						<b>782,458</b>	<b>634,400</b>	<b>815,858</b>	<b>—</b>	<b>2,232,716</b>	<b>1,670</b>
<b>Total of major properties under development:</b>						<b>1,161,842</b>	<b>1,746,386</b>	<b>815,858</b>	<b>3,213,005</b>	<b>6,937,091</b>	<b>5,056</b>

Note 1: On project basis

Note 2: Including portions of the projects that have been completed for sale/lease

Note 3: In the process of negotiating the buildable area for the site with the city government

Note 4: Office/office apartments

Note 5: In the process of discussing a comprehensive redevelopment proposal with the district government



# Particulars of Major Properties (Continued)

## COMPLETED PROPERTIES HELD FOR SALE

Property Name	Location	Group Interest	Approximate Attributable GFA (square feet)			Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Residential	Office		
<b>Zhongshan</b>							
Palm Spring	Caihong Planning Area, Western District	100%	68,983	22,592	—	91,575	—
<b>Subtotal of major completed properties held for sale in Zhongshan:</b>			<b>68,983</b>	<b>22,592</b>	<b>—</b>	<b>91,575</b>	<b>—</b>
<b>Shanghai</b>							
May Flower Plaza	Sujiaxiang, Jing'an District	100%	—	—	—	—	458
Regents Park Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	386
<b>Subtotal of major completed properties held for sale in Shanghai:</b>			<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>844</b>
<b>Guangzhou</b>							
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	—	15,499	—	15,499	148
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	47.5%	665	413,552	—	414,217	131
Paramount Centre	Nos 407 and 409 Yan Jiang Dong Road, Yuexiu District	100%	5,602	—	76,471	82,073	46
King's Park	Donghua Dong Road, Yuexiu District	100%	3,337	—	—	3,337	22
Eastern Place	787 Dongfeng East Road, Yuexiu District	100%	—	—	—	—	2
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	127
<b>Subtotal of major completed properties held for sale in Guangzhou:</b>			<b>9,604</b>	<b>429,051</b>	<b>76,471</b>	<b>515,126</b>	<b>476</b>
<b>Total of major completed properties held for sale:</b>			<b>78,587</b>	<b>451,643</b>	<b>76,471</b>	<b>606,701</b>	<b>1,320</b>

# Corporate Governance and Other Information

## 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 (“**Listing Rules**” and “**Stock Exchange**”, respectively) throughout the six months ended 31 January 2017 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 (“**Shareholders**”) 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 (“**EDs**”). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

## Board

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

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

The Board currently comprises fourteen members, of whom seven are EDs, two are NEDs and the remaining five are INEDs. The current composition of the Board is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills.

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

# Corporate Governance and Other Information *(Continued)*

## CORPORATE GOVERNANCE *(CONTINUED)*

### Board *(Continued)*

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

### Chairman and Chief Executive

During the six months ended 31 January 2017 and up to the date of this Interim Report, Mr. Chew Fook Aun was the Chairman of the Board while Mr. Lam Hau Yin, Lester acted as the Chief Executive Officer of the Company. This segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is defined.

## SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2017.

# Corporate Governance and Other Information (Continued)

## SHARE OPTION SCHEMES

On 18 December 2012, the Shareholders approved the adoption of a new share option scheme (“**2012 Share Option Scheme**”) and the termination of the share option scheme adopted by the Company on 21 August 2003 (“**2003 Share Option Scheme**”) to the effect that no more share options will be granted under the 2003 Share Option Scheme but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

As at 31 January 2017, share options comprising a total of 503,205,994 underlying shares were outstanding, of which a share option comprising 50,479,564 underlying shares was granted under the 2003 Share Option Scheme and share options comprising 452,726,430 underlying shares were granted under the 2012 Share Option Scheme.

The movement of the share options granted under the 2003 Share Option Scheme and the 2012 Share Option Scheme during the six months ended 31 January 2017 is as follows:

Name or category of participants	Date of grant (Note 1)	Number of underlying shares comprised in share options				As at 31 January 2017	Exercise period	Exercise price per share (HK\$) (Note 2)
		As at 1 August 2016	Granted during the period	Exercised during the period	Lapsed during the period			
<b>Directors</b>								
Chew Fook Aun	12/06/2012	80,479,564	—	(30,000,000) (Note 3)	—	50,479,564	12/06/2012 — 11/06/2020	0.133
Lam Hau Yin, Lester	18/01/2013	160,959,129	—	—	—	160,959,129	18/01/2013 — 17/01/2023	0.228
Cheng Shin How	18/01/2013	32,191,825	—	—	—	32,191,825	18/01/2013 — 17/01/2023	0.228
Lee Tze Yan, Ernest	18/01/2013	32,000,000	—	—	—	32,000,000	18/01/2013 — 17/01/2023	0.228
<b>Subtotal</b>		<b>305,630,518</b>	<b>—</b>	<b>(30,000,000)</b>	<b>—</b>	<b>275,630,518</b>		
<b>Other Eligible Participants (in aggregate)</b>								
Batch 1	18/01/2013	210,575,476 (Note 4)	—	—	(3,000,000)	207,575,476	18/01/2013 — 17/01/2023	0.228
Batch 2	26/07/2013	11,000,000	—	—	—	11,000,000	26/07/2013 — 25/07/2023	0.190
Batch 3	16/01/2015	9,000,000	—	—	—	9,000,000	16/01/2015 — 15/01/2025	0.160
<b>Subtotal</b>		<b>230,575,476</b>	<b>—</b>	<b>—</b>	<b>(3,000,000)</b>	<b>227,575,476</b>		
<b>Total</b>		<b>536,205,994</b>	<b>—</b>	<b>(30,000,000)</b>	<b>(3,000,000)</b>	<b>503,205,994</b>		

Notes:

- The share options vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company's share capital.
- During the period, 30,000,000 ordinary shares of HK\$0.10 each were issued in respect of a share option exercised under the 2003 Share Option Scheme at an exercise price of HK\$0.133 per share. The weighted average closing price of the shares of the Company immediately before the dates of exercises of the share option during the period was HK\$0.170 per share.
- Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong) was granted a share option to subscribe for a total of 16,095,912 shares of the Company on 18 January 2013.

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Share Option Scheme and the 2012 Share Option Scheme during the period under review.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 January 2017 and their respective close associates (as defined in the Listing Rules) were interested or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (“Register of Directors and Chief Executive”); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Securities Code adopted by the Company; or (d) as known to the Directors:

### (1) The Company

#### (A) Long positions in the ordinary shares of HK\$0.10 each of the Company (“Shares”) and underlying Shares

Name of Director	Capacity	Number of Shares		Number of underlying Shares	Total	Approximate percentage of total issued Shares (Note 2)
		Personal interests	Corporate interests	Personal interests (Note 1)		
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	30,000,000 (Note 3)	50,479,564	80,479,564	0.49%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	160,959,129	160,959,129	0.99%
Cheng Shin How	Beneficial owner	Nil	Nil	32,191,825	32,191,825	0.20%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	32,000,000	32,000,000	0.20%

Notes:

- These interests in underlying shares represented interests in share options granted to the Directors under the share option schemes of the Company. Particulars of which are contained in the section headed “Share Option Schemes” of this Interim Report.
- The percentage has been compiled based on the total number of issued Shares as at 31 January 2017 (i.e. 16,285,086,736 Shares).
- These Shares are held by The Orchid Growers Association Limited, the entire issued share capital of which is beneficially owned by Mr. Chew Fook Aun.

#### (B) Long positions in the 6.875% senior notes due 2018 issued by the Company

Name of Director	Capacity	Nature of interests	Principal amount
Lam Kin Hong, Matthew	Owner of controlled corporation	Corporate (Note)	CNY23,600,000

Note: These notes are held by Tai Fu Holdings Limited, the entire issued share capital of which is beneficially owned by Mr. Lam Kin Hong, Matthew and his spouse.

# Corporate Governance and Other Information (Continued)

## DIRECTORS' INTERESTS (CONTINUED)

### (2) Associated Corporation

eSun Holdings Limited (“eSun”) — the ultimate holding company of the Company

Long positions in the ordinary shares of eSun of HK\$0.50 each (“eSun Shares”) and underlying eSun Shares

Name of Director	Capacity	Number of	Number of	Total	Approximate percentage of total issued eSun Shares (Note 1)
		eSun Shares Personal interests	underlying eSun Shares Personal interests		
Chew Fook Aun	Beneficial owner	Nil	6,216,060 (Note 2)	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	12,432,121 (Note 3)	15,226,564	1.22%

Notes:

1. The percentage has been compiled based on the total number of issued eSun Shares as at 31 January 2017 (i.e. 1,243,212,165 eSun Shares). As at the date of this Interim Report, the total number of issued eSun Shares has increased to 1,491,854,598.
2. A share option was granted by eSun to Mr. Chew Fook Aun on 5 June 2012 to subscribe for a total of 6,216,060 eSun Shares at an exercise price of HK\$0.92 per eSun Share during the period from 5 June 2012 to 4 June 2022.
3. A share option was granted by eSun to Mr. Lam Hau Yin, Lester on 18 January 2013 to subscribe for a total of 12,432,121 eSun Shares at an exercise price of HK\$1.612 per eSun Share during the period from 18 January 2013 to 17 January 2023.

Save as disclosed above, as at 31 January 2017, none of the Directors and chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, recorded in the Register of Directors and Chief Executive, notified under the Securities Code, or otherwise known to the Directors.

## Corporate Governance and Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 January 2017, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded, other than a Director or the chief executive of the Company, in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

#### (A) Long positions in the Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares (Note 1)
<b>Substantial Shareholders</b>				
eSun Holdings Limited (" <b>eSun</b> ")	Owner of controlled corporations	Corporate	8,274,270,422 (Note 2)	50.81%
Lai Sun Development Company Limited (" <b>LSD</b> ")	Owner of controlled corporations	Corporate	8,274,270,422 (Note 2)	50.81%
Lai Sun Garment (International) Limited (" <b>LSG</b> ")	Owner of controlled corporations	Corporate	8,274,270,422 (Note 2)	50.81%
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	8,274,270,422 (Note 3)	50.81%
Merit Worth Limited (" <b>MWL</b> ")	Beneficial owner and owner of controlled corporation	Corporate	8,274,270,422 (Note 4)	50.81%
Silver Glory Securities Limited (" <b>SGS</b> ")	Beneficial owner	Corporate	3,889,038,698 (Note 4)	23.88%
CapitaLand China Holdings Pte Ltd. (" <b>CapitaLand China</b> ")	Owner of controlled corporation	Corporate	3,220,000,000 (Note 5)	19.77%
CapitaLand China Investments Limited (" <b>CapitaLand Investments</b> ")	Owner of controlled corporations	Corporate	3,220,000,000 (Note 5)	19.77%
CapitaLand LF (Cayman) Holdings Co., Ltd. (" <b>CapitaLand Cayman</b> ")	Beneficial owner	Corporate	3,220,000,000	19.77%
CapitaLand Limited	Owner of controlled corporations	Corporate	3,220,000,000 (Note 5)	19.77%
Temasek Holdings (Private) Limited (" <b>Temasek</b> ")	Owner of controlled corporations	Corporate	3,220,000,000 (Note 5)	19.77%

## Corporate Governance and Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (CONTINUED)

#### (A) Long positions in the Shares of the Company (Continued)

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares (Note 1)
<b>Other Persons</b>				
Third Avenue Management LLC	Investment manager	Corporate	1,197,080,000 (Note 6)	7.35%
Third Avenue Management LLC, on behalf of Whitman High Conviction Fund	Beneficial owner	Corporate	1,197,080,000 (Note 6)	7.35%

Notes:

- The percentage has been compiled based on the total number of issued Shares as at 31 January 2017 (i.e. 16,285,086,736 Shares).
- These interests in the Company represented all the Shares beneficially owned by MWL (4,385,231,724 Shares or approximately 26.93% of the total issued Shares) and SGS (3,889,038,698 Shares or approximately 23.88% of the total issued Shares), both being wholly-owned subsidiaries of eSun. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 61.75% by LSG. As such, both LSD and LSG were deemed to be interested in the same 8,274,270,422 Shares held by eSun. As at the date of this Interim Report, eSun is owned as to approximately 36.94% by LSD.
- Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 Shares held by eSun by virtue of his personal and deemed interests in approximately 41.97% (excluding share option) of the issued share capital of LSG.
- SGS is wholly owned by MWL which in turn is wholly owned by eSun. Therefore, MWL was deemed to be interested in the 3,889,038,698 Shares held by SGS and eSun was deemed to be interested in the 8,274,270,422 Shares held and deemed to be held by MWL.
- These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which in turn is wholly owned by CapitaLand Investments while CapitaLand Investments is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 3,220,000,000 Shares held by CapitaLand Cayman by virtue of its approximate 41.06% interest in the issued share capital of CapitaLand Limited.
- Third Avenue Management LLC, on behalf of Whitman High Conviction Fund held 1,197,080,000 Shares.



## Corporate Governance and Other Information (Continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (CONTINUED)

#### (B) Long positions in the underlying Shares of the Company

Name	Capacity	Number of underlying Shares	Approximate percentage of total issued Shares (Note 1)
Lam Kin Ngok, Peter	Beneficial Owner	16,095,912 (Note 2)	0.10%

Notes:

1. The percentage has been compiled based on the total number of issued Shares as at 31 January 2017 (i.e. 16,285,086,736 Shares).
2. The interests in underlying Shares represented interests in a share option granted to Dr. Lam Kin Ngok, Peter under the share option scheme of the Company. Particulars of which are set out in the section headed "Share Option Schemes" of this Interim Report.

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 January 2017, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

On 7 January 2016, a non-wholly owned subsidiary of the Company, as borrower, entered into a facility agreement pursuant to which a 5-year term loan facility of an amount up to RMB1,800,000,000 was granted to the borrower. Pursuant to this agreement, the Company and eSun shall maintain, in aggregate, 100% direct or indirect holding interest in the borrower. Upon a breach of this covenant, the lender may, inter alia, declare that the outstanding liability under the facility becomes immediately due and cancel the remaining undrawn facility.

# Corporate Governance and Other Information (Continued)

## UPDATE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2015-2016 are set out as follows:

- (a) Mr. Shek Lai Him, Abraham was appointed a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption on 1 January 2017. Mr. Shek has also been appointed an independent non-executive director and chairman of nomination committee of Goldin Financial Holdings Limited, a listed public company in Hong Kong, with effect from 9 January 2017. He resigned as an independent non-executive director of TUS International Limited, a listed public company in Hong Kong, with effect from 6 January 2017.
- (b) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Messrs. Chew Fook Aun, Lam Hau Yin, Lester, Cheng Shin How and Lee Tze Yan, Ernest have been adjusted upward within the range from 3.0% to 4.0% with effect from 1 January 2017. Directors' remuneration for the six months ended 31 January 2017 and 2016 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>For the six months ended 31 January 2017</b>					
<i>Executive directors:</i>					
Lam Kin Ming	—	570	—	—	570
Lam Kin Hong, Matthew	—	570	—	29	599
Lam Hau Yin, Lester	—	853	—	9	862
U Po Chu	—	2,138	—	—	2,138
Chew Fook Aun	—	2,397	—	9	2,406
Cheng Shin How	—	3,893	—	9	3,902
Lee Tze Yan, Ernest	—	840	—	9	849
	—	11,261	—	65	11,326
<i>Non-executive directors:</i>					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Chan Boon Seng	—	—	—	—	—
	—	—	—	—	—
<i>Independent non-executive directors:</i>					
Lam Bing Kwan	150	—	—	—	150
Ku Moon Lun	150	—	—	—	150
Law Kin Ho	150	—	—	—	150
Mak Wing Sum, Alvin	150	—	—	—	150
Shek Lai Him, Abraham	150	—	—	—	150
	750	—	—	—	750
<b>Total</b>	<b>750</b>	<b>11,261</b>	<b>—</b>	<b>65</b>	<b>12,076</b>

# Corporate Governance and Other Information (Continued)

## UPDATE OF DIRECTORS' INFORMATION (CONTINUED)

(b) (Continued)

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>For the six months ended 31 January 2016</b>					
<i>Executive directors:</i>					
Lam Kin Ming	—	570	—	—	570
Lam Kin Hong, Matthew	—	570	—	29	599
Lam Hau Yin, Lester	—	880	—	9	889
U Po Chu	—	2,164	—	—	2,164
Chew Fook Aun	—	2,153	—	9	2,162
Cheng Shin How	—	3,499	—	9	3,508
Lee Tze Yan, Ernest	—	804	—	9	813
	—	10,640	—	65	10,705
<i>Non-executive directors:</i>					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Chan Boon Seng	—	—	—	—	—
	—	—	—	—	—
<i>Independent non-executive directors:</i>					
Lam Bing Kwan	125	—	—	—	125
Ku Moon Lun	125	—	—	—	125
Law Kin Ho	125	—	—	—	125
Mak Wing Sum, Alvin	125	—	—	—	125
Shek Lai Him, Abraham	125	—	—	—	125
	625	—	—	—	625
<b>Total</b>	<b>625</b>	<b>10,640</b>	<b>—</b>	<b>65</b>	<b>11,330</b>

# Corporate Governance and Other Information (Continued)

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2017, 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 2017, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
October 2016	Post results non-deal roadshow	DBS	Hong Kong
November 2016	Post results non-deal roadshow	DBS	Singapore
November 2016	Post results non-deal roadshow	Daiwa	New York/Philadelphia/ Los Angeles/San Francisco
November 2016	Post results non-deal roadshow	Daiwa	London/Amsterdam/Zurich

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

Firm	Analyst	Publication Date
Credit Suisse	Daniel TAM	3 November 2016

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](mailto:ir@laifung.com).

# Corporate Governance and Other Information *(Continued)*

## REVIEW OF INTERIM REPORT

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 Director: Mr. Chan Boon Seng). The Audit Committee has reviewed the interim report (containing the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2017.

By Order of the Board  
**Chew Fook Aun**  
*Chairman*

Hong Kong, 23 March 2017