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## LAI SUN GARMENT

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

(Stock Code: 191)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2017

#### RESULTS

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

		Six months ended 31 January	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
TURNOVER	3	871,978	1,133,914
Cost of sales		<u>(340,852)</u>	<u>(528,501)</u>
Gross profit		531,126	605,413
Other revenue		36,284	43,896
Selling and marketing expenses		(17,307)	(22,510)
Administrative expenses		(154,924)	(147,016)
Other operating expenses		(132,336)	(110,679)
Fair value gains on investment properties, net		<u>607,850</u>	<u>119,703</u>
PROFIT FROM OPERATING ACTIVITIES	4	870,693	488,807
Finance costs	5	(130,691)	(139,894)
Share of profits and losses of associates		11,472	10,838
Share of profits and losses of joint ventures		<u>333,817</u>	<u>739,899</u>
PROFIT BEFORE TAX		1,085,291	1,099,650
Tax	6	<u>(47,609)</u>	<u>(40,892)</u>
PROFIT FOR THE PERIOD		<u>1,037,682</u>	<u>1,058,758</u>
Attributable to:			
Owners of the Company		673,776	564,397
Non-controlling interests		<u>363,906</u>	<u>494,361</u>
		<u>1,037,682</u>	<u>1,058,758</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
Basic		<u>HK\$0.355</u>	<u>HK\$0.298</u>
Diluted		<u>HK\$0.352</u>	<u>HK\$0.298</u>

**Condensed Consolidated Statement of Comprehensive Income**  
*For the six months ended 31 January 2017*

	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
PROFIT FOR THE PERIOD	<u><b>1,037,682</b></u>	<u>1,058,758</u>
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Changes in fair values of available-for-sale financial assets	<b>49,928</b>	(20,630)
Exchange realignments	<b>(50,324)</b>	(92,519)
Share of other comprehensive expense of associates	<u><b>(135,542)</b></u>	<u>(230,839)</u>
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD	<u><b>(135,938)</b></u>	<u>(343,988)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u><b>901,744</b></u></u>	<u><u>714,770</u></u>
Attributable to:		
Owners of the Company	<b>588,654</b>	383,426
Non-controlling interests	<u><b>313,090</b></u>	<u>331,344</u>
	<u><u><b>901,744</b></u></u>	<u><u>714,770</u></u>

**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		3,667,790	3,281,884
Prepaid land lease payments		20,387	20,901
Investment properties		18,204,114	17,713,376
Properties under development for sale		1,493,907	1,397,706
Goodwill		5,161	5,161
Interests in associates		3,680,280	3,721,584
Interests in joint ventures		6,475,079	6,754,353
Available-for-sale financial assets		1,558,555	1,512,037
Pledged and restricted bank balances and time deposits		133,957	336,828
Deposits paid and other receivables		175,928	181,315
Total non-current assets		<u>35,415,158</u>	<u>34,925,145</u>
<b>CURRENT ASSETS</b>			
Completed properties for sale		336,807	336,807
Inventories		27,924	25,899
Debtors, deposits paid and other receivables	8	265,942	178,420
Pledged and restricted bank balances and time deposits		298,779	58,438
Cash and cash equivalents		3,149,278	2,911,657
Total current assets		<u>4,078,730</u>	<u>3,511,221</u>
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals	9	402,632	478,160
Tax payable		108,489	139,889
Guaranteed notes		2,711,304	-
Bank borrowings		151,627	690,709
Total current liabilities		<u>3,374,052</u>	<u>1,308,758</u>
NET CURRENT ASSETS		<u>704,678</u>	<u>2,202,463</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>36,119,836</u>	<u>37,127,608</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		6,330,758	5,594,973
Guaranteed notes		732,313	3,461,817
Other borrowing, note payable and interest payable		378,671	372,969
Deferred tax		202,120	195,163
Provision for tax indemnity		980,638	980,638
Long term deposits received and other payables		253,315	109,678
Deferred rental		8,920	9,724
Total non-current liabilities		<u>8,886,735</u>	<u>10,724,962</u>
		<u>27,233,101</u>	<u>26,402,646</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		1,198,009	1,179,703
Investment revaluation reserve		278,065	245,724
Share option reserve		12,721	14,286
Hedging reserve		1,439	5,707
Capital reduction reserve		6,973	6,973
Asset revaluation reserve		55,494	55,494
Other reserve		2,762,371	2,809,724
Statutory reserve		19,109	14,962
Exchange fluctuation reserve		(351,993)	(238,798)
Retained profits		13,006,202	12,359,569
		<u>16,988,390</u>	<u>16,453,344</u>
Non-controlling interests		<u>10,244,711</u>	<u>9,949,302</u>
		<u>27,233,101</u>	<u>26,402,646</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 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 and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

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

The Company has delivered the financial statements for the year ended 31 July 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group’s audited consolidated financial statements for the year ended 31 July 2016.

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

### 3. SEGMENT INFORMATION

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

	Six months ended 31 January (Unaudited)													
	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Eliminations		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Segment revenue:														
Sales to external customers	-	384,301	400,399	401,583	209,081	201,431	248,653	134,683	13,845	11,916	-	-	871,978	1,133,914
Intersegment sales	-	-	11,736	8,377	90	180	-	-	13,565	12,185	(25,391)	(20,742)	-	-
Other revenue	3,637	2,157	757	278	16	9	180	142	4,683	3,698	-	-	9,273	6,284
Total	<u>3,637</u>	<u>386,458</u>	<u>412,892</u>	<u>410,238</u>	<u>209,187</u>	<u>201,620</u>	<u>248,833</u>	<u>134,825</u>	<u>32,093</u>	<u>27,799</u>	<u>(25,391)</u>	<u>(20,742)</u>	<u>881,251</u>	<u>1,140,198</u>
Segment results	<u>(18,751)</u>	<u>100,206</u>	<u>331,505</u>	<u>328,829</u>	<u>33,884</u>	<u>35,726</u>	<u>(7,967)</u>	<u>(6,748)</u>	<u>(7,945)</u>	<u>(4,870)</u>	<u>-</u>	<u>-</u>	<u>330,726</u>	<u>453,143</u>
Interest income from bank deposits - unallocated													15,880	11,971
Unallocated revenue													11,131	25,641
Fair value gains on investment properties, net	-	-	607,850	119,703	-	-	-	-	-	-	-	-	607,850	119,703
Unallocated expenses													(94,894)	(121,651)
Profit from operating activities													870,693	488,807
Finance costs													(130,691)	(139,894)
Share of profits and losses of associates	16	740	4,653	2,735	-	-	(2,147)	(1,159)	1,749	-	-	-	4,271	2,316
Share of profits and losses of associates - unallocated													7,201	8,522
Share of profits and losses of joint ventures	(26,026)	(971)	359,843	740,870	-	-	-	-	-	-	-	-	333,817	739,899
Profit before tax													1,085,291	1,099,650
Tax													(47,609)	(40,892)
Profit for the period													<u>1,037,682</u>	<u>1,058,758</u>

### 3. SEGMENT INFORMATION (continued)

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

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Others		Consolidated	
	31 January 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	<b>1,910,259</b>	1,781,215	<b>18,405,083</b>	17,876,931	<b>3,667,301</b>	3,263,406	<b>628,556</b>	641,751	<b>152,466</b>	152,583	<b>24,763,665</b>	23,715,886
Interests in associates	<b>5,873</b>	7,343	<b>60,057</b>	55,179	-	-	<b>(7,771)</b>	(1,061)	<b>115,981</b>	-	<b>174,140</b>	61,461
Interests in associates - unallocated											<b>3,506,140</b>	3,660,123
Interests in joint ventures	<b>988,358</b>	990,385	<b>5,486,721</b>	5,763,968	-	-	-	-	-	-	<b>6,475,079</b>	6,754,353
Unallocated assets											<b>4,574,864</b>	4,244,543
Total assets											<b>39,493,888</b>	38,436,366
Segment liabilities	<b>126,810</b>	62,467	<b>214,880</b>	221,181	<b>231,745</b>	195,510	<b>42,357</b>	47,472	<b>7,487</b>	6,163	<b>623,279</b>	532,793
Bank borrowings											<b>6,482,385</b>	6,285,682
Guaranteed notes											<b>3,443,617</b>	3,461,817
Other borrowing, note payable and interest payable											<b>378,671</b>	372,969
Other unallocated liabilities											<b>1,332,835</b>	1,380,459
Total liabilities											<b>12,260,787</b>	12,033,720

#### 4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation <sup>#</sup>	42,197	32,128
Amortisation of prepaid land lease payments*	514	514
Interest income from bank deposits	(15,880)	(11,971)
Other interest income	(7,977)	(7,494)
Dividend income from unlisted available-for-sale financial assets	<u>(7,740)</u>	<u>(16,055)</u>

<sup>#</sup> Depreciation charge of approximately HK\$40,029,000 (Six months ended 31 January 2016: HK\$29,960,000) for property, plant and equipment is included in "other operating expenses" on the condensed consolidated income statement.

\* Amortisation of prepaid land lease payments is included in "other operating expenses" on the condensed consolidated income statement.

(b) Other than those mentioned in note 4(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operation in Vietnam of approximately HK\$31,994,000 (Six months ended 31 January 2016: HK\$33,484,000).

#### 5. FINANCE COSTS

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on bank borrowings	65,776	57,637
Interest on guaranteed notes	110,306	112,249
Interest on other borrowing and note payable	5,702	5,712
Bank financing charges	<u>25,521</u>	<u>22,901</u>
	<b>207,305</b>	198,499
Less: Amount capitalised in a hotel development project	(48,441)	(47,182)
Amount capitalised in properties under development for sale	<u>(28,173)</u>	<u>(11,423)</u>
	<u><b>130,691</b></u>	<u>139,894</u>

## 6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax		
Hong Kong	26,213	22,731
Overseas	<u>14,041</u>	<u>14,347</u>
	<b>40,254</b>	37,078
Deferred tax	7,542	2,467
Prior years' (overprovision)/underprovision		
Hong Kong	(85)	(20)
Overseas	<u>(102)</u>	<u>1,367</u>
	<u>(187)</u>	<u>1,347</u>
Tax charge for the period	<u><u>47,609</u></u>	<u><u>40,892</u></u>

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

	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	673,776	564,397
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	<u>(1,177)</u>	<u>(480)</u>
Earnings for the purpose of diluted earnings per share	<u><u>672,599</u></u>	<u><u>563,917</u></u>
	<b>'000</b>	<b>'000</b>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,898,518	1,891,805
Effect of dilutive potential ordinary shares arising from share options	<u>12,489</u>	<u>3,493</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>1,911,007</u></u>	<u><u>1,895,298</u></u>



## 8. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

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

	<b>31 January 2017 (Unaudited) HK\$'000</b>	31 July 2016 (Audited) HK\$'000
Trade debtors:		
Not yet due or less than 30 days past due	14,877	15,805
31 - 60 days past due	4,126	2,122
61 - 90 days past due	573	857
Over 90 days past due	<u>3,230</u>	<u>3,881</u>
	<b>22,806</b>	22,665
Other receivables	<b>164,023</b>	82,132
Deposits paid and prepayments	<u>79,113</u>	<u>73,623</u>
	<u><b>265,942</b></u>	<u>178,420</u>

## 9. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	<b>31 January 2017 (Unaudited) HK\$'000</b>	31 July 2016 (Audited) HK\$'000
Trade creditors:		
Not yet due or less than 30 days past due	18,550	20,207
31 - 60 days past due	1,321	2,128
61 - 90 days past due	1,909	1,079
Over 90 days past due	<u>81</u>	<u>1,148</u>
	<b>21,861</b>	24,562
Other payables and accruals	<b>219,231</b>	291,284
Deposits received and other provisions	<u>161,540</u>	<u>162,314</u>
	<u><b>402,632</b></u>	<u>478,160</u>

## **10. EVENTS AFTER THE REPORTING PERIOD**

On 9 February 2017, the Group's associate, eSun Holdings Limited ("eSun"), completed a share placement which resulted in a dilution in the Group's interest in eSun from 41.92% to 34.94%. Further details are set out in the eSun's announcement dated 9 February 2017.

In February 2017, the Group acquired 2% additional interest in eSun from the public shareholders for a consideration of approximately HK\$25 million and the Group's interest in eSun increased from 34.94% to 36.94%.

Due to the timing of the transactions, the Group is still assessing the financial impact on the Group. Accordingly, certain disclosures in relation to the above transactions have not been presented.

## INTERIM DIVIDEND

The Board of the Company has resolved not to declare the payment of an interim dividend for the financial year ending 31 July 2017. No interim dividend was declared in respect of the last corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

Major economies around the world continue to 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 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 growth outlook.

The property sector in Hong Kong as a whole has shown resilience and recovered from an extended period of softening. During the period under review, the slowdown in the luxury end of the retail market has been most pronounced due to reduced visitor numbers. The office leasing market continued to stabilise due to tight supply but a slight softening of rent in areas outside Central area was observed. The residential market was rejuvenated, underpinned by a lack of supply with record prices being achieved in recent land tenders, as well as a sustained period of low interest rates. The effect of the recent rate hike just prior to this interim results has yet to be seen, however, interest rates remain low relative to recent history. Labour supply shortages in the construction industry continues to drive wage inflation and pose a challenge on the cost management side.

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

Date	Secured Projects	Total Gross Floor Area ("GFA") (square feet)	Use	Expected Completion Date
<b>Hong Kong</b>				
<b>Development Properties</b>				
November 2012	Alto Residences	573,346	Commercial/ Residential	Q1 2018
April 2014	93 Pau Chung Street	111,354	Commercial/ Residential	Q1 2018
May 2014	The Hong Kong Ocean Park Marriott Hotel ("Ocean Hotel")	366,000	Hotel	Q4 2017
September 2015	Sai Wan Ho Street Project	61,140	Residential	Q4 2019
May 2016	Ki Lung Street Project	42,878	Commercial/ Residential	Q1 2020
<b>London, United Kingdom</b>				
<b>Investment Properties</b>				
April 2014	107 Leadenhall Street	146,606*	Office	N/A
November 2014	100 Leadenhall Street	177,700*	Office	N/A
December 2015	106 Leadenhall Street	12,687**	Office	N/A

\* Gross internal area

\*\* Net internal area

The Group as a whole performed steadily against this challenging environment. The rental portfolio comprises of approximately 1.4 million square feet of which about 1.1 million square feet is located in Hong Kong. Despite the softened economic sentiment and weakened retail activity, the Group's Hong Kong properties performed steadily at nearly full occupancy levels with most of the major lease renewals completed in the previous period.

The London properties weathered the uncertainties of Brexit well during the period under review if the currency translation effect of a depreciated Sterling was excluded. As at the date of this results announcement, over 70% floor area of 106 Leadenhall Street in London has been leased out. This multi-tenanted property located adjacent to our other two wholly-owned properties, namely 100 and 107 Leadenhall Street, is expected to enhance and enlarge the Group's strategic property investment portfolio in the City of London. The Group has appointed DP9, one of the leading professional consultancies in planning, development and regeneration in the United Kingdom to advise on the redevelopment of the site comprising 100, 106 and 107 Leadenhall. Skidmore, Owings & Merrill LLP has also been engaged as architect for this project. The Group is encouraged that the adjacent building situated at 122 Leadenhall Street, commonly known as the "The Cheesegrater" was sold for a record price of £1.135 billion recently.

The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and approximately 226,005 square feet of attributable rental space to the existing rental portfolio attributable to the Group of approximately 1.4 million square feet. Its completion is expected to be in the fourth quarter of 2017. The Urban Renewal Authority project in Ma Tau Kok, Kowloon, "93 Pau Chung Street" ("**93 Pau Chung Street**") and the joint venture project in Tseung Kwan O named "Alto Residences" ("**Alto Residences**") were launched for pre-sale in September 2016 and October 2016, respectively. The 93 Pau Chung Street project offers 209 flats in total, including studios, one and two-bedroom units. Up to 19 March 2017, the Group has pre-sold 168 units in 93 Pau Chung Street with saleable area of approximately 58,000 square feet at an average selling price of approximately HK\$15,900 per square foot. The Alto Residences project provides 605 flats, including 23 detached houses. Up to 19 March 2017, the Group has pre-sold 472 units in Alto Residences with saleable area of approximately 259,100 square feet at an average selling price of approximately HK\$14,700 per square foot.

The Group has continued to participate in government tenders to grow the pipeline. The Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong is planned to provide about 144 residential units upon completion with a total GFA of 61,140 square feet. The Ki Lung Street project in Sham Shui Po, Kowloon, which comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet is expected to be developed primarily into a commercial/residential development for sale with a total GFA of 42,878 square feet.

In September 2016, LSD acquired an approximately 49.96% interest in Camper & Nicholson's International SA ("**CNI**"), a long established and internationally recognised brand for luxury yachts. LSD believed that the acquisition of CNI in partnership with Fincantieri S.p.A., one of the major shipbuilding companies in the world, will bolster LSD's offering of high-end food and beverage and hospitality services.

The Group's strong cash position of HK\$3,582.0 million of cash on hand and HK\$5,773.4 million of undrawn facilities with a net debt to equity ratio of 39.6% as at 31 January 2017 provides the Group with full confidence and the means to review opportunities more actively. The Group's gearing excluding the net debt of the London portfolio all of which have a positive carry net of financing costs is 30.8%. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

## OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2017, the Group recorded turnover of HK\$872.0 million (2016: HK\$1,133.9 million) and a gross profit of HK\$531.1 million (2016: HK\$605.4 million), representing a decrease of approximately 23.1% and 12.3%, respectively over the same period last year. Set out below is the turnover by segment:

	Six months ended 31 January		Difference (HK\$ million)	% change
	2017 (HK\$ million)	2016 (HK\$ million)		
Property investment	400.4	401.6	-1.2	-0.3%
Property development and sales	-	384.3	-384.3	-100.0%
Restaurant operation	248.7	134.7	114.0	84.6%
Hotel operation and others	222.9	213.3	9.6	4.5%
<b>Total</b>	<b>872.0</b>	1,133.9	-261.9	-23.1%

For the six months ended 31 January 2017, net profit attributable to owners of the Company was approximately HK\$673.8 million (2016: HK\$564.4 million), representing an increase of approximately 19.4% over the same period last year. Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$48.4 million (2016: HK\$98.8 million), representing a decrease of approximately 51.0% over the same period last year. Basic earnings per share including and excluding the effect of property revaluations was HK\$0.355 (2016: HK\$0.298) and HK\$0.026 (2016: HK\$0.052), respectively.

Profit attributable to owners of the Company (HK\$ million)	Six months ended 31 January	
	2017	2016
Reported	673.8	564.4
Less: Adjustments in respect of revaluation gains of investment properties held by		
- the Company and subsidiaries	(416.4)	(81.9)
- associates and joint ventures	(209.0)	(383.7)
<b>Net profit after tax excluding revaluation gains of investment properties</b>	<b>48.4</b>	<b>98.8</b>

Equity attributable to owners of the Company as at 31 January 2017 amounted to HK\$16,988.4 million, up from HK\$16,453.3 million as at 31 July 2016. Net asset value per share attributable to owners of the Company increased by 2.4% to HK\$8.893 per share as at 31 January 2017 from HK\$8.686 per share as at 31 July 2016.

## PROPERTY PORTFOLIO COMPOSITION

As at 31 January 2017, the Group maintained a property portfolio with attributable GFA of approximately 1.9 million square feet. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces is as follows:

	Commercial /Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental <sup>1</sup>	391	724	198	-	-	1,313	670
Completed Hotel Properties	-	-	-	-	61	61	-
Properties Under Development <sup>2</sup>	49	-	-	261	226	536	122
Completed Properties Held for Sale	17	-	-	6	-	23	6
<b>Total GFA of major properties of the Group</b>	<b>457</b>	<b>724</b>	<b>198</b>	<b>267</b>	<b>287</b>	<b>1,933</b>	<b>798</b>

1. Completed and rental generating properties
2. All properties under construction

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

## PROPERTY INVESTMENT

### Rental Income

During the period under review, the Group's rental operations recorded a turnover of HK\$400.4 million (2016: HK\$401.6 million), representing a 0.3% decrease over the same period last year. The decrease is primarily attributable to the lower contributions from London properties due to Sterling depreciation post Brexit in June 2016. The average Sterling exchange rate for the period under review depreciated by over 13% compared with the same period last year. Excluding the effect of currency translation against a depreciating Sterling, the change in the turnover from London properties went from a decrease of 10.6% to an increase of 3.6%.

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

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

	Six months ended 31 January		%	Period end occupancy (%)
	2017 HK\$ million	2016 HK\$ million		
<b>Hong Kong</b>				
Cheung Sha Wan Plaza (including car-parking spaces)	151.5	150.1	0.9	93.0
Causeway Bay Plaza 2 (including car-parking spaces)	90.2	88.3	2.2	99.1
Lai Sun Commercial Centre (including car-parking spaces)	29.3	29.6	-1.0	92.7
Crocodile Center (commercial podium)	45.7	42.6	7.3	99.1
Por Yen Building	7.3	7.4	-1.4	89.6
Others	7.8	6.9	13.0	
<b>Subtotal:</b>	<b>331.8</b>	<b>324.9</b>	<b>2.1</b>	
<b>London, United Kingdom</b>				
36 Queen Street	11.5	13.4	-14.2	100.0
107 Leadenhall Street	22.8	26.2	-13.0	100.0
100 Leadenhall Street	31.6	36.5	-13.4	100.0
106 Leadenhall Street	2.7	0.6	350.0	73.4
<b>Subtotal:</b>	<b>68.6</b>	<b>76.7</b>	<b>-10.6</b>	
<b>Total:</b>	<b>400.4</b>	<b>401.6</b>	<b>-0.3</b>	
<b>Rental proceeds from joint venture projects</b>				
<b>Hong Kong</b>				
CCB Tower <sup>#</sup> (50% basis)	60.4	55.0	9.8	100.0
8 Observatory Road <sup>###</sup> (50% basis)	26.3	8.6	205.8	100.0
<b>Total:</b>	<b>86.7</b>	<b>63.6</b>	<b>36.3</b>	

<sup>#</sup> CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of the Group and CCB has an effective 50% interest. For the six months ended 31 January 2017, the rental proceeds recorded by the joint venture is HK\$120.7 million (2016: HK\$110.0 million).

<sup>###</sup> 8 Observatory Road is a joint venture project with Henderson Land in which each of LSD and Henderson Land has an effective 50% interest. For the six months ended 31 January 2017, the rental proceeds recorded by the joint venture is HK\$52.6 million (2016: HK\$17.2 million).

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)	Total GFA (square feet)	Group interest	Turnover (HK\$ million)	Total GFA (square feet)
<b>Hong Kong</b>						
Cheung Sha Wan Plaza	61.75%			51.84%		
Commercial		79.1	233,807		81.8	233,807
Office		63.8	409,896		59.9	409,896
Car-parking spaces		8.6	N/A		8.4	N/A
<b>Subtotal:</b>		151.5	643,703		150.1	643,703
Causeway Bay Plaza 2	61.75%			51.84%		
Commercial		61.5	109,770		59.8	109,770
Office		26.2	96,268		26.1	96,268
Car-parking spaces		2.5	N/A		2.4	N/A
<b>Subtotal:</b>		90.2	206,038		88.3	206,038
Lai Sun Commercial Centre	61.75%			51.84%		
Commercial		15.6	95,063		17.3	95,063
Office		5.0	74,181		4.0	74,181
Car-parking spaces		8.7	N/A		8.3	N/A
<b>Subtotal:</b>		29.3	169,244		29.6	169,244
Crocodile Center	100%			100%		
Commercial		45.7	91,201		42.6	91,201
Por Yen Building	100%			100%		
Industrial		7.2	109,010		7.3	109,010
Car-parking spaces		0.1	N/A		0.1	N/A
<b>Subtotal:</b>		7.3	109,010		7.4	109,010
Others		7.8	108,810*		6.9	108,810*
<b>Subtotal:</b>		331.8	1,328,006*		324.9	1,328,006*
<b>London, United Kingdom</b>						
36 Queen Street	61.75%			51.84%		
Office		11.5	60,816		13.4	60,816
107 Leadenhall Street	61.75%			51.84%		
Office		22.8	146,606		26.2	146,606
100 Leadenhall Street	61.75%			51.84%		
Office		31.6	177,700		36.5	177,700
106 Leadenhall Street	61.75%			51.84%		
Office		2.7	12,687		0.6	12,687
<b>Subtotal:</b>		68.6	397,809		76.7	397,809
<b>Total:</b>		400.4	1,725,815*		401.6	1,725,815*
<b>Joint Venture Projects</b>						
<b>Hong Kong</b>						
CCB Tower <sup>#</sup> (50% basis)	30.88%			25.92%		
Office		60.1	114,555 <sup>**</sup>		55.0	114,555 <sup>**</sup>
Car-parking spaces		0.3	N/A		-	N/A
<b>Subtotal:</b>		60.4	114,555 <sup>**</sup>		55.0	114,555 <sup>**</sup>
8 Observatory Road <sup>###</sup> (50% basis)	30.88%			25.92%		
Commercial		21.1	46,064 <sup>***</sup>		5.0	46,064 <sup>***</sup>
Office		4.0	36,521 <sup>***</sup>		2.8	36,521 <sup>***</sup>
Car-parking spaces		1.2	N/A		0.8	N/A
<b>Subtotal:</b>		26.3	82,585 <sup>***</sup>		8.6	82,585 <sup>***</sup>
<b>Total:</b>		86.7	197,140		63.6	197,140

\* Excluding 10% interest in AIA Central

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

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

# CCB Tower is a joint venture project with CCB in which each of LSD and CCB has an effective 50% interest. For the six months ended 31 January 2017, the rental proceeds recorded by the joint venture is HK\$120.7 million (2016: HK\$110.0 million).

### 8 Observatory Road is a joint venture project with Henderson Land in which each of LSD and Henderson Land has an effective 50% interest. For the six months ended 31 January 2017, the rental proceeds recorded by the joint venture is HK\$52.6 million (2016: HK\$17.2 million).



## **Review of major investment properties**

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

#### *Cheung Sha Wan Plaza*

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

#### *Causeway Bay Plaza 2*

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

#### *Lai Sun Commercial Centre*

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

#### *Por Yen Building*

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

#### *Crocodile Center*

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

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

LSD has a 50:50 interest with CCB in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This 27-storey office tower is a landmark property in Central featuring underground access to the Central MTR station. The property has a total GFA of 229,110 square feet (excluding car-parking spaces). CCB Tower was completed in 2012 and added 70,738 square feet of attributable GFA to our portfolio. CCB Tower is now fully leased out with 18 floors of the office floors and 2 banking hall floors leased to CCB for its Hong Kong operations.

#### *8 Observatory Road*

LSD has a 50:50 interest with Henderson Land in this joint development project at Observatory Road, Kowloon. The property is a 19-storey commercial building with a total GFA of 165,170 square feet (excluding car-parking spaces). The property is now fully leased out.

### *AIA Central*

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

### ***Overseas Properties***

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

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

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

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

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

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

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

In December 2015, LSD acquired the property located adjacent to 100 and 107 Leadenhall Street, namely 106 Leadenhall Street, which is a multi-tenanted asset with approximately 12,687 square feet of offices including ancillary space. Up to the date of this results announcement, over 70% floor area of the property has been leased out.

### **PROPERTY DEVELOPMENT**

No turnover from sales of properties was recognised for the six months ended 31 January 2017 (2016: HK\$384.3 million).

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

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

LSD wholly owns the development project located at 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of approximately 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is approximately HK\$670 million. The property is now open for sale. Up to the date of this results announcement, 7 out of 9 units of this project have been sold.

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

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

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

### *Alto Residences*

In November 2012, LSD successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has a site area of 229,338 square feet with a total GFA of 573,346 square feet split into 458,676 square feet for residential use and 114,670 square feet for commercial use. Completion is expected to be in the first quarter of 2018.

This project providing 605 flats, including 23 detached houses was named “Alto Residences” and was launched for pre-sale in October 2016. Up to 19 March 2017, the Group has pre-sold 472 units in Alto Residences with saleable area of approximately 259,100 square feet at an average selling price of approximately HK\$14,700 per square foot.

### *Ocean Hotel project*

LSD was named the most preferred proponent by Ocean Park for the Ocean Hotel project in October 2013 and was officially awarded the project in May 2014. The Ocean Hotel, to be operated by the Marriott group, will provide a total of 471 rooms and add 226,005 square feet of attributable rental space to the existing rental portfolio of the Group of approximately 1.4 million square feet. The total development cost is estimated to be approximately HK\$4.4 billion. Completion is expected to be in the fourth quarter of 2017.

### *93 Pau Chung Street*

In April 2014, LSD was successful in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority in Ma Tau Kok, Kowloon, Hong Kong. The lot has a site area of 12,599 square feet with a total GFA of 111,354 square feet split into 94,486 square feet for residential use and 16,868 square feet for commercial use. The total development cost is estimated to be approximately HK\$1 billion and completion is expected to be in the first quarter of 2018.

This project was named “93 Pau Chung Street” and launched for pre-sale in September 2016, offering 209 flats in total, including studios, one and two-bedroom units. Up to 19 March 2017, LSD has pre-sold 168 units in this project with saleable area of approximately 58,000 square feet at an average selling price of HK\$15,900 per square foot.

#### *Sai Wan Ho Street project*

LSD was successful in September 2015 in its bid for the development rights to the Sai Wan Ho Street project from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. The project site covers a site area of 7,642 square feet. Upon completion, it is planned to provide about 144 residential units with a total GFA of 61,140 square feet. The total development cost is estimated to be approximately HK\$0.9 billion and completion is expected to be in the fourth quarter of 2019.

#### *Ki Lung Street project*

On 16 May 2016, LSD completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon. The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet. It is planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,878 square feet. The total development cost is expected to be approximately HK\$0.4 billion and construction is expected to be completed in the first quarter of 2020.

### RESTAURANT OPERATION

For the six months ended 31 January 2017, the restaurant operation contributed HK\$248.7 million (2016: HK\$134.7 million) to the Group’s turnover, representing an increase of approximately 84.6% from the same period last year. The turnover from the restaurants segment was boosted by contributions from the newly opened restaurants, including China Tang Harbour City in Hong Kong, Howard’s Gourmet in CCB Tower, Hong Kong, CIAK – All Day Italian in Cityplaza, Hong Kong, Operetta in Pacific Place, Hong Kong and Beefbar in Central, Hong Kong.

Up to the date of this results announcement, the restaurant operation includes the Group’s interests in 17 restaurants in Hong Kong and mainland China.

Cuisine	Restaurant	Location	Award
Western Cuisine	8 <sup>1/2</sup> Otto e Mezzo BOMBANA Hong Kong	Hong Kong	Three Michelin stars (2012-2017)
	Otto e Mezzo BOMBANA Shanghai	Shanghai	Two Michelin stars (2017)
	Opera BOMBANA	Beijing	
	CIAK - In The Kitchen	Hong Kong	One Michelin star (2015-2017)
	CIAK - All Day Italian	Hong Kong	Michelin Bib Gourmand (2017)
	Beefbar	Hong Kong	One Michelin star (2017)
	Operetta	Hong Kong	
Chinese Cuisine	China Tang Landmark	Hong Kong	
	China Tang Harbour City	Hong Kong	
	Howard’s Gourmet	Hong Kong	
	Chiu Tang Central	Hong Kong	
	Chiu Tang Wanchai	Hong Kong	
	Tang <sup>2</sup>	Hong Kong	
	Old Bazaar Kitchen	Hong Kong	
Japanese Cuisine	Wagyu Takumi	Hong Kong	One Michelin star (2017)
	Wagyu Kaiseki Den	Hong Kong	One Michelin star (2010-2017)
	Rozan	Hong Kong	

## HOTEL OPERATION

Turnover from hotel operation was mainly derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam. For the six months ended 31 January 2017, the hotel operation contributed HK\$209.1 million (2016: HK\$201.4 million) to the Group's turnover.

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Vietnam. It is an elegant 24-storey tower with a mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and a specially equipped room for the disabled. Total GFA attributable to the Group is 60,747 square feet.

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

The hotel operation has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou, Zhongshan and Hengqin. The hotel division manages Lai Fung's serviced apartments in Shanghai and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks with 90 fully furnished serviced apartment units located in the Palm Lifestyle complex in Zhongshan Western district at Cui Sha Road, opposite to the new Zhongshan traditional Chinese medical centre. STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel with 239 fully furnished and equipped hotel units with kitchenette in Jing'an district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways.

## INTEREST IN ASSOCIATES (eSUN)

As at 31 January 2017, the Group's interest in eSun Holdings Limited ("eSun") is 41.92%. Post the period end, the Group's interest in eSun was diluted to 34.94% immediately after the completion of eSun's placing of shares on 9 February 2017 and as of the date of this results announcement, the Group's interest in eSun is 36.94%.

During the period under review, share of profits of eSun amounting to HK\$11.4 million (2016: HK\$13.4 million). The decrease is primarily due to the weaker performance of the media and entertainment and cinema operations of eSun for the six months ended 31 January 2017 as compared to the same period last year.

## INTERESTS IN JOINT VENTURES

During the period under review, contribution from joint ventures amounted to HK\$333.8 million (2016: HK\$739.9 million), representing a decrease of 54.9%. This is primarily due to stronger revaluation gains of CCB Tower and 8 Observatory Road being recognised in the six months ended 31 January 2016 as compared to the current period under review.

	Six months ended 31 January	
	2017 (HK\$ million)	2016 (HK\$ million)
Revaluation gains	303.0	699.6
Operating profits	30.8	40.3
Contribution from joint ventures	333.8	739.9

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2017, cash and bank balances and undrawn facilities held by the Group amounted to HK\$3,582.0 million and HK\$5,773.4 million, respectively. Cash and bank balances and undrawn facility held by the Group excluding LSD as at 31 January 2017 were HK\$725.0 million and HK\$100.0 million, respectively.

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

As at 31 January 2017, the Group had bank borrowings of approximately HK\$6,482.4 million, guaranteed notes of approximately HK\$3,443.6 million, a note of HK\$195.0 million and a loan of HK\$31.7 million payable to the late Mr. Lim Por Yen ("Mr. Lim"), accrued interest of HK\$152.0 million in relation to the above-mentioned note and loan payable to the late Mr. Lim. The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings, guaranteed notes and note and loan and related accrued interest payable to the late Mr. Lim less the pledged and restricted and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company, was approximately 39.6%. Excluding the net debt of LSD, the gearing ratio was approximately 7.4%. The Group's gearing excluding the net debt of the London portfolio all of which had a positive carry net of financing costs was approximately 30.8%. As at 31 January 2017, the maturity profile of the bank borrowings of HK\$6,482.4 million was spread over a period of less than 5 years with HK\$151.6 million repayable within 1 year, HK\$485.8 million repayable in the second year and HK\$5,845.0 million repayable in the third to fifth years. All the Group's borrowings carried interest on a floating rate basis except for the United States dollar and Renminbi guaranteed notes issued in January 2013 and July 2014 and which has a fixed rate of 5.7% and 7.7% per annum, respectively.

As at 31 January 2017, certain investment properties with carrying amounts of approximately HK\$17,814.2 million, certain property, plant and equipment with carrying amounts of approximately HK\$2,777.1 million, certain properties under development for sale of approximately HK\$703.1 million and certain bank guaranteed balances and time deposits with banks of approximately HK\$432.7 million were pledged to banks to secure banking facilities granted to and guaranteed notes issued by the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to and guaranteed notes issued by the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars and United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has investments in United Kingdom with the assets and liabilities denominated in Pounds Sterling. Majority of the investments were partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. Other than the above mentioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the need arise.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 31 January 2017, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") nor did the Company or any of its subsidiaries purchase or sell any of such shares.

## **CORPORATE GOVERNANCE**

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

The Company has complied with all the code provisions set out in the CG Code throughout the six months ended 31 January 2017 save for the deviations from code provisions A.4.1 and A.5.1.

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

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

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

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

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 January 2017, the Group employed a total of approximately 1,600 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

## **INVESTOR RELATIONS**

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

During 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:

<b>Month</b>	<b>Event</b>	<b>Organiser</b>	<b>Location</b>
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

The Company is keen on promoting investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Investor Relations Department by phone on (852) 2853 6116 during normal business hours, by fax at (852) 2853 6651 or by e-mail at [ir@laisun.com](mailto:ir@laisun.com).



## **REVIEW OF INTERIM RESULTS**

The audit committee of the Company (“**Audit Committee**”) currently comprises three INEDs, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu. The Audit Committee has reviewed the unaudited interim results (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2017.

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

Hong Kong, 23 March 2017

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