eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Interim Results for the Six Months Ended 31 January 2014

RESULTS

The board of directors ("**Board**") of eSun Holdings Limited ("**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries ("**Group**") for the six months ended 31 January 2014 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2014

		Six months ended	
		31 January 2014	31 January 2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**1,220,405**	1,115,115
Cost of sales		**(767,569)**	(779,819)
Gross profit		**452,836**	335,296
Other revenue	*4*	**119,163**	91,365
Selling and marketing expenses		**(68,986)**	(74,366)
Administrative expenses		**(330,481)**	(316,843)
Other operating gains		**38,231**	28,556
Other operating expenses		**(172,546)**	(108,874)
Fair value gains on investment properties		**597,147**	324,560
PROFIT FROM OPERATING ACTIVITIES	*5*	**635,364**	279,694
Finance costs	*6*	**(206,676)**	(89,161)
Share of profits and losses of joint ventures		**9,094**	(9,278)
Share of profits and losses of associates		**(505)**	(282)
PROFIT BEFORE TAX		**437,277**	180,973

	Notes	Six months ended 31 January 2014 (Unaudited) *HK$'000*	31 January 2013 (Unaudited) *HK$'000*
PROFIT BEFORE TAX		**437,277**	180,973
Income tax expense	*7*	**(150,445)**	(135,567)
PROFIT FOR THE PERIOD		**286,832**	45,406
Attributable to:			
Owners of the Company		**113,547**	(28,932)
Non-controlling interests		**173,285**	74,338
		286,832	45,406
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic		**HK$0.091**	(HK$0.023)
Diluted		**HK$0.091**	(HK$0.023)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2014

	Six months ended	
	31 January 2014 (Unaudited)	31 January 2013 (Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**286,832**	45,406
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		
Exchange realignment on translation of foreign operations	**198,123**	105,448
Reclassification adjustments relating to disposal of foreign operations during the period	**(1,763)**	-
Changes in fair value of an available-for-sale investment	**5,776**	23,324
Share of other comprehensive income of joint ventures	**14,315**	291
Net gain on cash flow hedges	**63,979**	-
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX	**280,430**	129,063
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**567,262**	174,469
Attributable to:		
Owners of the Company	**262,257**	41,041
Non-controlling interests	**305,005**	133,428
	567,262	174,469

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2014

	Notes	**31 January 2014 (Unaudited)** ***HK$'000***	31 July 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,864,701**	2,736,990
Properties under development		**542,553**	495,504
Investment properties		**12,694,269**	11,867,497
Film rights		**41,506**	47,225
Film products		**117,631**	101,223
Music catalogs		**18,361**	20,665
Goodwill	*14, 15*	**123,440**	10,435
Other intangible assets	*15*	**-**	64,018
Investments in joint ventures		**1,120,124**	1,092,289
Investments in associates		**32,618**	17,856
Available-for-sale investments		**164,267**	158,491
Deposit for acquisition of land use rights		**333,540**	-
Deposits, prepayments and other receivables		**44,306**	89,147
Derivative financial instruments		**36,414**	-
Deferred tax assets		**5,323**	-
Total non-current assets		**18,139,053**	16,701,340
CURRENT ASSETS			
Properties under development		**881,373**	1,059,062
Completed properties for sale		**1,619,035**	1,480,161
Loans receivable		**-**	11,000
Films under production		**178,816**	141,376
Inventories		**32,315**	8,987
Debtors	*10*	**174,325**	166,735
Deposits, prepayments and other receivables		**518,326**	478,296
Options	*15*	**-**	21,579
Prepaid tax		**47,411**	47,092
Pledged and restricted time deposits and bank balances		**2,029,532**	2,057,388
Cash and cash equivalents		**3,741,587**	4,832,685
Total current assets		**9,222,720**	10,304,361

	Notes	**31 January 2014 (Unaudited)** *HK$'000*	31 July 2013 (Audited) *HK$'000*
CURRENT LIABILITIES			
Creditors and accruals	*11*	**1,080,441**	881,573
Deposits received and deferred income		**306,479**	285,655
Tax payable		**488,413**	504,784
Finance lease payables		**3**	74
Interest-bearing bank loans, secured		**362,518**	617,470
Convertible notes	*12*	**196,019**	190,882
Fixed rate senior notes	*13*	**1,431,253**	1,427,090
Total current liabilities		**3,865,126**	3,907,528
NET CURRENT ASSETS		**5,357,594**	6,396,833
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,496,647**	23,098,173
NON-CURRENT LIABILITIES			
Long-term deposits received		**97,611**	77,021
Finance lease payables		**9**	66
Interest-bearing bank loans, secured		**1,898,727**	1,774,856
Other borrowings		**238,138**	234,515
Convertible notes	*12*	**63,286**	60,357
Fixed rate senior notes	*13*	**2,256,748**	2,223,610
Derivative financial instruments		**-**	43,712
Deferred tax liabilities		**2,487,733**	2,367,086
Total non-current liabilities		**7,042,252**	6,781,223
Net assets		**16,454,395**	16,316,950
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**621,606**	621,606
Reserves		**8,245,051**	7,685,314
		8,866,657	8,306,920
Non-controlling interests		**7,587,738**	8,010,030
Total equity		**16,454,395**	16,316,950

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group ("**Financial Statements**") for the six months ended 31 January 2014 have not been audited by the Company's independent auditors but have been reviewed by the Company's Audit Committee.

The unaudited Financial Statements 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 ("**Stock Exchange**") and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of these unaudited Financial Statements for the period under review are the same as those used in the Group's audited consolidated financial statements for the year ended 31 July 2013. During the current period, the Group recognised revenue from its cinema operations and, accordingly the accounting policies for revenue recognition of relevant revenue are adopted by the Group and described in 2.1 below. Its related financial information is included in the segment of film production and distribution. These unaudited condensed consolidated results should be read in conjunction with the Company's annual report for the year ended 31 July 2013.

2.1 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

Gross box-office takings for film exhibition
Income from gross box-office takings for film exhibition is recognised upon the sale of tickets and when the film is released.

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 Financial Statements.

Other than as further explained below regarding the impact of HKFRS 13 "Fair Value Measurement", the application of these new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. HKFRS 13 does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended.

3. SEGMENT INFORMATION

Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 January 2014 (Unaudited) HK$'000	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000
Segment revenue:												
Sales to external customers	**307,006**	549,673	**282,637**	262,496	**312,334**	214,926	**263,613**	37,313	**54,815**	50,707	**1,220,405**	1,115,115
Other revenue	**99**	1,135	**62,925**	54,574	**6,105**	3,267	**13,707**	2,141	**1,190**	379	**84,026**	61,496
Total	**307,105**	550,808	**345,562**	317,070	**318,439**	218,193	**277,320**	39,454	**56,005**	51,086	**1,304,431**	1,176,611
Segment results	**(8,179)**	(62,545)	**718,715**	464,667	**42,441**	3,792	**(15,793)**	(11,827)	**(146,550)**	(144,262)	**590,634**	249,825
Unallocated interest and other gains											**35,137**	29,869
Gain on disposal of subsidiaries	-	-	-	-	**9,593**	-	-	-	-	-	**9,593**	-
Profit from operating activities											**635,364**	279,694
Finance costs											**(206,676)**	(89,161)
Share of profits and losses of joint ventures	**15,410**	9,600	-	-	**(6,002)**	(1,822)	**(314)**	(17,056)	-	-	**9,094**	(9,278)
Share of profits and losses of associates	-	-	-	-	**(329)**	(282)	**(176)**	-	-	-	**(505)**	(282)
Profit before tax											**437,277**	180,973
Income tax expense											**(150,445)**	(135,567)
Profit for the period											**286,832**	45,406

Note: The cinema operations of the Group are included in the segment of film production and distribution.

3. SEGMENT INFORMATION *(continued)*

Other segment information:

	Property development Six months ended		Property investment Six months ended		Media and entertainment Six months ended		Film production and distribution Six months ended		Corporate and others Six months ended		Consolidated Six months ended	
	31 January 2014 (Unaudited) HK$'000	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 January 2013 (Unaudited) HK$'000
Fair value gains on investment properties	**-**	-	**597,147**	324,560	**-**	-	**-**	-	**-**	**-**	**597,147**	324,560
Impairment of properties under development*	**-**	36,124	**-**	-	**-**	-	**-**	-	**-**	-	**-**	36,124
Impairment of completed properties for sale*	**-**	9,669	**-**	-	**-**	-	**-**	-	**-**	-	**-**	9,669

* Impairment of properties under development of HK$36,124,000 and impairment of completed properties for sale of HK$9,669,000 were recognised in profit or loss for the six months ended 31 January 2013.

Segment assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	31 January 2014 (Unaudited) HK$'000	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000	**31 January 2014 (Unaudited) HK$'000**	31 July 2013 (Audited) HK$'000
Segment assets	**3,102,215**	3,083,759	**15,626,287**	14,419,896	**490,020**	557,750	**1,044,008**	720,447	**5,576,403**	6,784,900	**25,838,933**	25,566,752
Investments in joint ventures	**1,086,037**	1,055,965	**-**	-	**30,878**	24,397	**3,209**	11,927	**-**	-	**1,120,124**	1,092,289
Investments in associates	**-**	-	**-**	-	**101**	406	**32,517**	17,450	**-**	-	**32,618**	17,856
Unallocated assets											**370,098**	328,804
Total assets											**27,361,773**	27,005,701
Segment liabilities	**456,883**	413,295	**322,696**	324,120	**142,894**	130,442	**286,100**	101,715	**275,958**	274,677	**1,484,531**	1,244,249
Unallocated liabilities											**9,422,847**	9,444,502
Total liabilities											**10,907,378**	10,688,751

4. OTHER REVENUE

	Six months ended 31 January 2014 (Unaudited) *HK$'000*	31 January 2013 (Unaudited) *HK$'000*
Property management fee income	**51,347**	48,805
Bank interest income	**17,730**	17,674
Other interest income	**-**	1,639
Interest income from an amount due from a joint venture, net	**145**	1,416
Consultancy service income from a joint venture, net	**1,078**	1,996
Others	**48,863**	19,835
Total	**119,163**	91,365

5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 January 2014 (Unaudited) *HK$'000*	31 January 2013 (Unaudited) *HK$'000*
Cost of completed properties sold	**281,979**	519,133
Outgoings in respect of rental income	**72,740**	58,956
Cost of film rights, licence rights and film products	**115,059**	28,867
Cost of artiste management services, advertising agency services, and services for entertainment events provided	**142,769**	152,479
Theatrical releasing costs	**41,833**	-
Cost of inventories sold	**113,189**	20,384
Total cost of sales	**767,569**	779,819
Depreciation[##]	**70,462**	54,869
Impairment of properties under development[**]	**-**	36,124
Impairment of completed properties for sale[**]	**-**	9,669
Impairment of other receivables, net[**]	**19,593**	-
Impairment of property, plant and equipment[**]	**15,775**	-
Fair value loss/(gain) on options[**/*]	**5,172**	(1,051)
Amortisation of film rights[#]	**12,555**	5,500
Amortisation of film products[#]	**55,060**	18,072
Amortisation of music catalogs[#]	**2,304**	2,467
Amortisation of other intangible assets[#]	**3,693**	4,516
Loss on disposal of items of property, plant and equipment[**]	**110**	173
Gain on disposal of a joint venture[*]	**(6,049)**	-
Gain on disposal of subsidiaries[*]	**(9,593)**	-
Reversal of provision for advances to artiste[#]	**(2,983)**	-
Recovery of bad debts[*]	**(11)**	(118)
Reversal of provision for inventories[#]	**(391)**	-
Ineffective portion of the effective hedge recognised in profit or loss[**]	**13,736**	-
Foreign exchange differences, net[*]	**(10,187)**	(4,878)

5. PROFIT FROM OPERATING ACTIVITIES *(continued)*

* These items are included in "Other operating gains" on the face of the unaudited condensed consolidated income statement.

** These items are included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement.

These items are included in "Cost of sales" on the face of the unaudited condensed consolidated income statement.

Depreciation charge of HK$57,727,000 (six months ended 31 January 2013: HK$39,919,000) are included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement of which HK$49,030,000 (six months ended 31 January 2013: HK$39,919,000) are for serviced apartments and related leasehold improvements and HK$8,697,000 (six months ended 31 January 2013: Nil) are related to cinema operations.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended	
	31 January 2014	31 January 2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**67,321**	46,851
Other borrowings wholly repayable within five years	**2,847**	2,840
2007 Notes (as defined and disclosed in note 13)	**65,390**	65,116
2013 Notes (as defined and disclosed in note 13)	**71,844**	-
First Completion Convertible Notes	**10,167**	9,251
Second Completion Convertible Notes	**2,929**	2,668
Amortisation of:		
Bank loans	**7,358**	-
2007 Notes	**4,186**	3,806
2013 Notes	**3,255**	-
Bank financing charges and direct costs	**13,381**	3,233
	248,678	133,765
Less: Capitalised in properties under development	**(22,490)**	(36,498)
Capitalised in investment properties under construction	**(9,502)**	(8,106)
Capitalised in property, plant and equipment	**(10,010)**	-
	(42,002)	(44,604)
Total finance costs	**206,676**	89,161

7. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the period ended 31 January 2014. No provision for Hong Kong profits tax was made for the six months ended 31 January 2013 as there were no assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31 January 2014 (Unaudited) ***HK$'000***	31 January 2013 (Unaudited) *HK$'000*
Current		
– Hong Kong		
Charge for the period	**3,438**	-
Overprovision in prior years	**-**	(1,738)
– Elsewhere	**859**	1,346
– Mainland China		
Corporate income tax		
Charge for the period	**32,795**	50,412
Land appreciation tax		
Charge for the period	**27,978**	79,032
	65,070	129,052
Deferred tax	**109,677**	6,515
Tax indemnity receivable	**(24,302)**	-
Total tax charge for the period	**150,445**	135,567

In connection with the listing of Lai Fung Holdings Limited ("**Lai Fung**" and its subsidiaries collectively known as "**Lai Fung Group**") 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 Lai Fung Group in respect of certain potential Mainland China income tax and land appreciation tax payable or shared by the Lai Fung Group in consequence of the disposal of any of the property interests attributable to the Lai Fung Group through its subsidiaries and its joint ventures as at 31 October 1997. During the period, an amount of HK$24,302,000 (six months ended 31 January 2013: Nil) was receivable by the Lai Fung Group under the aforesaid indemnities and was included in the Group's deposits, prepayments and other receivables in respect of the tax indemnity receivable from LSD.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company and ordinary shares of 1,243,212,165 (31 January 2013: 1,243,212,165) in issue during the period.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company. 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/(loss) per share calculation, and weighted average number of ordinary shares assumed to have been issued at no consideration as if all the Company's outstanding share options have been considered.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(continued)*

The exercise of share options of the Company had an anti-dilutive effect on the basic loss per share amount presented during the period ended 31 January 2013.

The exercise of share options of Media Asia Group Holdings Limited ("**MAGHL**") and the conversion of the outstanding convertible notes issued by MAGHL have an anti-dilutive effect on the basic earnings/(loss) per share amounts presented during the periods ended 31 January 2014 and 2013.

As the impact of diluted potential ordinary shares of Lai Fung is insignificant for the periods ended 31 January 2014 and 2013, the diluted earnings/(loss) per share of the Group for the periods is approximately the same as the basic earnings/(loss) per share of the Group.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended	
	31 January 2014 (Unaudited) ***HK$'000***	31 January 2013 (Unaudited) *HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	**113,547**	(28,932)
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	**(317)**	-
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**113,230**	(28,932)

	Number of shares	
	31 January 2014	31 January 2013
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**1,243,212,165**	1,243,212,165
Effect of dilutive – weighted average number of ordinary shares: – Share options	**862,313**	702,244
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	**1,244,074,478**	1,243,914,409

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2014 (six months ended 31 January 2013: Nil).

10. DEBTORS

The trading terms of the Group (other than the Lai Fung Group) with its customers are mainly on credit. Invoices are normally payable within 30 to 90 days of issuance, except for certain well-established customers, where the terms are extended to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise its credit risk. Overdue balances are regularly reviewed by senior management. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

The Lai Fung 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 cash basis except for those corporate clients who maintain credit accounts with the Lai Fung Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Lai Fung Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at 31 January 2014 and 31 July 2013 is as follows:

	31 January 2014 (Unaudited) ***HK$'000***	31 July 2013 (Audited) *HK$'000*
Trade debtors:		
Neither past due nor impaired	**103,058**	105,246
1 – 90 days past due	**53,124**	43,260
Over 90 days past due	**18,143**	18,229
Total	**174,325**	166,735

The carrying amounts of debtors approximate their fair values.

11. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased/payment due date, as at 31 January 2014 and 31 July 2013 is as follows:

	31 January 2014 (Unaudited) ***HK$'000***	31 July 2013 (Audited) *HK$'000*
Trade creditors:		
Less than 30 days	**90,720**	38,900
31 – 60 days	**26,817**	1,373
61 – 90 days	**3,245**	73
Over 90 days	**12,769**	2,986
	133,551	43,332
Other creditors and accruals	**946,890**	838,241
Total	**1,080,441**	881,573

The carrying amounts of creditors and accruals approximate their fair values.

12. CONVERTIBLE NOTES

The fair values of liability component of the First Completion Convertible Notes and the Second Completion Convertible Notes at 31 January 2014 were approximately HK$196,759,000 (31 July 2013: HK$193,234,000) and HK$63,694,000 (31 July 2013: HK$60,941,000), respectively.

13. FIXED RATE SENIOR NOTES

US$200,000,000 9.125% Senior Notes due 2014

On 4 April 2007, Lai Fung issued US$200,000,000 9.125% fixed rate senior notes (the "**2007 Notes**"), which will mature on 4 April 2014 for bullet repayment. The 2007 Notes bear interest from 4 April 2007 and are payable semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 October 2007. The 2007 Notes are listed on the Singapore Exchange Securities Trading Limited.

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

On 25 April 2013, Lai Fung issued RMB1,800,000,000 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.

The fair values of the 2007 Notes and 2013 Notes were estimated at approximately HK$1,441,816,000 (31 July 2013: HK$1,466,536,000) and HK$2,243,235,000 (31 July 2013: HK$2,031,354,000), respectively, which were determined by reference to the closing prices of the 2007 Notes and 2013 Notes published by a leading global financial market data provider as at the end of the reporting period.

14. BUSINESS COMBINATIONS

(a) Acquisition of Intercontinental Group Holdings Limited ("IGHL")

On 15 August 2013, the Group acquired an 85% interest in Intercontinental Group Holdings Limited ("**IGHL**", formerly known as Kadokawa Intercontinental Group Holdings Limited) for a total consideration of HK$212.5 million (the "**IGHL Acquisition**"). IGHL and its subsidiaries (collectively known as the "**IGHL Group**") became non-wholly owned subsidiaries of the Company. IGHL is an investment holding company, the principal activities of its subsidiaries are the sale and distribution of films, DVDs, Blu-ray discs, video games, as well as operating cinemas in Hong Kong and Mainland China.

Further details of the IGHL Acquisition are set out in the announcement and the circular of the Company dated 5 July 2013 and 26 July 2013, respectively.

The Group had elected to measure the non-controlling interests in the IGHL Group at the non-controlling interests' proportionate share of IGHL's identifiable net assets.

The Group incurred transaction costs of HK$4,827,000 for the IGHL Acquisition. These transaction costs had been expensed and were included in other operating expenses in the consolidated income statement for the year ended 31 July 2013.

Goodwill of approximately HK$123,440,000 was recognised. The Group considers that the IGHL Acquisition would add immediate scale in Hong Kong and complement the Group's cinema operations in Mainland China. None of the goodwill recognised is expected to be deductible for income tax purpose.

The fair values of the identifiable assets and liabilities of IGHL as at the date of acquisition were as follows:

	(Unaudited) HK$'000
Property, plant and equipment	45,070
Investment in an associate	19,176
Other non-current assets	8,295
Inventories	11,818
Debtors	48,212
Deposits, prepayments and other receivables	25,032
Cash and cash equivalents	96,990
Other current assets	116
Creditors and accruals	(125,743)
Interest-bearing bank loan, unsecured	(15,000)
Other current liabilities	(9,189)
	104,777
Non-controlling interests	(15,717)
Total identifiable net asset at fair value	89,060
Goodwill on acquisition	123,440
Satisfied by Cash	212,500

14. BUSINESS COMBINATIONS *(continued)*

(a) Acquisition of Intercontinental Group Holdings Limited ("IGHL") *(continued)*

An analysis of the cash flows in respect of the IGHL Acquisition is as follows:

	(Unaudited) HK$'000
Cash consideration	(212,500)
Deposit paid during the year ended 31 July 2013	12,500
	(200,000)
Cash and cash equivalents acquired	96,990
Net outflow of cash and cash equivalents including in cash flows from investing activities	(103,010)
Transaction costs of the acquisition included in cash flows from operating activities	(4,827)
	(107,837)

Since the acquisition, IGHL Group contributed HK$255,175,000 to the Group's turnover and net profit of HK$5,367,000 for the period ended 31 January 2014.

Had the combination taken place at the beginning of the period, the turnover of the Group and the profit of the group for the period ended 31 January 2014 would have been HK$1,241,318,000 and HK$290,847,000, respectively.

15. DISPOSAL OF SUBSIDIARIES

On 17 December 2013, MAGHL entered into a sale and purchase agreement with an independent third party to sell the entire equity interest in Galaxy Soar Investments Limited and its subsidiaries at a consideration of approximately HK$63,764,000. The disposal was completed on 24 December 2013. Upon completion of the disposal, the related goodwill, other intangible assets and options were derecognised. A gain on disposal of HK$9,593,000 has been recognised in the condensed consolidated income statement for the current period. Further details of the disposal are set out in the announcement of MAGHL dated 17 December 2013.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2014 (six months ended 31 January 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Media and Entertainment / Film Production and Distribution / Cinema Operations

The Mainland China entertainment market continues to grow at an unprecedented pace. The Group continues to expand its media and entertainment businesses in China, maximising income from its film, television, music, live entertainment and talent management in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry and gathered good momentum across all fronts for the six months ended 31 January 2014.

- Films – continued drive to increase original production of films which appeal to Chinese audiences and foresees a solid distribution pipeline in the year to come with a slate of films currently in development and production. Recent successful releases included *One Night Surprise* and *Blind Detective.*

- Live Entertainment – successfully produced and promoted several major concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes during the period under review. The Group is expanding its activities and continues to be a driving force in this area whilst exploring other types of live entertainment such as musicals and theatrical performances in addition to concerts.

- TV – expanded its activities in production and investments in quality television drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China. Moreover, the Group is also looking to step into other types of TV programmes such as variety shows and reality series which shall create synergy with the Group's other media and entertainment businesses.

- Artistes Management – expanded the Chinese artiste roster as well as collaborated with high profile Asian artistes such as top Korean music groups. With the diverse projects including film, TV, music and live events which ensure maximum commercial value and appeal. The Group is in a good position to attract stars and develop new talents.

- Music – as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is poised to capitalise on this new economic model.

- Cinema – acquisition of Intercontinental Group Holdings Limited ("**IGHL**") and its subsidiaries (collectively known as "**IGHL Group**") bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China.

In summary, the Group believes that its integrated media platform comprising film, TV, music, talent and events management, live entertainment and cinemas presents the most balanced and synergistic approach to growing a Chinese entertainment powerhouse. The Group will continue to optimise its resources and strive towards this goal.

Mainland China Property Market

The Central Government has softened its economic growth target to 7.5% against a backdrop of delicate recovery of major economies around the world, whilst transitioning the economy from an export-led growth policy to a more progressive and sustainable model driven by domestic consumption. The property sector is a significant economic pillar and continues to be shaped significantly by government policies. The control measures implemented are expected to be refined to better adapt to regional circumstances and ensure a sustainable long term growth, which is underpinned by continued urbanisation and income growth.

The Group's regional focus coupled with the rental-led strategy that the Group adopted eighteen months ago is validated against this challenging operating environment. The rental portfolio of approximately 2.8 million square feet, primarily in Shanghai and Guangzhou, delivered steady increases in rental income at close to full occupancies for the key assets despite a general slowdown in retail sales. This provided the Group the flexibility in selling other projects with an emphasis to maximise profit rather than recycling capital. The control measures implemented by the Central Government slowed sales across the sector. However, the Group experienced a steady increase in average selling prices in its projects for sale, which indicated the strength and depth of the underlying demand.

The management believes it is important to prepare itself for the challenges and opportunities ahead. The Group's major subsidiary, Lai Fung Holdings Limited ("**Lai Fung**" and its subsidiaries collectively known as "**Lai Fung 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 the year ended 31 July 2013 and up to 31 January 2014, Lai Fung completed the buyout of minority interests in the two largest rental assets, namely the 5% interest in Shanghai Hong Kong Plaza and the 22.5% interest in Guangzhou May Flower Plaza. In November 2013, Lai Fung bought out a 2% minority interest in Northgate Plaza I in Shanghai, which is subject to completion, increasing its interest in this project to 99%.

Lai Fung was successful in the auction for Phase I of the Creative Cultural City project in Hengqin ("**Phase I CCC**") which it will co-develop with its ultimate holding company, the Company, with 80% held by Lai Fung and 20% held by the Company. The master layout plan for Phase I CCC is being finalised and the Group will provide more details when they are available. Phase I CCC has total Gross Floor Area ("**GFA**") of approximately 2.8 million square feet and a total investment cost of approximately HK$3.8 billion (of which approximately HK$665.5 million is land cost).

The hotel at Shanghai May Flower Plaza and serviced apartments in Zhongshan Palm Spring under the STARR branding have also commenced operation during the period under review. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza is in progress and new tenants are expected to move in by the end of 2014.

Lai Fung has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan. The rental portfolio is expected to increase from approximately 2.8 million square feet to approximately 7.5 million square feet through developing the existing rental projects in the next few years. The remaining residential units in Guangzhou Dolce Vita Phase I and III, Guangzhou King's Park, Shanghai May Flower Plaza and Zhongshan Palm Spring Phase I are expected to contribute to the profit and loss account in the current and coming financial years.

The Group's consolidated cash position of HK$5,771.1 million of cash on hand with a net debt to equity ratio of 7.6% as at 31 January 2014 provides the Group full confidence and the means to review opportunities more actively. 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 2014, the business delivered an encouraging set of results underpinned by a steady improvement in the media and entertainment business. Lai Fung also performed steadily despite a challenging operating environment.

For the six months ended 31 January 2014, the Group recorded a turnover of HK$1,220.4 million (2013: HK$1,115.1 million), representing an increase of over 9.4% due to stronger performance from the non-property related segments and acquisition of the IGHL Group.

Profit from operating activities was HK$635.4 million (2013: HK$279.7 million) due to general improvements in the non-property related segments and higher property revaluation gain compared to the same period last year.

Profit before tax, excluding finance costs and property revaluations, was HK$46.8 million (2013: a loss of HK$54.4 million). Profit attributable to owners of the Company improved from a loss of HK$28.9 million to a profit of HK$113.5 million. Basic earnings per share attributable to owners of the Company correspondingly increased to HK$0.091 per share (2013: a loss of HK$0.023 per share). Excluding the effect of property revaluations, net loss attributable to owners of the Company improved to approximately HK$110.1 million (2013: a loss of HK$139.4 million). This is primarily due to better performance of non-property related segments and contributions of the IGHL Group, despite the decline in recognised sales and higher interest expense from the two outstanding bonds of Lai Fung, one of which is due to expire in April 2014. Loss per share attributable to owners of the Company excluding the revaluation effect correspondingly improved from HK$0.112 per share to HK$0.089 per share.

	Six months ended 31 January	
Profit attributable to owners of the Company (HK$ million)	**2014**	2013
Reported	**113.5**	(28.9)
Adjustments in respect of investment properties		
Revaluation of properties	**(299.2)**	(160.3)
Deferred tax on investment properties	**74.8**	40.1
Non-controlling interests' share of revaluation movements less deferred tax	**0.8**	9.7
Net profit after tax excluding revaluation gains of investment properties	**(110.1)**	(139.4)

Equity attributable to owners of the Company as at 31 January 2014 amounted to HK$8,866.7 million (31 July 2013: HK$8,306.9 million). Net asset value per share attributable to owners of the Company similarly increased to HK$7.1 (31 July 2013: HK$6.7), representing a discount of 85% to the share price of HK$1.06 as at 31 January 2014.

Media and Entertainment

For the six months ended 31 January 2014, this segment recorded a total turnover of HK$312.3 million (2013: HK$214.9 million).

Live Entertainment

For the six months ended 31 January 2014, the Group organised and invested in 59 (2013: 60) shows by popular local, Asian and internationally renowned artistes, including S.H.E., Super Junior, Girls' Generation, Andy Lau, Grasshopper x Softhard, Ekin Cheng, Jordan Chan, Michael Tse, Jerry Lamb, Chin Ka Lok, Denise Ho and Justin Lo.

The Group has scheduled a further 35 shows before 31 July 2014.

Music Production, Distribution and Publishing

The Group released 53 albums during the period under review (2013: 42), including titles by Anita Mui, Andy Hui, Edmond Leung, Roman Tam, Miriam Yeung, Sammi Cheng, Super Junior, C AllStar, Denise Ho, Mark Lui and Justin Lo.

The Group is scheduled to release another 18 albums before 31 July 2014. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Television Drama, Content Production and Distribution

The Group has made investments in production of 140 episodes of television dramas in Mainland China which are expected to generate return to the Group in the coming financial year. The Group has been building up its production and distribution team and expects to see a substantial growth in this business.

Artiste Management

The Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing TV drama production and film production business.

Video Game Distribution

IGHL is one of the leading video game distributor in Hong Kong. During the period under review, the IGHL Group distributed acclaimed titles including *Call of Duty Ghosts, Assassin's Creed IV: Black Flag, Super Robot Taisen OG Infinite Battle* and *Gundam Extreme VS Full Boost*.

Film Production and Distribution

For the six months ended 31 January 2014, this segment recorded a turnover of HK$263.6 million (2013: HK$37.3 million). The increase in turnover was primarily due to consolidation of the IGHL Group and more titles released during the period under review compared to the same period last year.

For the six months ended 31 January 2014, the Group released 5 films, namely *One Night Surprise, The Wrath of Vajra, Control, Campus Confidential* and *As The Light Goes Out*, some of which have been nominated for various awards from different institutions/ film festivals. In September 2013, *American Dreams in China*, which we invested in, won Best Actor, Best Director and Best Film in China's Golden Rooster Awards.

During the period under review, the Group principally completed the photography of 4 films, with 5 other films in the production pipeline or under development and distributed 14 films and 300 videos during the period under review. High profile titles include *The Legend of Hercules, The Wind Rises, Girl in The Sunny Place* and *Ender's Game*.

The Group currently owns and operates 2 cinemas in Mainland China under the brand of "May Flower" and 7 cinemas under the brand of "MCL" in Hong Kong and Mainland China, and one joint venture cinema in Hong Kong offering 22 screens with 2,856 seats in the Mainland China and 38 screens with 5,436 seats in Hong Kong, respectively. The cinema operations provide a complementary distribution channel for the Group's film production and distribution businesses. Details on the number of screens and seats of each cinema are as follows:

Cinema	**Group Interest (%)**	**No. of Screens**	**No. of Seats**
Mainland China			
Guangzhou May Flower Cinema City	100	7	767
Zhongshan May Flower Cinema City (opened in February 2014)	100	5	931
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
	Subtotal:	**22**	**2,856**
Hong Kong			
MCL Metro Cinema	85	7	950
MCL Telford Cinema	85	6	819
STAR Cinema	85	6	622
MCL Kornhill Cinema	85	5	792
MCL JP Cinema	85	2	658
The Grand Cinema	25.5	12	1,595
	Subtotal:	**38**	**5,436**
	Total:	**60**	**8,292**

Property Investment

The following details are extracted from Lai Fung's interim report and comparative figures are presented on a six-month basis for the six months ended 31 January 2014 and 31 January 2013.

Rental Income

For the six months ended 31 January 2014, Lai Fung's rental operations recorded a turnover of HK$283.2 million (2013: HK$262.5 million), representing a 8% increase over the same period last year. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January			
	2014 HK$ million	2013 HK$ million	**% Change**	**Period end occupancy (%)**
Shanghai Hong Kong Plaza	**192.2**	182.9	5.1	Retail: 99.2 Office: 88.9 Serviced Apartments: 84.9
Shanghai Regents Park	**7.0**	6.1	14.8	100.0
Shanghai Northgate Plaza I	**5.4**	4.9	10.2	90.8
Shanghai May Flower Plaza	**17.4**	13.8	26.1	95.4
Guangzhou May Flower Plaza	**52.5**	46.8	12.2	Retail: 98.5 Office: 100.0
Guangzhou West Point	**8.3**	8.0	3.8	97.9
Zhongshan Palm Spring	**0.4**	-	N/A	29.0
Total	**283.2**	**262.5**		

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio, as well as contribution from the retail podium of the Shanghai May Flower Plaza.

A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 31% 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. Soft opening of the serviced apartments in the Zhongshan Palm Spring, STARR Resort Residence Zhongshan, and the hotel in Shanghai May Flower Plaza, STARR Hotel Shanghai, commenced in August 2013 and November 2013, respectively. The other STARR branded hotel in Guangzhou is expected to soft open in the fourth quarter of 2014.

Property Development

The following details are extracted from Lai Fung's interim report and comparative figures are presented on a six-month basis for the six months ended 31 January 2014 and 31 January 2013.

Recognised Sales

For the six months ended 31 January 2014, Lai Fung's property development operations recorded a turnover of HK$307.0 million (2013: HK$549.7 million) from sale of properties, representing a 44% decrease in sales revenue over the same period last year. The decline is primarily due to slower sales and slower than expected completion of sales.

Total recognised sales were primarily driven by the sales performance of Shanghai May Flower Plaza of which approximately 60,962 square feet of residential and office GFA were sold, achieving sales revenue of HK$272.9 million.

Recognition of the sale of Dolce Vita Phase I achieved an average selling price of HK$1,837 per square foot and equity accounted for a share of profit of HK$75.6 million under "Share of profit of joint ventures" in the consolidated income statement.

For the six months ended 31 January 2014, average selling price recognised as a whole (excluding Dolce Vita) increased to approximately HK$3,100 per square foot (2013: HK$1,664 per square foot). The increase is due to a higher proportion of units at Shanghai May Flower Plaza being sold and recognised during the period under review at higher average selling prices.

Breakdown of turnover for the six months ended 31 January 2014 from property sales is as follows:

Recognised Basis	**Approximate Gross Floor Area** Square feet	**Average Selling Price #** HK$/square foot	**Turnover*** HK$ million
Shanghai May Flower Plaza	56,746	4,858	260.1
Residential Units	4,216	3,214	12.8
Office Apartment Units			
Zhongshan Palm Spring	31,206	637	18.7
Residential High-rise Units	12,814	1,272	15.4
Residential House Units			
Total	**104,982**	**3,100**	**307.0**
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	151,280	1,837	262.4

\# *Before business tax*

* *After business tax*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the six months ended 31 January 2014, the recognised sales (after business tax) attributable to the full project is HK$552.4 million and approximately 318,484 square feet of GFA were recognised.*

Contracted Sales

As at 31 January 2014, Lai Fung's property development operations, excluding Dolce Vita, has contracted but not yet recognised sales of HK$325.4 million from sale of properties (2013: HK$196.0 million). The total contracted but not yet recognised sales of Lai Fung as at 31 January 2014 including Dolce Vita amounted to HK$1,034.3 million.

Breakdown of contracted but not yet recognised sales of Lai Fung as at 31 January 2014 is as follows:

Contracted Basis	**Approximate Gross Floor Area** Square feet	**Average Selling Price** # HK$/square foot	**Turnover** # HK$ million
Shanghai May Flower Plaza			
Residential Units	39,817	5,007	199.4
Office Apartment Units	1,648	2,913	4.8
Zhongshan Palm Spring			
Residential High-rise Units	10,802	713	7.7
Residential House Units	60,647	1,420	86.1
Guangzhou King's Park	4,982	5,500	27.4
Sub-total	117,896	2,760	325.4
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	304,951	2,325	708.9
Total	**422,847**	**2,446**	**1,034.3**

\# *Before business tax*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 January 2014, the contracted but not yet recognised sales attributable to the full project is HK$1,492.4 million and approximately 642,000 square feet of GFA were sold.*

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2014, cash and bank balances held by the Group amounted to HK$5,771.1 million (31 July 2013: HK$6,890.1 million) of which over 54% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and 46% was denominated in Renminbi ("**RMB**"). Cash held by the Group excluding cash held by Media Asia Group Holdings Limited ("**MAGHL**") together with its subsidiaries and Lai Fung Group as at 31 January 2014 was HK$531.4 million (31 July 2013: HK$810.0 million). As HKD are pegged to USD, the Group considers that the corresponding exposure to exchange rate risk is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned.

Borrowings

As at 31 January 2014, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$6,446.7 million. The borrowings of the Group, which comprises the Company, MAGHL and Lai Fung, are as follows:

Company

As at 31 January 2014, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$65.8 million for the said unsecured other borrowings as at 31 January 2014. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 January 2014.

MAGHL

As at 31 January 2014, MAGHL had unsecured and unguaranteed First Completion Convertible Notes with an aggregate principal amount of approximately HK$294.1 million, comprising approximately HK$91.1 million and HK$203.0 million issued to the Group and other subscribers, respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the First Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2014 at the principal amount outstanding. As at 31 January 2014, MAGHL has unsecured and unguaranteed Second Completion Convertible Notes with an aggregate principal amount of approximately HK$224.9 million, comprising approximately HK$153.2 million and approximately HK$71.7 million issued to the Group and other subscribers respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2015 at the principal amount outstanding. For accounting purposes, after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the First Completion Convertible Notes and the Second Completion Convertible Notes after adjusting for (i) accrued interest and (ii) intra-group elimination was HK$259.3 million as at 31 January 2014.

Lai Fung

As at 31 January 2014, Lai Fung Group had total borrowings in the amount of HK$6,089.3 million comprising bank loans of HK$2,261.2 million, fixed rate senior notes of HK$3,696.0 million and other borrowing of HK$132.1 million. The maturity profile of Lai Fung Group's borrowings of HK$6,089.3 million is well spread with HK$1,801.8 million repayable within 1 year, HK$773.4 million repayable in the second year and HK$3,514.1 million repayable in the third to fifth years. Included in the fixed rate senior notes liability of Lai Fung, a carrying amount of HK$8.0 million is held by a subsidiary of the Company. Included in the other borrowings of Lai Fung, an amount of HK$72.7 million is due to a subsidiary of the Company.

Approximately 61% and 37% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 2% of Lai Fung Group's borrowings were interest-free.

Apart from the fixed rate senior notes, Lai Fung Group's bank and other borrowings of HK$2,393.3 million were 47% denominated in RMB, 31% in HKD and 22% in USD.

Lai Fung Group's fixed rate senior notes of HK$3,696.0 million were 61% denominated in RMB and 39% in USD. On 25 April 2013, issue date of the RMB denominated senior notes ("**RMB Notes**"), Lai Fung 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 RMB Notes have been effectively converted into USD denominated loans.

Lai Fung Group's presentation currency is denominated in HKD. Lai Fung Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. Lai Fung 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, Lai Fung Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, Lai Fung Group has a net exchange exposure to RMB as Lai Fung Group's assets are principally located in Mainland China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, Lai Fung Group does not have any derivative financial instruments or hedging instruments outstanding.

Charge on Assets and Gearing

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$8,807.2 million, completed properties for sale with a total amount of approximately HK$405.7 million, properties under development with a total carrying amount of approximately HK$148.0 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,701.2 million, a property with carrying amount of approximately HK$96.3 million and bank balances of approximately HK$134.5 million.

As at 31 January 2014, undrawn facilities of Lai Fung Group were HK$2,070.0 million. In addition, as at 31 January 2014, a revolving term loan facility in the amount of HK$60.0 million was granted by a bank to the Group. The said loan facility is subject to an annual review by the bank for renewal and is secured by a pledge of the Group's land and buildings with a carrying amount of HK$50.6 million as at 31 January 2014. Such bank loan facility had not been utilised by the Group as at 31 January 2014. As at 31 January 2014, an unsecured revolving loan facility in the amount of HK$20.0 million was granted by another bank to the Group. The said unsecured loan facility is subject to an annual review by the bank for renewal and such bank loan facility had not been utilised by the Group as at 31 January 2014.

As at 31 January 2014, the consolidated net assets attributable to the owners of the Company amounted to HK$8,866.7 million (31 July 2013: HK$8,306.9 million). The gearing ratio, being net debt (total borrowings of HK$6,446.7 million less cash and bank balances of HK$5,771.1 million) to net assets attributable to the owners of the Company was approximately 7.6%.

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 operations and projects.

CONTINGENT LIABILITIES

There has been no material change in contingent liabilities of the Group since 31 July 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2014, the Group did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") nor did the Group purchase or sell any of such shares.

In addition, the Group did not redeem any of the 9.125% senior notes due 2014, which are listed and traded on the Singapore Exchange Securities Trading Limited nor the 6.875% senior notes due 2018 (collectively "**Notes**", issued by Lai Fung Holdings Limited, a non-wholly-owned subsidiary of the Company), which are listed and traded on the Stock Exchange. The Group did not purchase or sell any of such Notes during the six months ended 31 January 2014.

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 throughout the six months ended 31 January 2014 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 Bye-laws 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 of Directors ("**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 has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the Executive Directors. 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.

DIRECTORS, EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2014, the Group employed a total of around 1,970 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.

The Group is delighted to welcome Mr. Yip Chai Tuck who has joined the Board as an Executive Director with effect from 14 February 2014. Dr. Lam Kin Ngok, Peter resigned as an Executive Director on 14 February 2014 after having served the Board for over 17 years and the Group would like to thank him for his guidance and valuable contribution during his tenure of office.

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 the 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 business strategy.

For the six months ended 31 January 2014, the Company has met with a number of research analysts and investors, attended conferences as well as non-deal roadshows as follows:

Month	**Event**	**Organiser**	**Location**
August 2013	Investors luncheon	Bank of China International	Hong Kong
October 2013	Post full year results non-deal roadshow	UBS	Hong Kong
October 2013	Post full year results non-deal roadshow	UOB Kay Hian	Singapore
October 2013	Post full year results non-deal roadshow	DBS	New York/ Los Angeles/ Denver/ San Francisco
October 2013	Post full year results non-deal roadshow	UBS	Paris/London
November 2013	Post full year results non-deal roadshow	CIMB	Kuala Lumpur
November 2013	Post full year results non-deal roadshow	UOB Kay Hian	Taipei
December 2013	Post full year results non-deal roadshow	UBS	Sydney
January 2014	The Pulse of Asia Conference	DBS	Singapore
February 2014	Investors luncheon	China Merchants Securities	Hong Kong

The Company is keen on promoting good 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@esun.com.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Alfred Donald Yap and Mr. Low Chee Keong. 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 2014.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 25 March 2014

As at the date of this announcement, the Board comprises four Executive Directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester and Yip Chai Tuck; two Non-executive Directors, namely Madam U Po Chu and Mr. Andrew Y. Yan; and four Independent Non-executive Directors, namely Messrs. Low Chee Keong (Chairman), Alfred Donald Yap and Lo Kwok Kwei, David and Dr. Ng Lai Man, Carmen.