eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Interim Results for the Six Months Ended 31 January 2016

RESULTS

The board of directors ("**Directors**" and "**Board**", respectively) 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 2016 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2016

		Six months ended 31 January	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**1,411,754**	1,292,050
Cost of sales		**(790,397)**	(717,376)
Gross profit		**621,357**	574,674
Other revenue		**90,319**	105,157
Selling and marketing expenses		**(62,959)**	(98,461)
Administrative expenses		**(307,938)**	(306,827)
Other operating gains		**10,072**	929
Other operating expenses		**(200,117)**	(190,065)
Fair value losses on cross currency swaps	*13*	**–**	(112,721)
Fair value gains on investment properties		**220,841**	257,354
PROFIT FROM OPERATING ACTIVITIES	*4*	**371,575**	230,040
Finance costs	*5*	**(125,359)**	(147,091)
Share of profits and losses of joint ventures		**50,141**	71,181
Share of profits and losses of associates		**(849)**	(94)
PROFIT BEFORE TAX		**295,508**	154,036

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the six months ended 31 January 2016

	Notes	**Six months ended 31 January 2016 (Unaudited) *HK$'000***	Six months ended 31 January 2015 (Unaudited) *HK$'000*
PROFIT BEFORE TAX		**295,508**	154,036
Income tax expense	*6*	**(178,866)**	(135,472)
PROFIT FOR THE PERIOD		**116,642**	18,564
Attributable to:			
Owners of the Company		**33,345**	(22,172)
Non-controlling interests		**83,297**	40,736
		116,642	18,564
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic		**HK$0.027**	(HK$0.018)
Diluted		**HK$0.027**	(HK$0.018)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2016

		Six months ended 31 January	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
PROFIT FOR THE PERIOD		**116,642**	18,564
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange realignment on translation of foreign operations		**(937,018)**	78,570
Reclassification adjustments relating to disposal of foreign operations during the period		**–**	(106)
Change in fair value of an available-for-sale investment		**(24,905)**	363
Share of other comprehensive income/(loss) of joint ventures		**(68,108)**	5,876
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period	*13*	**(119,047)**	–
Reclassification adjustments for exchange gain included in the condensed consolidated income statement		**119,348**	–
		301	–
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		**(1,029,730)**	84,703
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(913,088)**	103,267
Attributable to:			
Owners of the Company		**(517,531)**	22,378
Non-controlling interests		**(395,557)**	80,889
		(913,088)	103,267

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2016

	Notes	31 January 2016 (Unaudited) HK$'000	31 July 2015 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,510,081**	2,580,696
Properties under development		**1,211,696**	1,631,376
Investment properties		**14,717,878**	14,914,881
Film rights		**23,630**	25,197
Film products		**80,859**	81,947
Music catalogs		**12,537**	14,832
Goodwill		**123,440**	123,440
Other intangible assets		**34,914**	–
Investments in joint ventures		**1,151,637**	1,231,634
Investments in associates		**23,860**	28,875
Available-for-sale investments		**136,564**	167,092
Deposit for acquisition of an investment property		**230,400**	–
Deposits, prepayments and other receivables		**126,419**	124,273
Pledged and restricted time deposits		**93,729**	135,669
Deferred tax assets		**5,547**	5,072
Total non-current assets		**20,483,191**	21,064,984
CURRENT ASSETS			
Properties under development		**593,968**	247,155
Completed properties for sale		**1,225,118**	1,683,336
Films under production		**348,171**	245,395
Inventories		**26,140**	27,127
Debtors	*9*	**238,007**	323,788
Deposits, prepayments and other receivables		**576,176**	470,400
Prepaid tax		**47,671**	37,300
Pledged and restricted time deposits and bank balances		**1,053,638**	1,360,665
Cash and cash equivalents		**2,770,993**	3,151,111
		6,879,882	7,546,277
Asset classified as held for sale		**251,309**	265,432
Total current assets		**7,131,191**	7,811,709

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 January 2016

	Notes	31 January 2016 (Unaudited) HK$'000	31 July 2015 (Audited) HK$'000
CURRENT LIABILITIES			
Creditors and accruals	*10*	**1,065,937**	1,198,969
Deposits received and deferred income		**494,111**	325,830
Tax payable		**384,171**	368,114
Interest-bearing bank loans, secured		**2,335,896**	2,487,367
Loans from a joint venture		**353,056**	372,897
Total current liabilities		**4,633,171**	4,753,177
NET CURRENT ASSETS		**2,498,020**	3,058,532
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,981,211**	24,123,516
NON-CURRENT LIABILITIES			
Long-term deposits received		**104,091**	103,369
Interest-bearing bank loans, secured		**389,505**	533,780
Other borrowings		**245,134**	245,386
Convertible notes		**158,714**	166,576
Fixed rate senior notes	*11*	**2,105,311**	2,220,914
Guaranteed notes	*12*	**754,645**	794,343
Derivative financial instruments	*13*	**253,269**	111,654
Deferred tax liabilities		**2,725,094**	2,804,979
Total non-current liabilities		**6,735,763**	6,981,001
Net assets		**16,245,448**	17,142,515
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**621,606**	621,606
Reserves		**7,999,535**	8,543,074
		8,621,141	9,164,680
Non-controlling interests		**7,624,307**	7,977,835
Total equity		**16,245,448**	17,142,515

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2016

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group ("**Financial Statements**") for the six months ended 31 January 2016 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 ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the 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 2015.

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. 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

Segment revenue/results:

	Six months ended 31 January (Unaudited)													
	Property development		**Property investment**		**Media and entertainment**		**Film production and distribution**		**Cinema operation**		**Corporate and others**		**Consolidated**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**523,411**	231,018	**307,431**	305,162	**247,816**	360,045	**123,176**	207,731	**155,419**	122,319	**54,501**	65,775	**1,411,754**	1,292,050
Intersegment sales	**–**	–	**2,710**	1,875	**10,244**	312	**5,030**	3,429	**575**	972	**1,253**	462	**19,812**	7,050
Other revenue	**351**	1,467	**50,998**	56,073	**2,825**	4,180	**188**	615	**9,561**	10,030	**502**	508	**64,425**	72,873
Total	**523,762**	232,485	**361,139**	363,110	**260,885**	364,537	**128,394**	211,775	**165,555**	133,321	**56,256**	66,745	**1,495,991**	1,371,973
Elimination of intersegment sales													**(19,812)**	(7,050)
Total revenue													**1,476,179**	1,364,923
Segment results	**120,405**	29,838	**358,484**	380,942	**35,681**	36,963	**(7,875)**	12,621	**(2,039)**	(3,472)	**(136,407)**	(111,805)	**368,249**	345,087
Unallocated interest and other revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**25,894**	32,284
Ineffective portion of the effective hedge recognised in profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(22,568)**	–
Fair value losses on cross currency swaps	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(112,721)
Impairment of asset classified as held for sale	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(34,934)
Gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	324	**–**	–	**–**	–	**–**	–	**–**	324
Profit from operating activities													**371,575**	230,040
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(125,359)**	(147,091)
Share of profits and losses of joint ventures	**43,110**	71,416	**–**	–	**2,490**	1,721	**4,541**	(1,956)	**–**	–	**–**	–	**50,141**	71,181
Share of profits and losses of associates	**–**	–	**–**	–	**(33)**	(270)	**(2)**	(2)	**(814)**	178	**–**	–	**(849)**	(94)
Profit before tax													**295,508**	154,036
Income tax expense													**(178,866)**	(135,472)
Profit for the period													**116,642**	18,564

3. SEGMENT INFORMATION *(continued)*

Other segment information:

	Six months ended 31 January (Unaudited)													
	Property development		**Property investment**		**Media and entertainment**		**Film production and distribution**		**Cinema operation**		**Corporate and others**		**Consolidated**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fair value gains on investment properties	**–**	–	**220,841**	257,354	**–**	–	**–**	–	**–**	–	**–**	–	**220,841**	257,354

Segment assets/liabilities:

	Property development		**Property investment**		**Media and entertainment**		**Film production and distribution**		**Cinema operation**		**Corporate and others**		**Consolidated**	
	31 January 2016 (Unaudited)	31 July 2015 (Audited)	**31 January 2016 (Unaudited)**	31 July 2015 (Audited)	**31 January 2016 (Unaudited)**	31 July 2015 (Audited)	**31 January 2016 (Unaudited)**	31 July 2015 (Audited)	**31 January 2016 (Unaudited)**	31 July 2015 (Audited)	**31 January 2016 (Unaudited)**	31 July 2015 (Audited)	**31 January 2016 (Unaudited)**	31 July 2015 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**3,366,451**	3,786,405	**17,239,468**	17,285,825	**458,334**	412,958	**965,596**	939,248	**372,475**	309,328	**3,534,302**	4,341,074	**25,936,626**	27,074,838
Investments in joint ventures	**1,093,018**	1,166,823	**–**	**–**	**30,168**	39,388	**28,451**	25,423	**–**	–	**–**	–	**1,151,637**	1,231,634
Investments in associates	**–**	–	**–**	**–**	**–**	–	**19,384**	19,380	**4,476**	9,495	**–**	–	**23,860**	28,875
Unallocated assets													**250,950**	275,914
Asset classified as held for sale													**251,309**	265,432
Total assets													**27,614,382**	28,876,693
Segment liabilities	**589,241**	479,129	**409,212**	350,510	**111,496**	145,707	**213,620**	322,280	**104,287**	106,003	**236,283**	224,539	**1,664,139**	1,628,168
Unallocated liabilities													**9,704,795**	10,106,010
Total liabilities													**11,368,934**	11,734,178

4. PROFIT FROM OPERATING ACTIVITIES

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

		Six months ended 31 January	
		2016	2015
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Cost of completed properties sold		**360,937**	168,782
Outgoings in respect of rental income		**75,453**	81,095
Cost of film rights, licence rights and film products		**77,373**	109,102
Cost of artiste management services, advertising agency services, and services for entertainment events provided		**131,846**	183,983
Cost of theatrical releasing and concessionary sales		**61,809**	49,749
Cost of inventories sold		**82,979**	124,665
Total cost of sales		**790,397**	717,376
Depreciation##		**71,406**	74,825
Impairment of property, plant and equipment**		**–**	17,925
Impairment of asset classified as held for sale**		**–**	34,934
Amortisation of film rights#		**1,569**	6,362
Amortisation of film products#		**33,142**	56,664
Amortisation of music catalogs#		**2,295**	2,046
Reversal of provision for doubtful debts*		**(4,059)**	–
Reversal of provision for advances and other receivables*		**(2,956)**	(4,836)
Provision for amounts due from joint ventures**		**100**	2,105
Gain on disposal of subsidiaries*		**–**	(324)
Ineffective portion of the effective hedge recognised in profit or loss**	*13*	**22,568**	–
Foreign exchange differences, net**		**31,444**	5,332

* 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 charges of HK$60,216,000 (six months ended 31 January 2015: HK$62,085,000) are included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement of which HK$48,686,000 (six months ended 31 January 2015: HK$50,087,000) are for serviced apartments and related leasehold improvements and HK$11,530,000 (six months ended 31 January 2015: HK$11,998,000) are related to cinema operation.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**71,030**	66,612
Other borrowings	**2,847**	2,847
RMB1,800,000,000 fixed rate senior notes ("**2013 Notes**")	**70,944**	71,324
Second Completion Convertible Notes	**–**	6,218
TFN Convertible Notes	**4,741**	–
Specific Mandate Convertible Notes	**2,621**	–
Guaranteed notes	**32,879**	34,425
Loans from a joint venture	**7,485**	3,035
Amortisation of:		
Bank loans	**6,407**	7,385
2013 Notes	**3,744**	3,496
Guaranteed notes	**2,612**	2,735
Bank financing charges and direct costs	**9,410**	12,366
	214,720	210,443
Less: Capitalised in properties under development	**(45,863)**	(22,839)
Capitalised in investment properties under construction	**(36,661)**	(36,568)
Capitalised in construction in progress	**(6,837)**	(3,945)
	(89,361)	(63,352)
Total finance costs	**125,359**	147,091

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at 16.5% on the estimated assessable profits for the periods ended 31 January 2016 and 31 January 2015. 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong		
Charge for the period	**2,054**	2,669
Overprovision in prior periods	**(59)**	–
	1,995	2,669
– Elsewhere		
Charge for the period	**868**	366
– Mainland China		
Corporate income tax		
Charge for the period	**51,504**	41,538
Land appreciation tax		
Charge for the period	**72,472**	26,558
	123,976	68,096
	126,839	71,131
Deferred tax	**52,027**	64,341
Total tax charge for the period	**178,866**	135,472

7. 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 (six months ended 31 January 2015: 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, adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of profit of Lai Fung Holdings Limited ("**Lai Fung**" together with its subsidiaries collectively known as "**Lai Fung Group**") based on dilution of its earnings per share. 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.

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

The exercise of share options of the Company has an anti-dilutive effect on the basic earnings/(loss) per share amount presented during the periods ended 31 January 2016 and 31 January 2015.

The conversion of the outstanding convertible notes issued by Media Asia Group Holdings Limited has an anti-dilutive effect on the basic earnings/(loss) per share amounts presented during the periods ended 31 January 2016 and 31 January 2015.

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

	Six months ended 31 January	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	**33,345**	(22,172)
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*	**(9)**	(103)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**33,336**	(22,275)

* Balance represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK$9,000 (six months ended 31 January 2015: HK$103,000) assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the period.

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	**1,243,212,165**	1,243,212,165

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2016 (six months ended 31 January 2015: Nil).

9. 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 Group's trade receivables are non-interest-bearing.

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 a 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. Trade receivables of the Lai Fung Group were interest-free.

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at 31 January 2016 and 31 July 2015 is as follows:

	31 January 2016 (Unaudited) ***HK$'000***	31 July 2015 (Audited) *HK$'000*
Trade debtors:		
Neither past due nor impaired	**146,855**	244,115
1 – 90 days past due	**69,867**	64,809
Over 90 days past due	**21,285**	14,864
Total	**238,007**	323,788

10. 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 2016 and 31 July 2015 is as follows:

	31 January 2016 (Unaudited)	31 July 2015 (Audited)
	HK$'000	*HK$'000*
Trade creditors:		
Less than 30 days	**123,840**	79,898
31 – 60 days	**11,699**	7,264
61 – 90 days	**6,144**	7,593
Over 90 days	**5,418**	1,167
	147,101	95,922
Other creditors and accruals	**918,836**	1,103,047
Total	**1,065,937**	1,198,969

11. FIXED RATE SENIOR NOTES

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

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

12. GUARANTEED NOTES

RMB650,000,000 8.375% Secured Guaranteed Notes due 2018

On 24 June 2014, eSun International Finance Limited, a wholly-owned subsidiary of the Company, issued RMB650,000,000 (equivalent to approximately HK$809,364,000) of 8.375% secured guaranteed notes (the "**Guaranteed Notes**"), which will mature on 24 June 2018 for bullet repayment. The Guaranteed Notes bear interest from 25 June 2014 and are payable semi-annually in arrears on 24 June and 24 December of each year, commencing on 24 December 2014. The Guaranteed Notes are listed on the Stock Exchange.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	31 January 2016 (Unaudited) *HK$'000*	31 July 2015 (Audited) *HK$'000*
Financial liabilities – Cross currency swap agreements (the "**CCS**")	**253,269**	111,654

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

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

The effectiveness of the cash flow hedges is assessed semi-annually by the Group. The assessment results of the cash flow hedges are set out as follows:

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

	Note	**31 January 2016 (Unaudited)** *HK$'000*
Carrying amount at beginning of the period		**111,654**
Fair value losses charged to the hedge reserve during the period		**119,047**
Ineffective portion of the effective hedge recognised in profit or loss during the period	*4*	**22,568**
Carrying amount at end of the period		**253,269**

(b) As at 31 January 2015, the cash flow hedges of the 2013 Notes were assessed to be ineffective and did not qualify for hedge accounting. The fair value losses of HK$112,721,000 arising from changes in the fair values of the CCS during the period ended 31 January 2015 was charged to the condensed consolidated income statement.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2016 (six months ended 31 January 2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Media and Entertainment/Film Production and Distribution/Cinema Operation

The Mainland China entertainment market continues to grow at an unprecedented pace. The Group continues to expand its media and entertainment businesses in Mainland China, maximising income from its film, TV, live entertainment, artiste management, music and cinema in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry and progress further.

- Film – continued drive to increase its original production of films which appeal to Chinese language audiences and emphasis will be put on focusing on increasing production capabilities and deriving more fee related income from the production.

- TV – expanded its activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China as well as a way to provide exposure and training for the Group's stable of artistes.

- Live Entertainment – successfully produced and promoted a large number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. 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.

- Artiste Management – expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes such as top Korean music groups. With 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 bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China. Our new cinema in Causeway Bay in Hong Kong, the Grand Windsor Cinema was opened on 26 September 2015 and MCL South Horizons Cinema in Hong Kong is opened on 23 March 2016. It is expected that two more new cinemas in Hong Kong, one of which in the Festival Walk in Kowloon Tong and the other in Green Code in Fanling will commence operations in 2016. The Group also secured three cinema projects in Chengdu, Suzhou and Wuxi respectively in Mainland China, which are expected to commence businesses in the financial year ending 31 July 2017.

In November 2015, Media Asia Group Holdings Limited ("**MAGHL**", and together with its subsidiaries, "**MAGHL Group**"), a non-wholly-owned subsidiary of the Company, announced its strategic cooperation with Shenzhen Media Group. The collaboration will enhance the Group's entertainment platform in Mainland China for better development of its film, TV and media businesses. A sitcom "The Taste of Love" has started broadcasting since February 2016 and a TV drama "Don't Go Breaking My Heart" will be broadcasted in mid-2016.

In summary, the Group believes that its integrated media platform comprising film, TV, live entertainment, artiste and events management, music and cinema 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

Major global economies continue to struggle despite continuous support from central banks around the world. The run up to the presidential election in the United States and geopolitical uncertainties around the world such as those in the Middle East cast a shadow over the already delicate economic environment.

The Central Government continued its emphasis on quality and sustainable growth through implementing a combination of proactive fiscal policy and prudent monetary policy. A combination of: cuts in the benchmark interest rates; reduction in reserve requirement ratio for banks and devaluation of the Renminbi have been made to sustain the economic growth momentum in Mainland China. More specific measures for the property sector implemented include: relaxation of the transaction taxes; lowering of down payment requirement; encourage migrant workers to own properties during the period under review. The property sector is an important economic pillar and continues to be shaped significantly by government policies. The Central Government's approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike.

The regional focus of Lai Fung Holdings Limited ("**Lai Fung**", and together with its subsidiaries, "**Lai Fung Group**"), a non-wholly-owned subsidiary of the Company, coupled with the rental-led strategy that Lai Fung Group adopted since 2012 has demonstrated resilience against such a challenging operating environment. The rental portfolio of approximately 2.9 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets despite a general slowdown in retail sales.

During the six months ended 31 January 2016, Lai Fung Group performed admirably against a weakened market but suffered from currency translation against a depreciated Renminbi on a reported basis. The sale of Guangzhou Eastern Place Phase V residential portion, Shanghai May Flower Plaza office apartment units and Zhongshan Palm Spring residential units underpinned this set of results and once again confirmed the strength and depth of the underlying demand.

Lai Fung Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 2.9 million square feet to approximately 7.1 million square feet through developing the existing projects in the next few years. On 30 September 2015, Lai Fung Group entered into an agreement to acquire the 6th to 11th floors of Hui Gong Building that is physically connected to Northgate Plaza I in Shanghai, together with the right to use 20 car-parking spaces in the basement which will facilitate the redevelopment plan of Northgate Plaza I and the adjacent Northgate Plaza II and enhance the overall value of the combined development once they are redeveloped. This transaction has been approved by the shareholders of the Company at a special general meeting on 11 December 2015 and is now pending for completion.

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

The Group's consolidated cash position of HK$3,918.4 million (HK$936.8 million excluding Lai Fung Group and MAGHL Group) (31 July 2015: HK$4,647.4 million (HK$1,061.3 million excluding Lai Fung Group and MAGHL Group)) with a net debt to equity ratio of 28.1% as at 31 January 2016 (31 July 2015: 23.7%) provides the Group with 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 2016, the Group recorded a turnover of HK$1,411.8 million, representing an increase of 9.3% from HK$1,292.1 million during the same period of last year. The gross profit increased by approximately 8.1% to HK$621.4 million (2015: HK$574.7 million).

For the six months ended 31 January 2016, net profit attributable to owners of the Company was approximately HK$33.3 million (2015: net loss of HK$22.2 million). Basic earnings per share was HK$0.027 (2015: basic loss per share: HK$0.018). The increase is primarily due to: (a) increased profit contribution from the recognition of the sale of properties of Lai Fung for the six months ended 31 January 2016 as compared to the same period of last year under review; and (b) a significant fair value loss arising on the cross currency swaps which were entered into in relation to Lai Fung's RMB1.8 billion senior notes issued in 2013 charged to the consolidated income statement in the same period of last year. No such fair value loss was recorded in the consolidated income statement in the period under review. This increase in net profit attributable to owners of the Company was offset against a depreciated Renminbi during the period under review.

Net loss attributable to owners of the Company for the period excluding the effect of property revaluations was approximately HK$51.0 million (2015: net loss of HK$121.3 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK$0.041 per share.

Excluding the effect of property revaluations, fair value losses on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss, net loss attributable to owners of the Company for the six months ended 31 January 2016 decreased to HK$39.4 million as compared to the same period of last year. Net loss per share attributable to owners of the Company excluding the effect of property revaluations, fair value losses on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss decreased from HK$0.051 to HK$0.032 per share, correspondingly.

Profit/(loss) attributable to owners of the Company	**Six months ended 31 January**	
	2016 **HK$'million**	2015 HK$'million
Reported	**33.3**	(22.2)
Adjustments in respect of investment properties		
Revaluation of properties	**(113.3)**	(132.2)
Deferred tax on investment properties	**28.3**	33.1
Non-controlling interests' share of revaluation movements less deferred tax	**0.7**	–
Net loss after tax excluding revaluation gains of investment properties	**(51.0)**	(121.3)
Adjustment in respect of fair value losses on cross currency swaps	**–**	57.9
Adjustment in respect of ineffective portion of the effective hedge recognised in profit or loss	**11.6**	–
Net loss after tax excluding adjustments in respect of investment properties, fair value losses on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss	**(39.4)**	(63.4)

Equity attributable to owners of the Company as at 31 January 2016 amounted to HK$8,621.1 million (31 July 2015: HK$9,164.7 million). Net asset value per share attributable to owners of the Company decreased to HK$6.935 per share as at 31 January 2016 from HK$7.372 per share as at 31 July 2015. The decrease in net asset value is primarily due to the depreciation of Renminbi partially offset by net profit earned during the period under review.

Media and Entertainment

For the six months ended 31 January 2016, this segment recorded a turnover of HK$247.8 million (2015: HK$360.0 million) and segment result decreased slightly from a profit of HK$37.0 million to a profit of HK$35.7 million.

Live Entertainment

The Group remains highly active on the live entertainment front. During the six months ended 31 January 2016, the Group organised and invested in 68 (2015: 39) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Miriam Yeung, Ivana Wong, EXO, a group of Ekin Cheng, Jordan Chan, Michael Tse, Jerry Lamb and Chin Ka Lok, Kelly Chen, George Lam and Edmond Leung. The Group continues to work with leading international companies such as Korea's CJ E&M Corp. ("**CJ**") and has just successfully co-produced the Mnet Asian Music Awards (MAMA) with CJ for the third year. Besides pop music event, the Group has also extended its production to Cantonese Opera to promote traditional Chinese culture. A famous title《牡丹亭驚夢》featuring Ms. Chan Po Chu and Ms. Mui Suet See will be on stage in May 2016.

Music Production, Distribution and Publishing

For the six months ended 31 January 2016, the Group released 28 (2015: 45) albums, including titles by Miriam Yeung, C AllStar, a group of Richie Jen, William So, Edmond Leung and Steve Wong, Justin Lo, Sean Pang, RubberBand and Han Hong. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

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 television drama production and film production business. The Group's artiste Ms. Karena Lam has won the Best Actress Award at the Golden Horse Awards, making her the first person ever to have won all the Best Actress, Best Supporting Actress and Best New Performer Golden Horse awards. The Group is actively looking for new talent in Mainland China and co-operation with Asian artistes.

Film and TV Program Production and Distribution

For the six months ended 31 January 2016, this segment recorded a turnover of HK$123.2 million (2015: HK$207.7 million) and segment results of a loss of HK$7.9 million (2015: a profit of HK$12.6 million).

For the six months ended 31 January 2016, the Group released theatrically a total of 4 (2015: 3) films which were produced/invested by the Group, namely *The Assassin*, *All You Need Is Love*, *Office* and *She Remembers, He Forgets* and distributed 20 (2015: 13) films and 149 (2015: 83) videos with high profile titles including *No Escape*, *Fast and Furious 7*, *Minions*, *Terminator Genisys*, *Ant Man*, *Avengers: Age of Ultron*, *Mission: Impossible – Rogue Nation* and *Inside Out*.

The Group has made investments in the production of 7 (2015: 4) TV drama series in Mainland China which are expected to generate return to the Group in the coming financial years.

Cinema Operation

For the six months ended 31 January 2016, this segment recorded a turnover of HK$155.4 million (2015: HK$122.3 million). As at 31 January 2016, the Group operates two cinemas under the brand of "May Flower" in Mainland China and eight cinemas under the brand of "MCL" in Hong Kong and Mainland China as well as one joint venture cinema in Hong Kong. Our new cinema in Causeway Bay in Hong Kong, the Grand Windsor Cinema was opened on 26 September 2015 and MCL South Horizons Cinema in Hong Kong is opened on 23 March 2016. It is expected that two more new cinemas in Hong Kong, one of which in the Festival Walk in Kowloon Tong and the other in Green Code in Fanling will commence operations in 2016. The Group also secured three cinema projects in Chengdu, Suzhou and Wuxi respectively in Mainland China, which are expected to commence businesses in the financial year ending 31 July 2017. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses.

Details on the number of screens and seats of each cinema as at 31 January 2016 are as follows:

Cinema	**Attributable Interest to the Group** (%)	**No. of Screens** *(Note)*	**No. of Seats** *(Note)*
Mainland China			
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	926
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
Subtotal		**22**	**2,690**
Hong Kong			
MCL Metro Cinema	85	7	957
MCL Telford Cinema	85	6	819
STAR Cinema	85	6	622
MCL Kornhill Cinema	85	5	836
MCL JP Cinema	85	2	658
Grand Windsor Cinema	85	3	246
The Grand Cinema	25.5	12	1,566
Subtotal		**41**	**5,704**
Total		**63**	**8,394**

Note: On 100% basis

Property Investment

The following details are extracted from Lai Fung's results announcement for the six months ended 31 January 2016 and 31 January 2015.

Rental Income

For the six months ended 31 January 2016, Lai Fung Group's rental operations recorded a turnover of HK$310.1 million (2015: HK$307.1 million), representing a 1.0% increase over the same period of last year. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January		Approximate percentage change	Period end occupancy
	2016	2015		
	HK$'million	HK$'million	(%)	(%)
Shanghai				
Shanghai Hong Kong Plaza	**197.6**	202.7	-2.5	Retail: 89.9 Office: 97.7 Serviced Apartments: 87.1
Shanghai May Flower Plaza	**34.7**	28.2	23.0	Retail: 94.8 Hotel: 82.5
Shanghai Regents Park	**6.6**	6.8	-2.9	99.7
Shanghai Northgate Plaza I	**4.1**	5.2	-21.2	63.2
Guangzhou				
Guangzhou May Flower Plaza	**54.6**	52.4	4.2	98.3
Guangzhou West Point	**8.7**	8.5	2.4	97.6
Zhongshan				
Zhongshan Palm Spring	**3.8**	3.3	15.2	Retail: 86.0* Serviced Apartments: 46.7
Total	**310.1**	**307.1**	**1.0**	

* *Excluding self-use area*

Rental income performed steadily as a whole with high occupancy in all the major properties. The significant increase in turnover of Shanghai May Flower Plaza is mainly driven by a better performance of the STARR Hotel Shanghai since its soft opening in November 2013 with an average occupancy rate of 83% during the period under review. A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 48% of total Gross Floor Area ("**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.

Property Development

The following details are extracted from Lai Fung's results announcement for the six months ended 31 January 2016 and 31 January 2015.

Recognised Sales

For the six months ended 31 January 2016, Lai Fung Group's property development operations recorded a turnover of HK$523.5 million (2015: HK$231.0 million) from sale of properties, representing a 126.6% increase in sales revenue over the same period of last year.

Total recognised sales was primarily driven by the sales performance of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 57,943 and 69,642 square feet of GFA were sold, respectively, achieving sales revenue of HK$322.0 million and HK$91.6 million, respectively.

For the six months ended 31 January 2016, average selling price recognised as a whole (excluding Guangzhou Dolce Vita) increased slightly to approximately HK$3,598 per square foot (2015: HK$3,521 per square foot) against a depreciated Renminbi. Sales of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$3,100 per square foot. This is recognised as a component of "Share of profits of joint ventures" in the condensed consolidated income statement.

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

Recognised basis	**Approximate GFA**	**Average Selling Price**#	**Turnover***
	Square feet	HK$/square foot	HK$'million
Shanghai May Flower Plaza			
Residential Units	5,083	5,170	24.8
Office Apartment Units	11,994	3,704	41.9
Guangzhou Eastern Place			
Residential Units - Phase V	57,943	5,892	322.0
Guangzhou King's Park			
Residential Units	9,569	4,789	43.2
Zhongshan Palm Spring			
Residential High-Rise Units	9,160	707	6.1
Residential House Units	60,482	1,498	85.5
Total	**154,231**	**3,598**	**523.5**
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	118,954	3,081	345.8
Retail Units**(47.5% basis)	798	5,971	4.5
Subtotal	**119,752**	**3,100**	**350.3**
Car-parking Spaces**(47.5% basis)			13.2
Total			**363.5**

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

Contracted Sales

As at 31 January 2016, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$567.6 million from sale of properties (31 July 2015: HK$202.8 million) with an average selling price of HK$1,247 per square foot (31 July 2015: HK$2,642 per square foot). The decrease in the average selling price was due to Renminbi depreciation and sales mix with more sales from Zhongshan Palm Spring. The total contracted but not yet recognised sales of Lai Fung Group as at 31 January 2016 including Guangzhou Dolce Vita amounted to HK$2,033.7 million (including car-parking spaces of Guangzhou Dolce Vita).

Sales momentum for the remaining units at Shanghai May Flower Plaza, Guangzhou Eastern Place Phase V and Guangzhou King's Park was steady and achieved a blended average selling price of HK$5,090 per square foot, HK$6,149 per square foot and HK$4,783 per square foot respectively. Sales of the remainder of the residential units of Guangzhou Dolce Vita were steady and average selling price decreased slightly to HK$2,423 per square foot (31 July 2015: HK$2,590 per square foot).

Breakdown of contracted but not yet recognised sales as at 31 January 2016 is as follows:

Contracted basis	**Approximate GFA** Square feet	**Average Selling Price#** HK$/square foot	**Turnover#** HK$'million
Shanghai May Flower Plaza			
Residential Units	4,598	5,285	24.3
Office Apartment Units	569	3,515	2.0
Guangzhou Eastern Place			
Residential Units - Phase V	26,086	6,149	160.4
Residential Units - Phase IV	891	4,265	3.8
Guangzhou King's Park			
Residential Units	8,363	4,783	40.0
Zhongshan Palm Spring			
Residential High-rise Units	347,561	708	245.9
Residential House Units	66,932	1,363	91.2
Subtotal	**455,000**	**1,247**	**567.6**
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	604,738	2,423	1,465.5
Subtotal	**604,738**	**2,423**	**1,465.5**
Car-parking Spaces**(47.5% basis)			0.6
Subtotal			**1,466.1**
Total (excluding car-parking spaces)	**1,059,738**	**1,918**	**2,033.1**

\# *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 2016, the contracted but not yet recognised sales attributable to the full project is HK$3,085.2 million (excluding car-parking spaces) and approximately 1,273,133 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$1.2 million.*

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2016, cash and bank balances held by the Group amounted to HK$3,918.4 million (31 July 2015: HK$4,647.4 million) of which around 23% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 77% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 January 2016 was HK$936.8 million (31 July 2015: HK$1,061.3 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation 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. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 January 2016, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$6,342.2 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 January 2016, the Group has guaranteed notes ("**Guaranteed Notes**") of HK$754.6 million which are denominated in RMB. The Guaranteed Notes are secured by the share charge in respect of the ordinary shares of Lai Fung and certain of the Group's interest in the ordinary shares of MAGHL and the interest reserve accounts, and have the benefit of a keepwell and security shortfall support deed and a deed of equity interest purchase undertaking by Lai Sun Development Company Limited, the controlling shareholder of the Company. The Guaranteed Notes bear interest of 8.375% per annum payable semi-annually in arrears on 24 June and 24 December of each year, with a maturity date of 24 June 2018 for bullet repayment. In addition, 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$77.0 million for the said unsecured other borrowings as at 31 January 2016. 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 2016.

MAGHL

As at 31 January 2016, MAGHL has unsecured and unguaranteed 3-year zero coupon TFN Convertible Notes with an aggregate outstanding principal amount of approximately HK$130.0 million issued to a subscriber. As at 31 January 2016, MAGHL has unsecured and unguaranteed 3-year zero coupon Specific Mandate Convertible Notes with an aggregate outstanding principal amount of HK$166.8 million, comprising approximately HK$100.0 million and approximately HK$66.8 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 TFN Convertible Notes and the Specific Mandate Convertible Notes, they will be redeemed by MAGHL on the maturity dates of 13 May 2018 and 3 July 2018, respectively, at the principal amount outstanding. For accounting purpose, after deducting the equity portion of the convertible notes from the principal amount, the carrying amount of the TFN Convertible Notes as recorded in the Group was HK$105.7 million and the resultant carrying amount of the Specific Mandate Convertible Notes as recorded in the Group was HK$53.0 million as at 31 January 2016 after adjusting for (i) accrued interest and (ii) intra-group elimination.

Lai Fung

As at 31 January 2016, Lai Fung Group had total borrowings in the amount of HK$5,456.9 million comprising bank loans of HK$2,725.4 million, fixed rate senior notes of HK$2,105.3 million, loans from a subsidiary of the Company of HK$218.0 million, loans from a joint venture of HK$353.1 million and other borrowing of HK$55.1 million. The maturity profile of Lai Fung Group's borrowings of HK$5,456.9 million is well spread with HK$2,689.0 million repayable within 1 year, HK$383.1 million repayable in the second year, HK$2,223.3 million repayable in the third to fifth years and HK$161.5 million repayable beyond the fifth year.

Approximately 45% and 50% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 5% of Lai Fung Group's borrowings were interest free.

Apart from the fixed rate senior notes, Lai Fung Group's other borrowings of HK$3,351.6 million were 45% denominated in RMB, 41% in HKD and 14% in USD.

Lai Fung Group's fixed rate senior notes of HK$2,105.3 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 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 2013 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$8,619.5 million, completed properties for sale with a total carrying amount of approximately HK$76.4 million, properties under development with a total carrying amount of approximately HK$87.0 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,484.1 million, properties with a total carrying amount of approximately HK$120.0 million and time deposits and bank balances of approximately HK$660.9 million (including HK$160.5 million deposited into an interest reserve account).

In addition, as at 31 January 2016, 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$46.8 million as at 31 January 2016. Such bank loan facility had not been utilised by the Group as at 31 January 2016. As at 31 January 2016, unsecured general banking facilities in the amount of HK$99.0 million were granted by other banks to the Group. The said unsecured general banking facilities are subject to annual review by the banks for renewal and the Group had utilised letter of credit and letter of guarantee facilities for an amount of HK$12.8 million as at 31 January 2016. As such, the Group (other than Lai Fung) has the undrawn facilities of HK$146.2 million. The undrawn facilities of the Lai Fung Group was HK$712.5 million as at 31 January 2016.

As at 31 January 2016, the consolidated net assets attributable to the owners of the Company amounted to HK$8,621.1 million (31 July 2015: HK$9,164.7 million). The gearing ratio, being net debt (total borrowings of HK$6,342.2 million less pledged bank balances and time deposits of HK$1,147.4 million and cash and cash equivalents of HK$2,771.0 million) to net assets attributable to the owners of the Company was approximately 28.1%.

Taking into account the amount of cash being held as at the end of the reporting period, the expected refinancing of certain bank loans and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity for its present requirements to finance its existing operations and projects underway.

CONTINGENT LIABILITIES

There has been no material change in contingent liabilities of the Group since 31 July 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 January 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 31 January 2016 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 of the Company ("**NEDs**", including the independent non-executive directors ("**INEDs**")) 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**") (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. 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 ("**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 2016, the Group employed a total of around 1,990 (31 January 2015: 1,940) 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 2016, the Company has met with a number of research analysts and investors, attended conferences and non-deal roadshows as follows:

Month	Event	Organiser	Location
October 2015	Post results non-deal roadshow	BNP	Hong Kong
October 2015	Post results non-deal roadshow	DBS	New York / Philadelphia / Boston / San Francisco
October 2015	Post results non-deal roadshow	Daiwa	Paris / Basel / Zurich / London
November 2015	Post results non-deal roadshow	BNP	Singapore
January 2016	DBS Vickers Pulse of Asia Conference	DBS	Singapore
January 2016	Asia Pacific Financials, Property & Logistics Conference	BNP	Hong Kong
January 2016	The Sixth Hong Kong Corporate Summit	Daiwa	Hong Kong

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@esun.com.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed with the management the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2016, the accounting principles and practices adopted by the Company, and internal control and financial reporting matters.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 23 March 2016

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), Lo Kwok Kwei, David and Alfred Donald Yap and Dr. Ng Lai Man, Carmen.