eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Interim Results for the Six Months Ended 31 January 2018

RESULTS

The board of directors ("**Board**" and "**Directors**", 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 2018 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2018

		Six months ended 31 January	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**1,184,881**	1,164,452
Cost of sales		**(737,370)**	(558,259)
Gross profit		**447,511**	606,193
Other revenue		**113,050**	97,345
Selling and marketing expenses		**(106,649)**	(102,950)
Administrative expenses		**(352,494)**	(315,962)
Other operating gains		**49,430**	12,240
Other operating expenses		**(239,240)**	(206,992)
Fair value gains on investment properties		**349,748**	172,663
PROFIT FROM OPERATING ACTIVITIES	*4*	**261,356**	262,537
Finance costs	*5*	**(115,065)**	(95,535)
Share of profits and losses of joint ventures		**80,409**	161,189
Share of profits and losses of associates		**632**	1,928
PROFIT BEFORE TAX		**227,332**	330,119

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*
For the six months ended 31 January 2018

		Six months ended 31 January	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
PROFIT BEFORE TAX		**227,332**	330,119
Income tax expense	*6*	**(175,936)**	(210,980)
PROFIT FOR THE PERIOD		**51,396**	119,139
Attributable to:			
Owners of the Company		**(14,295)**	27,644
Non-controlling interests		**65,691**	91,495
		51,396	119,139
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic		**(HK$0.010)**	HK$0.022
Diluted		**(HK$0.010)**	HK$0.022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2018

	Six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**51,396**	119,139
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		
Exchange realignment on translation of foreign operations	**1,189,741**	(568,282)
Release of exchange reserve upon disposal of subsidiaries	**(880)**	—
Change in fair value of an available-for-sale investment	**30,680**	8,771
Share of other comprehensive income/(loss) of joint ventures	**100,545**	(38,884)
Share of other comprehensive income of associates	**23**	—
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**159,924**	(101,887)
Reclassification adjustments for exchange gain/(loss) included in the condensed consolidated income statement	**(134,959)**	69,653
	24,965	(32,234)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**1,345,074**	(630,629)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**1,396,470**	(511,490)
Attributable to:		
Owners of the Company	**697,856**	(296,686)
Non-controlling interests	**698,614**	(214,804)
	1,396,470	(511,490)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2018

	Notes	**31 January 2018 (Unaudited) *HK$'000***	31 July 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,442,416**	3,041,562
Properties under development		**1,664,131**	1,346,220
Investment properties		**19,064,096**	16,903,419
Film rights		**19,284**	20,960
Film products		**133,205**	125,921
Music catalogs		**9,314**	11,438
Goodwill		**82,440**	82,440
Other intangible assets		**10,152**	16,557
Investments in joint ventures		**1,619,335**	1,438,287
Investments in associates		**26,123**	28,587
Available-for-sale investments		**144,036**	123,435
Deposits, prepayments and other receivables		**169,415**	124,362
Deferred tax assets		**5,829**	6,050
Total non-current assets		**26,389,776**	23,269,238
CURRENT ASSETS			
Properties under development		**329,056**	215,303
Completed properties for sale		**966,939**	993,460
Films under production		**453,361**	463,105
Inventories		**23,497**	35,111
Debtors	*9*	**270,873**	212,675
Deposits, prepayments and other receivables		**451,011**	427,715
Prepaid tax		**35,922**	43,033
Pledged and restricted time deposits and bank balances		**1,007,016**	571,142
Cash and cash equivalents		**4,703,363**	2,733,435
		8,241,038	5,694,979
Asset classified as held for sale	*10*	**–**	278,531
Total current assets		**8,241,038**	5,973,510

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 January 2018

	Notes	31 January 2018 (Unaudited) HK$'000	31 July 2017 (Audited) HK$'000
CURRENT LIABILITIES			
Creditors and accruals	*11*	**2,013,135**	1,551,782
Deposits received and deferred income		**417,753**	362,831
Tax payable		**138,796**	128,554
Interest-bearing bank loans, secured		**362,967**	261,392
Convertible notes		**191,150**	182,346
Fixed rate senior notes	*12*	**2,219,658**	2,080,366
Derivative financial instruments		**46,378**	208,223
Loans from a joint venture		**205,196**	192,731
Total current liabilities		**5,595,033**	4,968,225
NET CURRENT ASSETS		**2,646,005**	1,005,285
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,035,781**	24,274,523
NON-CURRENT LIABILITIES			
Long-term deposits received		**150,346**	138,875
Interest-bearing bank loans, secured		**3,197,199**	2,906,097
Other borrowings		**258,967**	252,618
Guaranteed notes	*13*	**2,712,910**	—
Loans from a joint venture		**691,804**	649,779
Derivative financial instruments		**1,921**	—
Deferred tax liabilities		**3,413,699**	3,104,284
Total non-current liabilities		**10,426,846**	7,051,653
Net assets		**18,608,935**	17,222,870
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**745,927**	745,927
Reserves		**9,034,785**	8,372,273
		9,780,712	9,118,200
Non-controlling interests		**8,828,223**	8,104,670
Total equity		**18,608,935**	17,222,870

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group ("**Financial Statements**") for the six months ended 31 January 2018 have not been audited by the Company's independent auditor 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 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 2017 ("**2017 Financial Statements**").

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 financial performance 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**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**129,883**	133,192	**376,483**	342,758	**237,090**	239,234	**199,157**	220,209	**189,509**	189,544	**52,759**	39,515	**1,184,881**	1,164,452
Intersegment sales	**–**	–	**3,044**	3,072	**–**	1,830	**7,693**	4,204	**1,008**	985	**1,524**	1,200	**13,269**	11,291
Other revenue	**1,387**	1,132	**63,679**	58,688	**4,425**	5,994	**404**	123	**15,590**	12,755	**11,412**	1,790	**96,897**	80,482
Total	**131,270**	134,324	**443,206**	404,518	**241,515**	247,058	**207,254**	224,536	**206,107**	203,284	**65,695**	42,505	**1,295,047**	1,256,225
Elimination of intersegment sales													**(13,269)**	(11,291)
Total revenue													**1,281,778**	1,244,934
Segment results	**21,720**	17,277	**550,791**	331,498	**25,315**	19,865	**(181,304)**	15,382	**(36,635)**	(21,129)	**(134,684)**	(109,294)	**245,203**	253,599
Unallocated interest and other revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**16,153**	16,863
Ineffective portion of the effective hedge recognised in profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(7,925)
Profit from operating activities													**261,356**	262,537
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(115,065)**	(95,535)
Share of profits and losses of joint ventures	**81,703**	161,957	**–**	–	**2,914**	(386)	**(4,208)**	(382)	**–**	–	**–**	–	**80,409**	161,189
Share of profits and losses of associates	**–**	–	**(101)**	–	**(30)**	(33)	**(1)**	(2)	**764**	1,963	**–**	–	**632**	1,928
Profit before tax													**227,332**	330,119
Income tax expense													**(175,936)**	(210,980)
Profit for the period													**51,396**	119,139

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**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fair value gains on investment properties	**–**	–	**349,748**	172,663	**–**	–	**–**	–	**–**	–	**–**	–	**349,748**	172,663

Segment assets/liabilities:

	Property development		**Property investment**		**Media and entertainment**		**Film production and distribution**		**Cinema operation**		**Corporate and others**		**Consolidated**	
	31 January 2018 (Unaudited)	31 July 2017 (Audited)	**31 January 2018 (Unaudited)**	31 July 2017 (Audited)	**31 January 2018 (Unaudited)**	31 July 2017 (Audited)	**31 January 2018 (Unaudited)**	31 July 2017 (Audited)	**31 January 2018 (Unaudited)**	31 July 2017 (Audited)	**31 January 2018 (Unaudited)**	31 July 2017 (Audited)	**31 January 2018 (Unaudited)**	31 July 2017 (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	**2,997,546**	2,597,274	**22,198,851**	19,632,948	**387,119**	361,246	**1,185,047**	1,176,719	**624,233**	547,038	**5,254,894**	2,905,618	**32,647,690**	27,220,843
Investments in joint ventures	**1,609,114**	1,424,918	**–**	–	**13,377**	12,807	**(3,408)**	562	**–**	–	**252**	–	**1,619,335**	1,438,287
Investments in associates	**–**	–	**805**	343	**–**	–	**19,343**	19,343	**5,975**	8,901	**–**	–	**26,123**	28,587
Unallocated assets													**337,666**	276,500
Asset classified as held for sale													**–**	278,531
Total assets													**34,630,814**	29,242,748
Segment liabilities	**561,872**	439,278	**983,547**	767,421	**179,874**	155,663	**471,869**	328,844	**157,622**	169,120	**226,450**	193,162	**2,581,234**	2,053,488
Unallocated liabilities													**13,440,645**	9,966,390
Total liabilities													**16,021,879**	12,019,878

4. PROFIT FROM OPERATING ACTIVITIES

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

		Six months ended 31 January	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Cost of completed properties sold		**85,399**	75,322
Outgoings in respect of rental income		**84,692**	77,433
Cost of film rights, licence rights and film products		**305,589**	137,781
Cost of artiste management services, advertising services, and services for entertainment events provided		**108,363**	108,177
Cost of theatrical releasing and concessionary sales		**67,284**	72,236
Cost of inventories sold		**86,043**	87,310
Total cost of sales		**737,370**	558,259
Depreciation^		**87,000**	77,034
Write-down/(reversal of write-down) of completed properties for sale to net realisable value**/*		**(692)**	618
Impairment of investment properties under construction at cost**		**38,002**	–
Amortisation of film rights#		**1,676**	2,015
Amortisation of film products#		**261,529**	94,596
Amortisation of music catalogs#		**2,124**	1,956
Amortisation of other intangible assets#		**6,405**	6,307
Compensation received on return of land use right to the local authority*		**–**	(6,813)
Reversal of provision for advances and other receivables*		**(116)**	(17)
Provision for amounts due from joint ventures**		**1,463**	–
Reversal of provision for amounts due from joint ventures*		**–**	(2,729)
Gain on disposal of subsidiaries*		**(2,487)**	–
Gain on swap of properties*	*10*	**(41,379)**	–
Ineffective portion of the effective hedge recognised in profit or loss**		**–**	7,925
Foreign exchange differences, net##		**(4,215)**	11,221

* 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.

\#\# Foreign exchange gains and losses, net are included in "Other operating gains" and "Other operating expenses" respectively, on the face of the unaudited condensed consolidated income statement.

^ Depreciation charge of HK$73,690,000 (six months ended 31 January 2017: HK$67,175,000) is included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement of which HK$48,654,000 (six months ended 31 January 2017: HK$47,899,000) is for serviced apartments and related leasehold improvements and HK$25,036,000 (six months ended 31 January 2017: HK$19,276,000) is related to cinema operation.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**81,966**	71,501
Other borrowings	**2,847**	2,840
TFN Convertible Notes	**5,712**	5,215
Specific Mandate Convertible Notes	**3,092**	2,808
Fixed rate senior notes	**71,415**	70,958
Guaranteed notes	**5,237**	–
Loans from a joint venture	**15,272**	11,592
Amortisation of:		
Bank loans	**12,384**	12,872
Fixed rate senior notes	**4,333**	4,034
Guaranteed notes	**152**	–
Bank financing charges and direct costs	**6,759**	6,364
Other finance costs	**289**	274
	209,458	188,458
Less: Capitalised in properties under development	**(36,655)**	(51,497)
Capitalised in investment properties under construction	**(38,421)**	(29,190)
Capitalised in construction in progress	**(19,317)**	(12,236)
	(94,393)	(92,923)
Total finance costs	**115,065**	95,535

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 31 January 2018 and 31 January 2017. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong		
Charge for the period	**690**	718
Underprovision/(overprovision) in prior periods	**(935)**	169
	(245)	887
– Elsewhere		
Charge for the period	**135**	138
– Mainland China		
Corporate income tax		
Charge for the period	**36,121**	11,793
Underprovision/(overprovision) in prior periods	**(1,128)**	35
Land appreciation tax		
Charge for the period	**18,554**	110,217
	53,547	122,045
	53,437	123,070
Deferred tax	**122,499**	87,910
Total tax charge for the period	**175,936**	210,980

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 the weighted average number of ordinary shares of 1,491,854,598 (six months ended 31 January 2017: 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 loss per share amount presented during the period ended 31 January 2018.

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 2018 and 31 January 2017.

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

	Six months ended 31 January	
	2018	2017
	(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	**(14,295)**	27,644
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*	**(676)**	(112)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**(14,971)**	27,532

* Balance represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK$676,000 (six months ended 31 January 2017: HK$112,000) 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 earnings/(loss) per share calculation	**1,491,854,598**	1,243,212,165
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	16,965
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	**1,491,854,598**	1,243,229,130

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2018 (six months ended 31 January 2017: Nil).

9. DEBTORS

The trading terms of the Group (other than 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 apartment 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 2018 and 31 July 2017 is as follows:

	31 January 2018 (Unaudited) ***HK$'000***	31 July 2017 (Audited) *HK$'000*
Trade debtors:		
Neither past due nor impaired	**176,100**	129,498
1 – 90 days past due	**64,558**	65,677
Over 90 days past due	**30,215**	17,500
Total	**270,873**	212,675

10. ASSET CLASSIFIED AS HELD FOR SALE

The Transaction (as defined and disclosed in note 28 to the 2017 Financial Statements) was completed and a gain of HK$41,379,000 was recognised and included in "Other operating gains" on the face of the unaudited condensed consolidated income statement during the period ended 31 January 2018.

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 2018 and 31 July 2017, is as follows:

	31 January 2018 (Unaudited)	31 July 2017 (Audited)
	HK$'000	*HK$'000*
Trade creditors:		
Less than 30 days	**394,710**	250,357
31 – 60 days	**20,263**	16,830
61 – 90 days	**3,502**	11,953
Over 90 days	**4,102**	2,840
	422,577	281,980
Other creditors and accruals	**1,590,558**	1,269,802
Total	**2,013,135**	1,551,782

12. 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, which will mature on 25 April 2018 for bullet repayment. The fixed rate senior 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 fixed rate senior notes are listed on the Stock Exchange.

13. GUARANTEED NOTES

USD350,000,000 5.65% Guaranteed Notes due 2023

On 18 January 2018, Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of Lai Fung, issued US$350,000,000 of 5.65% fixed rate guaranteed notes, which will mature on 18 January 2023 for bullet repayment. The guaranteed notes bear interest from 18 January 2018 and are payable semi-annually in arrears on 18 January and 18 July of each year, commencing on 18 July 2018. The guaranteed notes are listed on the Stock Exchange.

The guaranteed notes are guaranteed by Lai Fung and have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from Lai Sun Development Limited, a substantial shareholder of the Company.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2018 (six months ended 31 January 2017: 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, optimising 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.

- Film – continued drive to increase its original production of films which appeal to Chinese language audiences. An action comedy film "*When Robbers Meet The Monster*" featuring Louis Koo, Zhou Dongyu and Cheney Chen with director Andrew Lau, and an action crime film "*Bodies At Rest*" by director Renny Harlin casting Nick Cheung and Richie Jen, are under post-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. Projects under development include "*The Legend of The Condor Heroes*", Gordon Chan's new production tribute to the classic work of martial arts from Dr. Louis Cha. "*New Horizon*", a 50 episode romance drama series starring Zheng Kai and Chen Chiao-en, and "*Shadow of Justice*", a 36 episode detective drama series tailor-made for the Alibaba's Youku platforms featuring Julian Cheung and Fiona Sit, are also under post-production stage.

- Live Entertainment – successfully produced and promoted a number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The recent "*Super Show 7 in Hong Kong*", "*Miriam Yeung 321GO! Concert 2017*" and "*Girls Girls Girls at17 Live In Concert 2017*" have earned good reputation and public praises. Upcoming events include concerts of EXO.

- 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. During the period under review, the exclusive distribution licenses of our music products with Taobao China Software Co. Ltd. and Warner Music continue to provide stable income to the Group.

- Artiste Management – expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes. The Group believes a strong talent roster will complement its media and entertainment businesses and will continue its effort in talent development.

- 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. The MCL Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. The Grubers Café in MCL Telford Cinema operated by a joint venture company formed by the Group and Lai Sun Development Company Limited (the controlling shareholder of the Company) offers guests a great dining option before or after the movie. The Group also secured two cinema projects in Hong Kong and Suzhou in Mainland China, which are expected to commence business in the financial year ending 31 July 2018. We are excited by the outlook for cinemas in Hong Kong and Mainland China and we will continue to seek out opportunities to expand our footprint.

Targeting the enormous yet growing China market, the Group endeavors to strengthen its integrated media platform with an aim to provide valuable and competitive products and to enhance its market position, and the Group will continue to explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income stream.

Mainland China Property Market

Major economies around the world continue to navigate in uncertain waters during the period under review. The capital market has demonstrated robustness despite a delicate economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the United States and Europe and the geopolitical situation in the Korean peninsula. Some of these events are likely to linger in the near future and continue to cast a shadow on the outlook.

Notwithstanding the seemingly turbulent environment, the Central Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. However some sectors such as exports, weakened as a result of lackluster global economic performance. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption. The property sector has been a beneficiary of this as observed in various land auctions and transaction values recently. We believe the property sector will remain 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. With the first session of the 13th National People's Congress and the first session of the 13th National Committee of the Chinese People's Political Consultative Conference came to a conclusion, it is reassuring that we can expect continued stability and continuity going forward.

The regional focus and rental-led strategy of Lai Fung Holdings Limited ("**Lai Fung**", and together with its subsidiary "**Lai Fung Group**"), a non-wholly-owned subsidiary of the Company, has demonstrated resilience in recent years. The rental portfolio of approximately 3.3 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. The asset swap transaction jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total gross floor area ("**GFA**") of this property owned by Lai Fung Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

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 3.3 million square feet to approximately 6.6 million square feet through developing the existing projects on hand over the next few years. Demolition of Shanghai Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works for the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building commenced in September 2017. The redevelopment plan includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of Lai Fung Group.

The construction works of Phase I of the Novotown project in Hengqin ("**Novotown**") commenced at the end of 2015 and is now progressing at a good pace. In June 2017, Lai Fung Group entered into a licence agreement with Real Madrid Club de Fútbol in relation to the development and operation of a location based entertainment centre ("**Real Madrid LBE**") in Novotown. In September 2017, Lai Fung Group entered into a framework agreement with Dr. Ing. h.c. F. Porsche AG in relation to the development and operation of an auto experience theme centre named Porsche City ("**Porsche City**") in Novotown. In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up an Innovation Leadership Academy Hengqin ("**ILA Hengqin**") in Hengqin, Zhuhai. The cooperation aims to enhance the general education experience in Hengqin and across the region catering for learning needs of local and overseas families residing within the Pearl River Delta area, including Hengqin, Zhuhai, Macau and the Greater Bay Area. The Real Madrid LBE, Porsche City and ILA Hengqin are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between Lai Fung Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I are expected to contribute to the income of Lai Fung Group in the 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$5,710.4 million (HK$295.4 million excluding Lai Fung Group and Media Asia Group Holdings Limited ("**MAGHL**", a non-wholly-owned subsidiary of the Company) together with its subsidiaries ("**MAGHL Group**")) (31 July 2017: HK$3,304.6 million (HK$273.8 million excluding Lai Fung Group and MAGHL Group)) with a net debt to equity ratio of 42.2% as at 31 January 2018 (31 July 2017: 35.3%) provides the Group with full confidence and the means to review opportunities more actively. The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF INTERIM RESULTS

For six months ended 31 January 2018, the Group recorded a turnover of HK$1,184.9 million, representing an increase of 1.8% from HK$1,164.5 million for the same period of last year. The gross profit decreased by approximately 26.2% to HK$447.5 million (2017: HK$606.2 million). The significant increase in cost of sales is primarily due to additional amortisation recognised on the films released by MAGHL Group during the period under review due to their unsatisfactory performance.

For the six months ended 31 January 2018, net loss attributable to owners of the Company was approximately HK$14.3 million (2017: net profit of HK$27.6 million). Net loss per share was HK$0.010 (2017: net profit per share of HK$0.022). The net loss attributable to owners of the Company for the period under review is primarily due to a) consolidated loss from MAGHL owing to the unsatisfactory performance of the films released by MAGHL Group during the period under review and b) lower profit contribution from a joint venture of Lai Fung as sale of the project has been substantially completed, despite a higher revaluation gain arising from revaluations of Lai Fung's investment properties during the period under review.

Net loss attributable to owners of the Company for the six months ended 31 January 2018 excluding the effect of property revaluations was approximately HK$165.7 million (2017: net loss of HK$37.3 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK$0.111 per share (2017: net loss of HK$0.030 per share).

Profit/(loss) attributable to owners of the Company	Six months ended 31 January 2018 HK$'million	2017 HK$'million
Reported	**(14.3)**	27.6
Adjustments in respect of investment properties		
Revaluation of properties	**(202.0)**	(88.3)
Deferred tax on investment properties	**50.5**	22.1
Non-controlling interests' share of revaluation movements less deferred tax	**0.1**	1.3
Net loss after tax excluding revaluation gains of investment properties	**(165.7)**	(37.3)

Equity attributable to owners of the Company as at 31 January 2018 amounted to HK$9,780.7 million (31 July 2017: HK$9,118.2 million). Net asset value per share attributable to owners of the Company increased by 7.3% to HK$6.556 per share as at 31 January 2018 from HK$6.112 per share as at 31 July 2017.

Media and Entertainment

For the six months ended 31 January 2018, this segment recorded a turnover of HK$237.1 million (2017: HK$239.2 million) and segment results increased from a profit of HK$19.9 million to a profit of HK$25.3 million.

Live Entertainment

The Group remains highly active on the live entertainment front. During the period under review, the Group organised and invested in 62 (2017: 68) shows by popular local, Asian and internationally renowned artistes, including Miriam Yeung, Grasshopper, C AllStar, at17, Ivana Wong and Hins Cheung, Liza Wang, Vivian Chow and Wanna One.

Music Production, Distribution and Publishing

For the six months ended 31 January 2018, the Group released 23 (2017: 11) albums, including titles by Sammi Cheng, Miriam Yeung, William So, C AllStar, at17 and Michael Lai. 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.

Film and TV Program Production and Distribution

For the six months ended 31 January 2018, this segment recorded a turnover of HK$199.2 million (2017: HK$220.2 million) and segment results of a loss of HK$181.3 million (2017: a profit of HK$15.4 million).

During the period under review, the Group released 3 films (2017: 1), namely *Legend of the Naga Pearls, The Adventurers* and *Manhunt* and distributed 24 (2017: 11) films and 228 (2017: 253) videos with high profile titles including *Valerian and the City of a Thousand Planets, Paddington 2, Fast & Furious 8, Spider-Man: Homecoming, Transformers: The Last Knight* and *Guardians of the Galaxy Vol. 2*.

Cinema Operation

For the six months ended 31 January 2018, this segment recorded a turnover of HK$189.5 million (2017: HK$189.5 million). The Group currently operates eight cinemas in Hong Kong and two cinemas in Mainland China as well as one joint venture cinema in Hong Kong. The MCL Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. The Group also secured two cinema projects in Hong Kong and Suzhou in Mainland China, which are expected to commence business in the financial year ending 31 July 2018. 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 existing cinema 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	905
Subtotal		**12**	**1,511**
Hong Kong			
Festival Grand Cinema	85	8	1,196
MCL Metro City Cinema	85	7	957
MCL Telford Cinema (including MX4D theatre)	85	6	789
STAR Cinema	85	6	622
Grand Kornhill Cinema (including MX4D theatre)	85	5	706
MCL South Horizons Cinema	85	3	555
MCL Green Code Cinema	85	3	285
Grand Windsor Cinema	85	3	246
The Grand Cinema	25.5	12	1,566
Subtotal		**53**	**6,922**
Total		**65**	**8,433**

Note: On 100% basis

Property Investment

The following details are extracted from Lai Fung's results announcement for the six months ended 31 January 2018.

Rental Income

For the six months ended 31 January 2018, Lai Fung Group's rental operations recorded a turnover of HK$379.5 million (2017: HK$345.8 million), representing a 9.7% increase over the same period of last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 5.6%. Breakdown of rental turnover by major rental properties is as follows:

	For the six months ended 31 January			**For the six months ended 31 January**			
	2018# **HK$'million**	2017# HK$'million	Approximate change (%)	**2018** **RMB'million**	2017 RMB'million	Approximate change (%)	**Period end occupancy** (%)
Shanghai							
Shanghai Hong Kong Plaza	**206.3**	201.3	2.5	**174.0**	176.4	-1.4	Retail: 93.7 Office: 93.4 Serviced Apartments: 80.7
Shanghai May Flower Plaza	**38.8**	37.8	2.6	**32.7**	33.1	-1.2	Retail: 100.0 Office: 69.9
Shanghai Regents Park	**12.4**	7.0	77.1	**10.5**	6.1	72.1	100.0
Guangzhou							
Guangzhou May Flower Plaza	**55.0**	55.8	-1.4	**46.4**	48.9	-5.1	99.2
Guangzhou West Point	**9.9**	9.1	8.8	**8.3**	8.0	3.8	98.8
Guangzhou Lai Fung Tower	**51.9**	30.3	71.3	**43.8**	26.5	65.3	Retail: 100.0 Office: 100.0*
Zhongshan							
Zhongshan Palm Spring	**5.2**	4.5	15.6	**4.4**	4.0	10.0	Retail: 86.0* Serviced Apartments: 49.6
Total	**379.5**	345.8	9.7	**320.1**	303.0	5.6	

\# *The exchange rates adopted for the six months ended 31 January 2018 and 2017 are 0.8433 and 0.8762, respectively.*

* *Excluding self-use area*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The strong growth from Guangzhou Lai Fung Tower is primary due to its being fully leased during the period under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Limited ("**Guangzhou Light Industry**") as jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total GFA of this property owned by Lai Fung Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Property Development

The following details are extracted from Lai Fung's results announcement for the six months ended 31 January 2018.

Recognised Sales

For the six months ended 31 January 2018, Lai Fung Group's property development operations recorded a turnover of HK$129.9 million (2017: HK$133.2 million) from sale of properties, representing a 2.5% decrease in sales revenue over the same period of last year. Total recognised sales was primarily driven by the sales performance of residential units of Zhongshan Palm Spring.

For the six months ended 31 January 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$1,282 per square foot (2017: HK$3,075 per square foot), which is driven by lower average selling price in Zhongshan compared to Guangzhou. Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$3,474 per square foot (2017: HK$2,416 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 2018 from property sales is as follows:

Recognised basis	**No. of units**	**Approximate GFA**	**Average selling price#**	**Turnover***	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Guangzhou Eastern Place Residential Units – Phase V	2	2,460	6,435	14.9	12.5
Zhongshan Palm Spring Residential High-rise Units	69	83,629	1,131	90.1	76.0
Others				0.5	0.4
Subtotal	**71**	**86,089**	**1,282**	**105.5**	**88.9**
Guangzhou Eastern Place Car-parking Spaces	19			21.3	18.0
Guangzhou King's Park Car-parking Spaces	4			3.1	2.6
Total				**129.9**	**109.5**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	40	85,278	3,460	277.4	233.9
Retail Units**(47.5% basis)	–	665	5,365	3.3	2.8
Subtotal	**40**	**85,943**	**3,474**	**280.7**	**236.7**
Car-parking Spaces**(47.5% basis)	39			13.6	11.5
Total				**294.3**	**248.2**

\# *Before business tax and value-added tax inclusive*

\## *The exchange rate adopted for the six months ended 31 January 2018 is 0.8433.*

* *After business tax and value-added tax exclusive*

** *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 2018, the recognised sales (after business tax and value-added tax exclusive) attributable to the project on 100% basis is HK$591.0 million (excluding car-parking spaces) and approximately 180,932 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the project on 100% basis is HK$28.7 million.*

Contracted Sales

As at 31 January 2018, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$35.9 million and HK$3.2 million from sales of residential units in Guangzhou Eastern Place Phase V and Zhongshan Palm Spring, respectively and HK$6.3 million from sales of car-parking spaces in Guangzhou Eastern Place and Guangzhou King's Park. Sales of the remainder of the completed residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring were strong and achieved an average selling price of HK$7,092 and HK$1,225 per square foot, respectively. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 January 2018 amounted to RMB38.3 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 January 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$79.9 million (31 July 2017: HK$402.8 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 January 2018 amounted to RMB67.4 million (31 July 2017: RMB353.6 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2018 is as follows:

Contracted basis	**No. of units**	**Approximate GFA**	**Average selling price#**	**Turnover#**	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Guangzhou Eastern Place Residential Units - Phase V	5	5,062	7,092	35.9	30.3
Zhongshan Palm Spring Residential High-rise Units	2	2,613	1,225	3.2	2.7
Subtotal	**7**	**7,675**	**5,094**	**39.1**	**33.0**
Guangzhou Eastern Place Car-parking Spaces	4			4.7	4.0
Guangzhou King's Park Car-parking Spaces	2			1.6	1.3
Subtotal				**45.4**	**38.3**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	2	7,010	4,822	33.8	28.5
Car-parking Spaces**(47.5% basis)	2			0.7	0.6
Subtotal				**34.5**	**29.1**
Total (excluding car-parking spaces)	**9**	**14,685**	**4,964**	**72.9**	**61.5**

Before business tax and value-added tax inclusive

The exchange rate adopted for the six months ended 31 January 2018 is 0.8433.

** *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 2018, the contracted but not yet recognised sales attributable to the project on 100% basis is HK$71.1 million (excluding car-parking spaces) and approximately 14,757 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the project on 100% basis is HK$1.5 million.*

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2018, cash and bank balances held by the Group amounted to HK$5,710.4 million (31 July 2017: HK$3,304.6 million) of which around 54.1% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 45.7% 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 2018 was HK$295.4 million (31 July 2017: HK$273.8 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 2018, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$9,839.9 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 2018, the Group had bank loans of HK$396.9 million. The maturity profile of the Group's bank loans is spread with HK$319.7 million repayable within 1 year, HK$77.2 million repayable in the second year. All bank loans are on floating rate basis and are denominated in HKD.

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$88.4 million for the said unsecured other borrowings as at 31 January 2018. 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 2018.

MAGHL

As at 31 January 2018, 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 2018, 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$126.8 million and the resultant carrying amount of the Specific Mandate Convertible Notes as recorded in the Group was HK$64.3 million as at 31 January 2018 after adjusting for (i) accrued interest and (ii) intra-group elimination.

Lai Fung

As at 31 January 2018, Lai Fung Group had total borrowings in the amount of HK$9,279.6 million comprising bank loans of HK$3,163.3 million, fixed rate senior notes of HK$2,219.7 million, guaranteed notes of HK$2,712.9 million, loans from a subsidiary of the Company of HK$229.1 million, loans from a joint venture of HK$897.0 million and other borrowing of HK$57.6 million. The maturity profile of Lai Fung Group's borrowings of HK$9,279.6 million is well spread with HK$2,468.1 million repayable within 1 year, HK$1,357.3 million repayable in the second year, HK$5,285.0 million repayable in the third to fifth years, and HK$169.2 million repayable beyond the fifth year.

Approximately 63% and 34% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 3% of Lai Fung Group's borrowings were interest free.

Apart from the fixed rate senior notes and guaranteed notes, Lai Fung Group's other borrowings of HK$4,347.0 million were 60% denominated in RMB, 29% in HKD and 11% in USD.

Lai Fung Group's fixed rate senior notes of HK$2,219.7 million were denominated in RMB. Lai Fung Group has entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the fixed rate senior notes have been effectively converted into USD denominated debts.

Lai Fung Group's guaranteed notes of HK$2,712.9 million were denominated in USD. Lai Fung Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

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 and banking facility of the Group, including investment properties with a total carrying amount of approximately HK$11,673.0 million, properties under development with a total carrying amount of approximately HK$1,335.7 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,360.0 million, construction in progress with a total carrying amount of approximately HK$758.8 million and time deposits and bank balances of approximately HK$555.3 million.

In addition, as at 31 January 2018, a revolving loan facility in the amount of HK$350.0 million was granted by a bank to the Group. The said loan facility is secured by the charge over securities accounts and share mortgage of the ordinary shares of Lai Fung and certain ordinary shares of MAGHL held by the Group. The Group has utilised the said loan facility for an amount of HK$250.0 million as at 31 January 2018. As at 31 January 2018, guaranteed general banking facilities in the amount of HK$214.0 million were granted by certain banks to the Group (other than Lai Fung). The said guaranteed general banking facilities (other than a term loan) are subject to annual review by the banks for renewal and the Group had utilised letter of credit and letter of guarantee facilities, term loan and revolving loans for a total amount of HK$154.1 million as at 31 January 2018. As such, the Group (other than Lai Fung) has the undrawn facilities of HK$159.9 million as at 31 January 2018. The undrawn facilities of Lai Fung Group was HK$4,473.6 million as at 31 January 2018.

As at 31 January 2018, the consolidated net assets attributable to the owners of the Company amounted to HK$9,780.7 million (31 July 2017: HK$9,118.2 million). The gearing ratio, being net debt (total borrowings of HK$9,839.9 million less pledged and restricted bank balances and time deposits of HK$1,007.0 million and cash and cash equivalents of HK$4,703.4 million) to net assets attributable to the owners of the Company was approximately 42.2%.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities, 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 2017.

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

During the six months ended 31 January 2018, 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 ("**Listing Rule**s") throughout the six months ended 31 January 2018 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 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 (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 set out in Rule 3.13 of the Listing Rules. 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 2018, the Group employed a total of around 1,880 (31 January 2017: 2,060) 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 2018, the Company has met with a number of research analysts and investors and attended non-deal roadshows and conference as follows:

Month	**Event**	**Organiser**	**Location**
October 2017	Post results non-deal roadshow	CLSA	Hong Kong
October 2017	Post results non-deal roadshow	DBS	Singapore
November 2017	Post results non-deal roadshow	BNP	London
November 2017	Post results non-deal roadshow	BNP	New York / Los Angeles
January 2018	The Pulse of Asia Conference	DBS	Singapore

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 the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2018, the accounting principles and practices adopted by the Company as well as the internal control and financial reporting matters.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 22 March 2018

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.