**eSun Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 571)**

# Announcement of Final Results for the Year Ended 31 July 2018

## RESULTS

The board of directors ("**Board**" and "**Directors**", respectively) of eSun Holdings Limited ("**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries ("**Group**") for the year ended 31 July 2018 together with the comparative figures for the previous financial year as follows:

**CONSOLIDATED INCOME STATEMENT**
*Year ended 31 July 2018*

| | *Notes* | **2018** *HK$'000* | 2017 *HK$'000* |
|---|---|---|---|
| TURNOVER | *2* | **2,183,863** | 2,677,388 |
| Cost of sales | | **(1,170,479)** | (1,596,001) |
| Gross profit | | **1,013,384** | 1,081,387 |
| Other revenue | | **247,475** | 188,705 |
| Selling and marketing expenses | | **(153,458)** | (235,458) |
| Administrative expenses | | **(681,328)** | (621,289) |
| Other operating expenses, net | | **(515,893)** | (479,462) |
| Gain on disposal of an available-for-sale investment | | **-** | 109,534 |
| Fair value gains on cross currency swaps | | **-** | 111,657 |
| Fair value gains on investment properties | | **857,297** | 832,118 |
| PROFIT FROM OPERATING ACTIVITIES | | **767,477** | 987,192 |
| Finance costs | *3* | **(240,612)** | (199,214) |
| Share of profits and losses of joint ventures | | **402,888** | 313,866 |
| Share of profits and losses of associates | | **(14,102)** | 4,696 |
| PROFIT BEFORE TAX AND TAX INDEMNITY | *4* | **915,651** | 1,106,540 |
| Income tax expense | *5* | **(334,929)** | (573,262) |
| Tax indemnity | *5* | **92,695** | 493,936 |
| PROFIT FOR THE YEAR | | **673,417** | 1,027,214 |
| Attributable to: | | | |
| Owners of the Company | | **263,840** | 514,233 |
| Non-controlling interests | | **409,577** | 512,981 |
| | | **673,417** | 1,027,214 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** | *6* | | |
| Basic | | **HK$0.177** | HK$0.378 |
| Diluted | | **HK$0.175** | HK$0.378 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*Year ended 31 July 2018*

| | 2018 | 2017 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **PROFIT FOR THE YEAR** | **673,417** | 1,027,214 |
| **OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX** | | |
| Exchange realignment on translation of foreign operations | **(209,229)** | (147,591) |
| Release of exchange reserve upon disposal of subsidiaries | **(880)** | - |
| Change in fair value of an available-for-sale investment | **(14,677)** | (7,876) |
| Share of other comprehensive loss of joint ventures | **(7,964)** | (5,529) |
| Share of other comprehensive loss of an associate | **(15)** | - |
| Release of reserve upon maturity of cross currency swaps | **(35,055)** | - |
| Cash flow hedges: | | |
| Effective portion of changes in fair value of hedging instruments arising during the year | **161,845** | (101,887) |
| Reclassification adjustments for exchange gain/(loss) included in the consolidated income statement | **(134,959)** | 69,653 |
| | **26,886** | (32,234) |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | **(240,934)** | (193,230) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **432,483** | 833,984 |
| Attributable to: | | |
| Owners of the Company | **129,523** | 409,141 |
| Non-controlling interests | **302,960** | 424,843 |
| | **432,483** | 833,984 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 July 2018*

| | Notes | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **3,790,965** | 3,041,562 |
| Properties under development | | **410,157** | 1,346,220 |
| Investment properties | | **18,601,100** | 16,903,419 |
| Film rights | | **11,205** | 20,960 |
| Film products | | **80,217** | 125,921 |
| Music catalogs | | **9,657** | 11,438 |
| Goodwill | | **82,440** | 82,440 |
| Other intangible assets | | **586** | 16,557 |
| Investments in joint ventures | | **1,868,316** | 1,438,287 |
| Investments in associates | | **16,278** | 28,587 |
| Available-for-sale investments | | **114,361** | 123,435 |
| Deposits, prepayments and other receivables | | **120,116** | 124,362 |
| Deferred tax assets | | **4,189** | 6,050 |
| Derivative financial instruments | | **2,531** | - |
| Total non-current assets | | **25,112,118** | 23,269,238 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **1,722,872** | 215,303 |
| Completed properties for sale | | **852,588** | 993,460 |
| Films under production | | **469,585** | 463,105 |
| Inventories | | **21,874** | 35,111 |
| Debtors | *7* | **181,599** | 212,675 |
| Deposits, prepayments and other receivables | | **441,526** | 427,715 |
| Prepaid tax | | **37,856** | 43,033 |
| Pledged and restricted time deposits and bank balances | | **1,073,762** | 571,142 |
| Cash and cash equivalents | | **2,136,039** | 2,733,435 |
| | | **6,937,701** | 5,694,979 |
| Asset classified as held for sale | *8* | **-** | 278,531 |
| Total current assets | | **6,937,701** | 5,973,510 |
| **CURRENT LIABILITIES** | | | |
| Creditors and accruals | *9* | **1,961,568** | 1,551,782 |
| Deposits received and deferred income | | **658,487** | 362,831 |
| Tax payable | | **123,973** | 128,554 |
| Interest-bearing bank loans | | **348,489** | 261,392 |
| Convertible notes | | **-** | 182,346 |
| Fixed rate senior notes | *10* | **-** | 2,080,366 |
| Derivative financial instruments | | **-** | 208,223 |
| Loans from a joint venture | | **218,542** | 192,731 |
| Total current liabilities | | **3,311,059** | 4,968,225 |
| **NET CURRENT ASSETS** | | **3,626,642** | 1,005,285 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **28,738,760** | 24,274,523 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

*31 July 2018*

| | Notes | 2018<br>*HK$'000* | 2017<br>*HK$'000* |
|---|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **28,738,760** | 24,274,523 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term deposits received | | **142,880** | 138,875 |
| Interest-bearing bank loans | | **3,572,464** | 2,906,097 |
| Other borrowings | | **257,841** | 252,618 |
| Guaranteed notes | *11* | **2,725,518** | - |
| Loans from a joint venture | | **426,156** | 649,779 |
| Loans from a related company | *12* | **650,000** | - |
| Deferred tax liabilities | | **3,318,953** | 3,104,284 |
| Total non-current liabilities | | **11,093,812** | 7,051,653 |
| Net assets | | **17,644,948** | 17,222,870 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | | **745,927** | 745,927 |
| Reserves | | **8,513,538** | 8,372,273 |
| | | **9,259,465** | 9,118,200 |
| **Non-controlling interests** | | **8,385,483** | 8,104,670 |
| Total equity | | **17,644,948** | 17,222,870 |

## 1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction, derivative financial instruments and certain available-for-sale investments, which have been measured at fair value. Non-current asset classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle* | *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12* |

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Other than as explained above regarding the impact of Amendments to HKAS 7, the adoption of the above amendments to HKFRSs has had no significant financial effect on these financial statements.

## 2. OPERATING SEGMENT INFORMATION

Segment revenue/results:

| | 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 | 184,633 | 624,592 | 759,963 | 696,257 | 428,198 | 448,371 | 342,684 | 418,476 | 408,342 | 418,623 | 60,043 | 71,069 | 2,183,863 | 2,677,388 |
| Intersegment sales | - | - | 6,226 | 5,833 | - | 1,689 | 11,453 | 8,644 | 1,595 | 2,677 | 3,039 | 2,515 | 22,313 | 21,358 |
| Other revenue | 2,599 | 1,617 | 137,970 | 118,046 | 7,898 | 8,203 | 2,227 | 817 | 32,130 | 24,799 | 12,060 | 1,954 | 194,884 | 155,436 |
| Total | 187,232 | 626,209 | 904,159 | 820,136 | 436,096 | 458,263 | 356,364 | 427,937 | 442,067 | 446,099 | 75,142 | 75,538 | 2,401,060 | 2,854,182 |
| Elimination of intersegment sales | | | | | | | | | | | | | (22,313) | (21,358) |
| Total revenue | | | | | | | | | | | | | 2,378,747 | 2,832,824 |
| Segment results | (7,552) | 17,761 | 1,252,698 | 1,160,571 | 21,817 | 25,464 | (258,653) | (126,248) | (95,947) | (32,769) | (235,526) | (263,122) | 676,837 | 781,657 |
| Unallocated interest and other revenue | - | - | - | - | - | - | - | - | - | - | - | - | 52,591 | 33,269 |
| Ineffective portion of the effective hedge recognised in profit or loss | - | - | - | - | - | - | - | - | - | - | - | - | - | (7,925) |
| Fair value gains on cross currency swaps | - | - | - | - | - | - | - | - | - | - | - | - | 38,049 | 111,657 |
| Gain on disposal of an available-for-sale investment | - | - | - | - | - | - | - | - | - | - | - | - | - | 109,534 |
| Impairment of goodwill | - | - | - | - | - | - | - | (18,440) | - | (22,560) | - | - | - | (41,000) |
| Profit from operating activities | | | | | | | | | | | | | 767,477 | 987,192 |
| Finance costs | - | - | - | - | - | - | - | - | - | - | - | - | (240,612) | (199,214) |
| Share of profits and losses of joint ventures | 403,368 | 345,456 | - | - | 1,912 | (4,795) | (909) | (26,795) | - | - | (1,483) | - | 402,888 | 313,866 |
| Share of profits and losses of associates | - | - | (192) | - | (1) | (69) | (15,638) | (1) | 1,729 | 4,766 | - | - | (14,102) | 4,696 |
| Profit before tax and tax indemnity | | | | | | | | | | | | | 915,651 | 1,106,540 |
| Income tax expense | | | | | | | | | | | | | (334,929) | (573,262) |
| Tax indemnity | | | | | | | | | | | | | 92,695 | 493,936 |
| Profit for the year | | | | | | | | | | | | | 673,417 | 1,027,214 |

## 2. OPERATING SEGMENT INFORMATION *(continued)*

Segments assets/liabilities:

| | 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 assets | **3,020,564** | 2,597,274 | **22,003,818** | 19,632,948 | **357,234** | 361,246 | **1,057,613** | 1,176,719 | **657,680** | 547,038 | **2,689,192** | 2,905,618 | **29,786,101** | 27,220,843 |
| Investments in joint ventures | **1,851,267** | 1,424,918 | **-** | - | **13,788** | 12,807 | **421** | 562 | **-** | - | **2,840** | - | **1,868,316** | 1,438,287 |
| Investments in associates | **-** | - | **5,932** | 343 | **-** | - | **3,706** | 19,343 | **6,640** | 8,901 | **-** | - | **16,278** | 28,587 |
| Unallocated assets | | | | | | | | | | | | | **379,124** | 276,500 |
| Asset classified as held for sale | | | | | | | | | | | | | **-** | 278,531 |
| Total assets | | | | | | | | | | | | | **32,049,819** | 29,242,748 |
| Segment liabilities | **685,496** | 439,278 | **1,133,855** | 767,421 | **136,122** | 155,663 | **443,455** | 328,844 | **206,362** | 169,120 | **157,645** | 193,162 | **2,762,935** | 2,053,488 |
| Unallocated liabilities | | | | | | | | | | | | | **11,641,936** | 9,966,390 |
| Total liabilities | | | | | | | | | | | | | **14,404,871** | 12,019,878 |

## 2. OPERATING SEGMENT INFORMATION *(continued)*

Other segment information:

| | 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 | **-** | - | **(857,297)** | (832,118) | **-** | - | **-** | - | **-** | - | **-** | - | **(857,297)** | (832,118) |
| Gain on swap of properties | **-** | - | **(41,379)** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(41,379)** | - |
| Compensation received on return of land use right to the local authority | **-** | (6,801) | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **-** | (6,801) |
| Gain on disposal of subsidiaries | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(2,487)** | - | **(2,487)** | - |
| Depreciation | **1,887** | 2,248 | **109,652** | 102,297 | **1,617** | 1,509 | **2,236** | 964 | **53,671** | 41,631 | **9,638** | 10,042 | **178,701** | 158,691 |
| Reversal of write-down of completed properties for sale to net realisable value | **(426)** | (3,829) | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(426)** | (3,829) |
| Loss/(gain) on disposal of items of property, plant and equipment | **19** | 34 | **2,296** | 208 | **-** | 7 | **-** | (1) | **28** | (832) | **4** | 8 | **2,347** | (576) |
| Impairment of investment properties under construction at cost | **-** | - | **55,658** | - | **-** | - | **-** | - | **-** | - | **-** | - | **55,658** | - |
| Write-down of properties under development to net realisable value | **38,222** | - | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **38,222** | - |
| Impairment of property, plant and equipment | **-** | - | **-** | - | **-** | - | **-** | - | **10,000** | - | **-** | - | **10,000** | - |
| Impairment of film rights | **-** | - | **-** | - | **-** | - | **-** | 599 | **-** | - | **-** | - | **-** | 599 |
| Impairment/write-off of films under production | **-** | - | **-** | - | **-** | - | **5,614** | 82,754 | **-** | - | **-** | - | **5,614** | 82,754 |
| Amortisation of film rights | **-** | - | **-** | - | **-** | - | **9,755** | 4,853 | **-** | - | **-** | - | **9,755** | 4,853 |
| Amortisation of film products | **-** | - | **-** | - | **-** | - | **320,773** | 222,801 | **-** | - | **-** | - | **320,773** | 222,801 |
| Amortisation of music catalogs | **-** | - | **-** | - | **1,781** | 3,480 | **-** | - | **-** | - | **-** | - | **1,781** | 3,480 |
| Amortisation of other intangible assets | **-** | - | **-** | - | **15,138** | 11,977 | **833** | 655 | **-** | - | **-** | - | **15,971** | 12,632 |
| Provision for doubtful debts | **-** | - | **-** | - | **325** | 361 | **104** | - | **-** | - | **-** | 820 | **429** | 1,181 |
| Provision for advances and other receivables | **-** | - | **-** | - | **3,031** | 236 | **12,893** | 2,659 | **-** | - | **-** | - | **15,924** | 2,895 |
| Reversal of provision for advances and other receivables | **-** | - | **-** | - | **(118)** | (118) | **(500)** | (1,943) | **-** | - | **-** | - | **(618)** | (2,061) |
| Reversal of provision for amounts due from joint ventures | **-** | - | **-** | - | **(172)** | (2,193) | **-** | - | **-** | - | **-** | - | **(172)** | (2,193) |
| Provision/(reversal of provision) for inventories | **-** | - | **-** | - | **(2,084)** | 2,373 | **319** | 971 | **-** | - | **85** | 563 | **(1,680)** | 3,907 |
| Additions of property, plant and equipment | **1,098** | 1,142 | **746,635** | 310,306 | **618** | 430 | **1,531** | 1,610 | **156,396** | 109,685 | **1,007** | 3,023 | **907,285** | 426,196 |
| Additions of properties under development | **537,140** | 488,333 | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **537,140** | 488,333 |
| Additions of investment properties | **-** | - | **971,357** | 1,046,284 | **-** | - | **-** | - | **-** | - | **-** | - | **971,357** | 1,046,284 |
| Additions of film rights | **-** | - | **-** | - | **-** | - | **-** | 2,730 | **-** | - | **-** | - | **-** | 2,730 |
| Additions of film products, net | **-** | - | **-** | - | **-** | - | **(927)** | 1,148 | **-** | - | **-** | - | **(927)** | 1,148 |
| Additions of films under production | **-** | - | **-** | - | **-** | - | **292,633** | 318,445 | **-** | - | **-** | - | **292,633** | 318,445 |
| Additions to other intangible assets | **-** | - | **-** | - | **-** | - | **-** | 584 | **-** | - | **-** | - | **-** | 584 |

## 2. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information:

| | Hong Kong | | Mainland China (including Macau) | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue: | | | | | | | | |
| Sales to external customers | **824,258** | 795,894 | **1,294,774** | 1,807,675 | **64,831** | 73,819 | **2,183,863** | 2,677,388 |
| Assets: | | | | | | | | |
| Segment assets: | | | | | | | | |
| – non-current assets | **627,662** | 669,026 | **24,328,387** | 22,433,048 | **99** | 818 | **24,956,148** | 23,102,892 |
| – current assets | **1,169,417** | 1,245,329 | **5,532,425** | 4,321,721 | **12,705** | 17,775 | **6,714,547** | 5,584,825 |
| Unallocated assets | | | | | | | **379,124** | 276,500 |
| Asset classified as held for sale | | | | | | | **-** | 278,531 |
| Total assets | | | | | | | **32,049,819** | 29,242,748 |
| Other information: | | | | | | | | |
| Additions of property, plant and equipment | **102,164** | 110,790 | **805,091** | 315,263 | **30** | 143 | **907,285** | 426,196 |
| Additions of properties under development | **-** | - | **537,140** | 488,333 | **-** | - | **537,140** | 488,333 |
| Additions of investment properties | **-** | - | **971,357** | 1,046,284 | **-** | - | **971,357** | 1,046,284 |
| Additions of film rights | **-** | 2,730 | **-** | - | **-** | - | **-** | 2,730 |
| Additions of film products, net | **(927)** | 1,148 | **-** | - | **-** | - | **(927)** | 1,148 |
| Additions of films under production | **189,181** | 191,479 | **103,452** | 126,966 | **-** | - | **292,633** | 318,445 |
| Additions of other intangible assets | **-** | 584 | **-** | - | **-** | - | **-** | 584 |

Information about major customers:

No customers of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 July 2018 and 2017.

## 3. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| Bank loans | **180,053** | 146,871 |
| Other borrowings | **5,647** | 5,640 |
| TFN Convertible Notes | **8,849** | 10,561 |
| Specific Mandate Convertible Notes | **5,645** | 5,615 |
| Fixed rate senior notes | **103,767** | 140,957 |
| Guaranteed notes | **78,557** | - |
| Loans from a joint venture | **28,189** | 25,668 |
| Loans from a related company | **1,946** | - |
| Amortisation of: | | |
| Bank loans | **24,626** | 25,891 |
| Fixed rate senior notes | **6,349** | 8,145 |
| Guaranteed notes | **2,260** | - |
| Bank financing charges and direct costs | **13,376** | 12,689 |
| Other finance costs | **507** | 534 |
| | **459,771** | 382,571 |
| Less: Capitalised in properties under development | **(87,857)** | (92,740) |
| Capitalised in investment properties under construction | **(83,472)** | (64,421) |
| Capitalised in construction in progress | **(47,830)** | (26,196) |
| | **(219,159)** | (183,357) |
| Total finance costs | **240,612** | 199,214 |

## 4. PROFIT BEFORE TAX AND TAX INDEMNITY

The Group's profit before tax and tax indemnity is arrived at after charging/(crediting):

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of completed properties sold | **115,491** | 535,637 |
| Outgoings in respect of rental income | **169,149** | 153,406 |
| Cost of film rights, licence rights and film products | **403,516** | 378,133 |
| Cost of artiste management services, advertising services and services for entertainment events provided | **180,722** | 176,230 |
| Cost of theatrical releasing and concessionary sales | **151,894** | 162,594 |
| Cost of inventories sold | **149,707** | 190,001 |
| Total cost of sales | **1,170,479** | 1,596,001 |
| Depreciation^ | **178,701** | 158,691 |
| Impairment of property, plant and equipment* | **10,000** | - |
| Write-down of properties under development to net realisable value* | **38,222** | - |
| Impairment of investment properties under construction at cost* | **55,658** | - |
| Impairment of film rights# | **-** | 599 |
| Impairment of goodwill* | **-** | 41,000 |
| Reversal of write-down of completed properties for sale to net realisable value* | **(426)** | (3,829) |
| Write-off of items of property, plant and equipment* | **932** | 176 |
| Impairment/write-off of films under production# | **5,614** | 82,754 |
| Share of net income from entertainment events organised by co-investors* | **(2,974)** | (3,069) |
| Amortisation of film rights# | **9,755** | 4,853 |
| Amortisation of film products# | **320,773** | 222,801 |
| Amortisation of music catalogs# | **1,781** | 3,480 |
| Amortisation of other intangible assets# | **15,971** | 12,632 |
| Provision for doubtful debts* | **429** | 1,181 |
| Provision for advances and other receivables* | **15,924** | 2,895 |
| Reversal of provision for advances and other receivables* | **(618)** | (2,061) |
| Reversal of provision for amounts due from joint ventures* | **(172)** | (2,193) |
| Compensation received on return of land use right to the local authority* | **-** | (6,801) |
| Gain on swap of properties* | **(41,379)** | - |
| Gain on disposal of subsidiaries* | **(2,487)** | - |
| Fair value gains on cross currency swaps** | **(38,049)** | (111,657) |
| Loss/(gain) on disposal of items of property, plant and equipment* | **2,347** | (576) |
| Provision/(reversal of provision) for inventories# | **(1,680)** | 3,907 |
| Ineffective portion of effective hedge recognised in profit or loss* | **-** | 7,925 |
| Foreign exchange differences, net* | **37,607** | 61,336 |

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

** During the year ended 31 July 2018, the item is included in "Other operating expenses, net" on the face of the consolidated income statement. During the year ended 31 July 2017, the item was presented on the face of the consolidated income statement.

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

^ Depreciation charge of HK$151,665,000 (2017: HK$136,919,000) is included in "Other operating expenses, net" on the face of the consolidated income statement, of which HK$97,994,000 (2017: HK$95,288,000) is for serviced apartments and related leasehold improvements and HK$53,671,000 (2017: HK$41,631,000) is related to cinema operation.

## 5. INCOME TAX EXPENSE AND TAX INDEMNITY

(a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. 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.

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current | | |
| – Hong Kong | | |
| Charge for the year | **1,550** | 1,827 |
| Overprovision in prior years | **(1,934)** | (190) |
| | **(384)** | 1,637 |
| – Mainland China | | |
| Corporate income tax ("**CIT**") | | |
| Charge for the year | **59,265** | 73,131 |
| Underprovision/(overprovision) in prior years | **(1,130)** | 28 |
| Land appreciation tax ("**LAT**") | | |
| Charge for the year | **27,157** | 58,391 |
| Underprovision in prior years | **-** | 122,258 |
| | **85,292** | 253,808 |
| – Elsewhere | | |
| Charge for the year | **145** | 321 |
| | **85,053** | 255,766 |
| Deferred tax | **249,876** | 317,496 |
| Total tax charge for the year | **334,929** | 573,262 |

(b) Tax indemnity

In connection with the listing of Lai Fung Holdings Limited ("**Lai Fung**", together with its subsidiaries collectively known as "**Lai Fung Group**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (currently on the Main Board), a tax indemnity deed was signed on 12 November 1997, pursuant to which Lai Sun Development Company Limited ("**LSD**") has undertaken to indemnify the Lai Fung Group in respect of certain potential Mainland China CIT and LAT payable or shared by the Lai Fung Group in consequence of the disposal of certain property interests attributable to the Lai Fung Group through its subsidiaries and its joint ventures as at 31 October 1997. During the year, tax indemnity of HK$92,695,000 (2017: HK$493,936,000) was received by the Lai Fung Group from LSD in relation to the CIT and LAT incurred and paid by the Lai Fung Group or its joint ventures which is attributable to the disposal of certain properties located in Guangzhou, Mainland China.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (2017: 1,361,061,866) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year 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 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 year, as used in the basic earnings 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.

The conversion of the outstanding convertible notes issued by Media Asia Group Holdings Limited ("**MAGHL**, together with its subsidiaries collectively known as "**MAGHL Group**") has an anti-dilutive effect on the basic earnings per share amounts presented during the years ended 31 July 2018 and 2017.

The calculations of basic and diluted earnings per share are based on:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Profit attributable to owners of the Company, used in the basic earnings per share calculation | **263,840** | 514,233 |
| 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* | **(1,572)** | (112) |
| Earnings for the purpose of diluted earnings per share | **262,268** | 514,121 |

* Balance represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK$1,572,000 (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 year.

| | **Number of shares** | |
|---|---|---|
| | **2018** | 2017 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **1,491,854,598** | 1,361,061,866 |
| Effect of dilution – weighted average number of ordinary shares: Share options | **2,641,251** | 200,445 |
| Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation | **1,494,495,849** | 1,361,262,311 |

## 7. DEBTORS

| | 2018 | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade debtors | **191,184** | 222,744 |
| Impairment | **(9,585)** | (10,069) |
| | **181,599** | 212,675 |

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 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.

The Group does not hold any collateral or other credit enhancements over these balances.

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

| | 2018 | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade debtors: | | |
| Neither past due nor impaired | **127,702** | 129,498 |
| 1 – 90 days past due | **37,974** | 65,677 |
| Over 90 days past due | **15,923** | 17,500 |
| Total | **181,599** | 212,675 |

## 8. ASSET CLASSIFIED AS HELD FOR SALE

The Transaction (as defined and disclosed in note 28 to the Group's audited consolidated financial statements for the year ended 31 July 2017) was completed during the year ended 31 July 2018 and a gain of HK$41,379,000 (2017: Nil) was recognised and included in "Other operating expenses, net" on the face of the consolidated income statement during the year ended 31 July 2018.

## 9. 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 the end of the reporting period, is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade creditors: | | |
| Less than 30 days | **197,917** | 250,357 |
| 31 – 60 days | **53,817** | 16,830 |
| 61 – 90 days | **3,767** | 11,953 |
| Over 90 days | **6,416** | 2,840 |
| | **261,917** | 281,980 |
| Other creditors and accruals | **1,699,651** | 1,269,802 |
| Total | **1,961,568** | 1,551,782 |

## 10. 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 matured on 25 April 2018 for bullet repayment. The 2013 Notes bore interest from 25 April 2013 and were repayable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013. The 2013 Notes were listed on the Stock Exchange.

The 2013 Notes have been fully redeemed on the maturity date during the year ended 31 July 2018.

## 11. 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 LSD, a substantial shareholder of the Company.

## 12. LOANS FROM A RELATED COMPANY

On 10 May 2018, Hibright Limited ("**Hibright**", a wholly-owned subsidiary of LSD) and MAGHL entered into a loan agreement (the "**MAGHL Loan Agreement**") whereby Hibright agreed to make available to MAGHL a term loan facility in the principal amount of up to HK$200,000,000 for the exclusive purposes of financing the redemption of the TFN Convertible Notes in full and financing the general working capital requirements of the MAGHL Group.

On 27 July 2018, Hibright and the Company entered into a loan agreement (the "**eSun Loan Agreement**"), whereby Hibright agreed to make available to the Company a term loan facility in the principal amount of up to HK$700,000,000 for the exclusive purposes of refinancing existing bank loan facilities and financing the general corporate requirements of the Group.

As at 31 July 2018, loans of HK$200,000,000 (2017: Nil) and HK$450,000,000 (2017: Nil) were outstanding under the MAGHL Loan Agreement and the eSun Loan Agreement, respectively.

## 13. EVENT AFTER THE REPORTING PERIOD

On 28 May 2018, Transtrend Holdings Limited ("**Offeror**", a wholly-owned subsidiary of LSD) made a conditional voluntary general cash offer ("**Offer**") to acquire all of the issued shares of the Company (other than those already held or agreed to be acquired by LSD, the Offeror or their respective subsidiaries) ("**eSun Share Offer**"), and to cancel all the outstanding share options of the Company. The offer price for each share of the Company is HK$1.30 in cash. Details are set out in a joint announcement of the Company, LSD, Lai Sun Garment (International) Limited ("**LSG**", the ultimate holding company of LSD), Lai Fung and the Offeror on 28 May 2018.

On 25 July 2018, the eSun Share Offer became unconditional as to the receipt of valid acceptance of share offer in respect of such number of the shares of the Company which, together with the shares of the Company already held or agreed to be acquired by LSD and the Offeror, would result in LSD and the Offeror holding in aggregate more than 50% of the voting shares in the Company. Details are set out in a joint announcement of the Company, LSD and the Offeror on 25 July 2018.

On 8 August 2018, all resolutions in relation to the Offer proposed at the general meetings of LSG and LSD were duly passed by way of poll. Accordingly, all of the conditions to the Offer have been fulfilled or waived by the Offeror and the Offer became unconditional in all respects on 8 August 2018. Details are set out in a joint announcement of the Company, LSD, LSG, Lai Fung and the Offeror on 8 August 2018. Since then, LSG has become the ultimate holding company of the Company.

## 14. FINAL DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 July 2018 (2017: Nil) for shareholders' approval at the forthcoming annual general meeting of the Company.

## 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 original production of films which appeal to Chinese language audiences. "*When Robbers Meet The Monster*", an action comedy film featuring Louis Koo, Zhou Dongyu and Cheney Chen with director Andrew Lau, "*Bodies At Rest*", an action crime film by director Renny Harlin casting Nick Cheung and Richie Jen, "*Fagara in Mara*"， a romance film produced by Ann Hui featuring Sammi Cheng, and "*I'm Living It*", a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, are under post-production. Projects under development include an action film "*Knockout*" by director Roy Chow featuring Han Geng and a romance comedy film "*The Calling of a Bus Driver*" with Ivana Wong and director Patrick Kong.

- TV – expanded 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. The drama series "*Shadow of Justice*" started broadcasting in Alibaba's Youku and Viu TV since September and have generated satisfactory viewership for the two platforms. The latest titles in our TV production pipelines include "*New Horizon*", a 50 episode romance drama series starring Zheng Kai and Chen Chiao-en, and we are discussing with various Chinese portals and video websites for new project development.

- 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 "*JJ Lin Sanctuary World Tour Hong Kong*" has earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion. In addition to our investment in coming "*Andy Lau My Love World Tour Hong Kong 2018*", we are planning to organise concerts for a number of artistes in 2019.

- 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 year under review, on top of the existing distribution licence with Warner Music, the Group has entered into an exclusive PRC distribution licence of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and these licences have been providing stable income contribution 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 in July 2013 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. During the year under review, the Group opened two new cinemas, one in Shatin, Hong Kong and the other one in Suzhou in Mainland China. The cinema in New Town Plaza in Shatin, Hong Kong named "Movie Town" is the largest cinema in the New Territories with more than 1,700 seats in 7 houses and introduced the latest revolutionary cinema technologies to the town including the HK-first Samsung "Onyx Cinema LED" and RealD Cinema, plus the HK-exclusive MX4D motion theatre and House FX. The Group has chosen Ufun Suzhou Shopping Mall to establish its first "GRAND Cinema" flagship site in Mainland China. The Grand Cinema City in Suzhou has 10 houses which are all equipped with 3D digital projection and Dolby Surround sound systems, providing a total of 1,440 seats. Two of the houses are in China Giant Screen formats, each also with the most advanced Dolby Atmos sound system, giant screen of 18.6m wide and 10.5m tall and dual-digital projection systems. The Group also secured one cinema project in Hong Kong, which is expected to commence business in the financial year ending 31 July 2019. 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 year under review. The capital market has demonstrated steadiness backed by cautious optimism 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 more recent trade disputes between the USA and China. 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 Chinese 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 further as a result of lackluster global economic performance and trade disputes with the USA. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption, however the longer term impact remains to be seen. 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 Chinese 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. Under the current leadership of the Chinese Government, 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 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 gross floor area ("**GFA**") of this property owned by the Lai Fung Group increased to approximately 705,500 square feet excluding car-parking spaces from approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding a 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. Foundation works for the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and 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. The completion is expected to be in the first half of 2019. Lai Fung Group and Dr. Ing. h.c. F. Porsche AG ("**Porsche**") did not reach a final agreement in relation to the licensing of Porsche's intellectual property rights and the provision of consultation services for the development of the auto experience theme centre in Phase II of Novotown prior to the expiration of the framework agreement entered into in September 2017. 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 ILA Hengqin is 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. Lai Fung Group is proactively exploring business opportunities with various international brands to create unique personalised entertainment offerings.

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I are expected to contribute to the income statement of Lai Fung Group in the coming financial years. Lai Fung Group will continue its prudent and flexible approach in growing its landbank.

From May to August 2018, the Company went through a voluntary general cash offer ("**eSun Offer**") made by Lai Sun Development Company Limited ("**LSD**", the controlling shareholder of the Company as at 31 July 2018) in May 2018 to acquire all of the issued shares of the Company that were not already owned by LSD. The eSun Offer closed on 22 August 2018. The mandatory general offer to Lai Fung triggered by the eSun Offer closed on 13 September 2018. As at the date of this results announcement, LSD's interest in the Company increased from that of 36.94% as at 31 July 2018 to 77.38% and the Company has become a subsidiary of LSD post year end. Lai Fung remains a 50.60%-owned subsidiary of the Company.

As at 31 July 2018, the Group's consolidated cash position of HK$3,209.8 million (HK$341.9 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 reasonable net debt to equity ratio of 53.9% as at 31 July 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 ANNUAL RESULTS

For the year ended 31 July 2018, the Group recorded a turnover of HK$2,183.9 million, representing a decrease of 18.4% from that of HK$2,677.4 million last year. The decrease is primarily due to lower turnover from sale of properties of Lai Fung Group for the year ended 31 July 2018 as compared to last year. The gross profit decreased by approximately 6.3% to HK$1,013.4 million (2017: HK$1,081.4 million).

For the year ended 31 July 2018, net profit attributable to owners of the Company was approximately HK$263.8 million (2017: HK$514.2 million). Basic earnings per share was HK$0.177 (2017: HK$0.378). The significant decrease in net profit attributable to owners of the Company for the year under review is primarily due to

(a) a lower tax indemnity amount received by Lai Fung from LSD pursuant to the tax indemnity deed in connection with the listing of Lai Fung on The Stock Exchange of Hong Kong Limited in 1997;

(b) a lower fair value gain arising on the cross currency swaps in relation to Lai Fung's RMB1.8 billion senior notes which matured in April 2018;

(c) the absence of a gain on disposal of an available-for-sale investment; and

(d) a consolidated loss from MAGHL owing to unsatisfactory performance of the films released by MAGHL Group during the year under review.

Net loss attributable to owners of the Company for the year ended 31 July 2018 excluding the effect of property revaluations was approximately HK$108.2 million (2017: net profit of HK$145.1 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK$0.073 per share (2017: net profit of HK$0.107 per share).

| Profit/(loss) attributable to owners of the Company | For the year ended 31 July<br>**2018**<br>**HK$'million** | <br>2017<br>HK$'million |
|---|---|---|
| Reported | **263.8** | 514.2 |
| Adjustments in respect of investment properties | | |
| Revaluation of properties | **(496.1)** | (493.9) |
| Deferred tax on investment properties | **124.0** | 123.5 |
| Non-controlling interests' share of revaluation movements less deferred tax | **0.1** | 1.3 |
| Net profit/(loss) after tax excluding revaluation gains of investment properties | **(108.2)** | 145.1 |

Equity attributable to owners of the Company as at 31 July 2018 amounted to HK$9,259.5 million (31 July 2017: HK$9,118.2 million). Net asset value per share attributable to owners of the Company increased by 1.6% to HK$6.207 per share as at 31 July 2018 from HK$6.112 per share as at 31 July 2017.

### Media and Entertainment

For the year ended 31 July 2018, this segment recorded a turnover of HK$428.2 million (2017: HK$448.4 million) and segment results decreased to HK$21.8 million from that of HK$25.5 million last year.

#### *Live Entertainment*

The Group remains highly active on the live entertainment front. During the year under review, the Group organised and invested in 138 (2017: 168) 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, Wanna One, MayDay and Rene Liu.

#### *Music Production, Distribution and Publishing*

For the year ended 31 July 2018, the Group released 53 (2017: 30) albums, including titles by Sammi Cheng, Miriam Yeung, William So, C AllStar, Tang Siu Hau, at17, Cherry Ngan 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 Programme Production and Distribution**

For the year ended 31 July 2018, this segment recorded a turnover of HK$342.7 million (2017: HK$418.5 million) and segment results of a loss of HK$258.7 million (2017: HK$126.2 million).

During the year under review, the Group released a total of 5 films (2017: 6), including *Legend of the Naga Pearls, The Adventurers, Manhunt* and *Girls vs Gangsters* and distributed 39 (2017: 31) films and 480 (2017: 488) videos with high profile titles including *Memoirs of a Murderer, The Post, Uncle Drew, Black Panther, Coco, Thor: Ragnarok* and *Star Wars: The Last Jedi.*

**Cinema Operation**

For the year ended 31 July 2018, this segment recorded a turnover of HK$408.4 million (2017: HK$418.6 million). As at the date of this results announcement, the Group operates nine cinemas in Hong Kong and three 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. During the year under review, the Group opened two new cinemas, one in Shatin, Hong Kong and the other one in Suzhou, Mainland China. The cinema in New Town Plaza in Shatin, Hong Kong named "Movie Town" is the largest cinema in the New Territories with more than 1,700 seats in 7 houses and introduced the latest revolutionary cinema technologies to the town including the HK-first Samsung "Onyx Cinema LED" and RealD Cinema, plus the HK-exclusive MX4D motion theatre and House FX. The Group has chosen Ufun Suzhou Shopping Mall to establish its first "GRAND Cinema" flagship site in China. The Grand Cinema City in Suzhou has 10 houses which are all equipped with 3D digital projection and Dolby Surround sound systems, providing a total of 1,440 seats. Two of the houses are in China Giant Screen formats, each also with the most advanced Dolby Atmos sound system, giant screen of 18.6m wide and 10.5m tall and dual-digital projection systems. The Group also secured one cinema project in Hong Kong, which is expected to commence business in the financial year ending 31 July 2019. 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 1)* | **No. of Seats** *(Note 1)* |
|---|---|---|---|
| **Mainland China** | | | |
| Suzhou Grand Cinema City | 100 | 10 | 1,440 |
| Guangzhou May Flower Cinema City | 100 | 7 | 606 |
| Zhongshan May Flower Cinema City | 100 | 5 | 905 |
| **Subtotal** | | **22** | **2,951** |
| **Hong Kong** | | | |
| Movie Town (including MX4D theatre) | 100 | 7 | 1,702 |
| Festival Grand Cinema | 85 | 8 | 1,196 |
| MCL Metro City Cinema *(Note 2)* | 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** | | **60** | **8,624** |
| **Total** | | **82** | **11,575** |

*Notes:*

1. *On 100% basis*

2. *Renovation in phases is in progress and with effective from 1 November 2018, rental spaces of one cinema house will be handed back to the landlord and the cinema will provide 694 seats in 6 houses.*

## Property Investment

The following details are extracted from Lai Fung's results announcement for the year ended 31 July 2018.

### *Rental Income*

For the year ended 31 July 2018, Lai Fung Group's rental operations recorded a turnover of HK$766.2 million (2017: HK$702.1 million), representing a 9.1% increase over last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 3.3%. Breakdown of rental turnover by major rental properties is as follows:

| | For the year ended 31 July | | | For the year ended 31 July | | | |
|---|---|---|---|---|---|---|---|
| | **2018#** **HK$'million** | 2017# HK$'million | Approximate change (%) | **2018** **RMB'million** | 2017 RMB'million | Approximate change (%) | **Year end occupancy** (%) |
| **Shanghai** | | | | | | | |
| Shanghai Hong Kong Plaza | **416.9** | 399.4 | 4.4 | **346.4** | 350.6 | -1.2 | Retail: 96.8<br>Office: 94.8<br>Serviced Apartments: 91.5 |
| Shanghai May Flower Plaza | **75.9** | 75.4 | 0.7 | **63.1** | 66.2 | -4.7 | Retail: 48.2*<br>Hotel: 72.2 |
| Shanghai Regents Park | **25.0** | 20.0 | 25.0 | **20.7** | 17.5 | 18.3 | 100.0 |
| **Guangzhou** | | | | | | | |
| Guangzhou May Flower Plaza | **113.2** | 105.5 | 7.3 | **94.1** | 92.6 | 1.6 | 99.2 |
| Guangzhou West Point | **19.8** | 18.4 | 7.6 | **16.5** | 16.1 | 2.5 | 100.0 |
| Guangzhou Lai Fung Tower | **105.2** | 74.9 | 40.5 | **87.4** | 65.7 | 33.0 | Retail: 100.0<br>Office: 100.0** |
| **Zhongshan** | | | | | | | |
| Zhongshan Palm Spring | **10.2** | 8.5 | 20.0 | **8.5** | 7.5 | 13.3 | Retail: 75.5**<br>Serviced Apartments: 51.9 |
| **Total** | **766.2** | 702.1 | 9.1 | **636.7** | 616.2 | 3.3 | |

# *The exchange rates adopted for the years ended 31 July 2018 and 2017 are 0.8310 and 0.8777, respectively.*

* *The drop in the occupancy rate is due to the early termination of the lease of Lotte Mart on 3 July 2018. Lai Fung Group is currently discussing with several prospective tenants to fill the vacancy.*

** *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 primarily due to it being fully leased during the year under review.

The asset swap transaction with Guangzhou Light Industry Real Estate Limited 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 705,500 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 year ended 31 July 2018.

### *Recognised Sales*

For the year ended 31 July 2018, Lai Fung Group's property development operations recorded a turnover of HK$184.6 million (2017: HK$624.6 million) from sale of properties, representing a 70.4% decrease in sales revenue over last year.

Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 7,521 and 84,936 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$50.2 million and HK$90.5 million, respectively.

For the year ended 31 July 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$1,649 per square foot (2017: HK$983 per square foot). Sales of residential units and retail units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$3,616 and HK$5,445 per square foot, respectively. This is recognised as a component of "Share of profits and losses of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2018 from property sales is as follows:

| **Recognised basis** | **No. of units** | **Approximate GFA** Square feet | **Average selling price#** HK$/square foot | **Turnover*** HK$'million## | RMB'million |
|---|---|---|---|---|---|
| Guangzhou Eastern Place<br>Residential Units – Phase V | 7 | 7,521 | 6,980 | 50.2 | 41.7 |
| Guangzhou King's Park<br>Commercial Units | 1 | 3,337 | 2,380 | 7.5 | 6.3 |
| Zhongshan Palm Spring<br>Residential High-rise Units | 70 | 84,936 | 1,148 | 90.5 | 75.2 |
| Others | | | | 1.1 | 0.9 |
| **Subtotal** | **78** | **95,794** | **1,649** | **149.3** | **124.1** |
| Guangzhou King's Park<br>Car-parking Spaces | 6 | | | 4.6 | 3.8 |
| Guangzhou Eastern Place<br>Car-parking Spaces | 27 | | | 30.7 | 25.5 |
| **Total** | | | | **184.6** | **153.4** |
| **Recognised sales from joint venture project** | | | | | |
| Guangzhou Dolce Vita<br>Residential Units**(47.5% basis) | 42 | 92,288 | 3,616 | 313.8 | 260.8 |
| Retail Units**(47.5% basis) | - | 665 | 5,445 | 3.4 | 2.8 |
| **Subtotal** | **42** | **92,953** | **3,629** | **317.2** | **263.6** |
| Car-parking Spaces**(47.5% basis) | 45 | | | 16.1 | 13.4 |
| **Total** | | | | **333.3** | **277.0** |

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

## *The exchange rate adopted for the year ended 31 July 2018 is 0.8310.*

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitalLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2018, 89 residential units and 1 retail unit were sold and the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK$667.9 million (excluding car-parking spaces) and approximately 195,690 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$33.8 million.*

### *Contracted Sales*

As at 31 July 2018, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$51.8 million and HK$246.9 million from sales of residential units in Zhongshan Palm Spring and studios of Hengqin Novotown Phase I, respectively and HK$3.4 million from sales of 6 car-parking spaces in Guangzhou King's Park, Guangzhou Eastern Place and Zhongshan Palm Spring. Sales of the studios of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$5,207 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, studios and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.0 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 July 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$302.5 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 July 2018 amounted to RMB251.3 million (31 July 2017: RMB353.6 million).

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

| **Contracted basis** | **No. of units** | **Approximate GFA** Square feet | **Average selling price**[#] HK$/square foot | **Turnover**[#] HK$' million[##] | RMB' million |
|---|---|---|---|---|---|
| Zhognshan Palm Spring | | | | | |
| Residential High-rise Units | 31 | 34,614 | 1,497 | 51.8 | 43.0 |
| Hengqin Novotown | | | | | |
| Studios | 11 | 47,420 | 5,207 | 246.9 | 205.2 |
| **Subtotal** | **42** | **82,034** | **3,641** | **298.7** | **248.2** |
| Guangzhou King's Park | | | | | |
| Car-parking Spaces | 2 | | | 1.6 | 1.3 |
| Guangzhou Eastern Place | | | | | |
| Car-parking Spaces | 1 | | | 1.2 | 1.0 |
| Zhongshan Palm Spring | | | | | |
| Car-parking Spaces | 3 | | | 0.6 | 0.5 |
| **Subtotal** | | | | **302.1** | **251.0** |
| **Contracted sales from joint venture project** | | | | | |
| Guangzhou Dolce Vita | | | | | |
| Car-parking Spaces**(47.5% basis) | 1 | | | 0.4 | 0.3 |
| **Subtotal** | | | | **0.4** | **0.3** |
| **Total (excluding car-parking spaces)** | **42** | **82,034** | **3,641** | **298.7** | **248.2** |
| **Total (including car-parking spaces)** | | | | **302.5** | **251.3** |

[#] *Before business tax and value-added tax inclusive*

[##] *The exchange rate adopted for the year ended 31 July 2018 is 0.8310.*

** *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 July 2018, the contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$0.8 million.*

## LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

### Cash and Bank Balances

As at 31 July 2018, cash and bank balances held by the Group amounted to HK$3,209.8 million (2017: HK$3,304.6 million) of which around 22.9% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 76.9% 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 July 2018 was HK$341.9 million (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 July 2018, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$8,199.0 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 July 2018, the Group had guaranteed general banking facilities granted by certain banks. As at 31 July 2018, the Group had outstanding bank loans of HK$147.8 million and utilised letter of credit and letter of guarantee facilities of HK$5.9 million. All bank loans are repayable within 1 year and are on floating rate basis and are denominated in HKD.

Apart from the bank loans, the Group had an outstanding loan of HK$450.0 million from Hibright Limited ("**Hibright**"), which is a wholly-owned subsidiary of LSD. The loan is on floating rate basis, denominated in HKD and is repayable in the second year. The Group has the undrawn facilities of HK$302.8 million as at 31 July 2018.

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$91.1 million for the said unsecured other borrowings as at 31 July 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 July 2018.

#### *MAGHL*

During the year, TFN Convertible Notes with principal amount of HK$130.0 million and Specific Mandate Convertible Notes with an aggregate principal amount of HK$166.8 million (including a principal amount of HK$100.0 million issued to the Group) were redeemed upon maturity on 14 May 2018 and 3 July 2018 respectively. As at 31 July 2018, MAGHL has unsecured and interest-bearing loans from Hibright and the Company of HK$200.0 million and HK$100.0 million respectively. The loans are on floating rate basis, denominated in HKD and are repayable in the second year.

### *Lai Fung*

As at 31 July 2018, Lai Fung Group had total borrowings in the amount of HK$7,445.6 million comprising bank loans of HK$3,773.2 million, guaranteed notes of HK$2,725.5 million, loans from a subsidiary of the Company of HK$248.5 million, loans from a joint venture of HK$644.7 million and other borrowing of HK$53.7 million. The maturity profile of Lai Fung Group's borrowings of HK$7,445.6 million is well spread with HK$419.2 million repayable within 1 year, HK$1,184.2 million repayable in the second year, HK$5,648.1 million repayable in the third to fifth years, and HK$194.1 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK$3,552.0 million as at 31 July 2018.

Approximately 45% and 51% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of Lai Fung Group's borrowings were interest free.

Apart from the guaranteed notes, Lai Fung Group's other borrowings of HK$4,720.1 million were 53% denominated in RMB, 37% in HKD and 10% in USD.

Lai Fung Group's guaranteed notes of HK$2,725.5 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$11,575.2 million, properties under development with a total carrying amount of approximately HK$1,371.4 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,282.7 million, construction in progress with a total carrying amount of approximately HK$909.7 million and time deposits and bank balances of approximately HK$650.8 million.

As at 31 July 2018, the consolidated net assets attributable to the owners of the Company amounted to HK$9,259.5 million (2017: HK$9,118.2 million). The gearing ratio, being net debt (total borrowings of HK$8,199.0 million less pledged and restricted bank balances and time deposits of HK$1,073.8 million and cash and cash equivalents of HK$2,136.0 million) to net assets attributable to the owners of the Company was approximately 53.9%.

Taking into account the amount of cash being held as at the end of the reporting period, the available loan facility and the 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.

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

During the year ended 31 July 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

## CORPORATE GOVERNANCE

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

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 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 ("**AGM**") (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 July 2018, the Group employed a total of around 1,880 (2017: 2,010) 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.

Since 1 August 2017, the Company has met with a number of research analysts and investors as well as 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 | Deal roadshow – Lai Fung USD guaranteed notes | DBS/HSBC/OCBC/UBS | Singapore |
| January 2018 | Deal roadshow – Lai Fung USD guaranteed notes | DBS/HSBC/OCBC/UBS | Hong Kong |
| January 2018 | The Pulse of Asia Conference | DBS | Singapore |
| March 2018 | Post results non-deal roadshow | DBS | Hong Kong |
| March 2018 | Post results non-deal roadshow | DBS | Singapore |
| April 2018 | Post results non-deal roadshow | DBS | London |
| April 2018 | Post results non-deal roadshow | Daiwa | New York |
| May 2018 | Post results non-deal roadshow | DBS | Kuala Lumpur |
| September 2018 | 2018 SCB Annual Investor Reverse Roadshow | Standard Chartered Bank | 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 ANNUAL 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 consolidated financial statements of the Company for the year ended 31 July 2018 including the accounting principles and practices adopted by the Company as well as the risk management and internal control and financial reporting matters.

**REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2018 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

**ANNUAL GENERAL MEETING**

The 2018 AGM will be held on Friday, 21 December 2018. Notice of the AGM together with the Company's Annual Report for the year ended 31 July 2018 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in mid-November 2018.

By Order of the Board
**Low Chee Keong**
*Chairman*

Hong Kong, 25 October 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.*