eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Interim Results for the Six Months Ended 31 January 2019

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 2019 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2019

		Six months ended 31 January	
	Notes	**2019 (Unaudited)** ***HK$'000***	2018 (Unaudited) *HK$'000*
TURNOVER	*3*	**1,260,206**	1,184,881
Cost of sales		**(693,082)**	(737,370)
Gross profit		**567,124**	447,511
Other revenue	*3*	**55,566**	113,050
Selling and marketing expenses		**(40,657)**	(106,649)
Administrative expenses		**(297,045)**	(352,494)
Other operating expenses, net		**(214,059)**	(189,810)
Fair value gains/(losses) on investment properties		**(312,139)**	349,748
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*4*	**(241,210)**	261,356
Finance costs	*5*	**(95,504)**	(115,065)
Share of profits and losses of joint ventures		**(22,344)**	80,409
Share of profits and losses of associates		**565**	632
PROFIT/(LOSS) BEFORE TAX		**(358,493)**	227,332
Income tax expense	*6*	**(58,402)**	(175,936)
PROFIT/(LOSS) FOR THE PERIOD		**(416,895)**	51,396
Attributable to:			
Owners of the Company		**(254,863)**	(14,295)
Non-controlling interests		**(162,032)**	65,691
		(416,895)	51,396
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic		**(HK$0.171)**	(HK$0.010)
Diluted		**(HK$0.171)**	(HK$0.010)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2019

	Six months ended 31 January 2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(416,895)**	51,396
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
Items that may be subsequently reclassified to the income statement:		
Exchange realignment on translation of foreign operations	**352,358**	1,189,741
Share of other comprehensive income of joint ventures	**10,329**	100,545
Share of other comprehensive income/(loss) of associates	**(7)**	23
Release of exchange reserve upon deregistration and disposal of subsidiaries	**(10,621)**	(880)
Change in fair value of an available-for-sale investment	**–**	30,680
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**–**	159,924
Reclassification adjustments for exchange loss included in the condensed consolidated income statement	**–**	(134,959)
	–	24,965
Items that will not be subsequently reclassified to the income statement:		
Change in fair value of equity investments at fair value through other comprehensive income	**2,574**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**354,633**	1,345,074
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(62,262)**	1,396,470
Attributable to:		
Owners of the Company	**(68,314)**	697,856
Non-controlling interests	**6,052**	698,614
	(62,262)	1,396,470

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2019

	Notes	**31 January 2019 (Unaudited) *HK$'000***	31 July 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,458,824**	3,790,965
Properties under development		**591,007**	410,157
Investment properties		**19,881,929**	18,601,100
Film rights		**9,475**	11,205
Film products		**100,376**	80,217
Music catalogs		**8,170**	9,657
Goodwill		**82,440**	82,440
Other intangible assets		**276**	586
Investments in joint ventures		**298,321**	1,868,316
Investments in associates		**9,988**	16,278
Available-for-sale investments		–	114,361
Equity investments at fair value through other comprehensive income		**215,800**	–
Deposits, prepayments and other receivables		**124,574**	120,116
Deferred tax assets		**13,686**	4,189
Derivative financial instruments		–	2,531
Total non-current assets		**25,794,866**	25,112,118
CURRENT ASSETS			
Properties under development		**1,628,937**	1,722,872
Completed properties for sale		**1,134,595**	852,588
Films under production		**493,075**	469,585
Inventories		**18,955**	21,874
Debtors	*9*	**195,475**	181,599
Deposits, prepayments and other receivables		**833,587**	441,526
Prepaid tax		**38,584**	37,856
Pledged and restricted time deposits and bank balances		**1,165,216**	1,073,762
Cash and cash equivalents		**3,104,509**	2,136,039
Total current assets		**8,612,933**	6,937,701
CURRENT LIABILITIES			
Creditors and accruals	*10*	**2,499,296**	1,961,568
Deposits received, deferred income and contract liabilities	*11*	**1,019,598**	658,487
Tax payable		**104,793**	123,973
Interest-bearing bank loans		**536,558**	348,489
Loans from a joint venture		**277,648**	218,542
Other borrowings		**41,525**	–
Total current liabilities		**4,479,418**	3,311,059
NET CURRENT ASSETS		**4,133,515**	3,626,642
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,928,381**	28,738,760

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 January 2019

	Notes	31 January 2019 (Unaudited) HK$'000	31 July 2018 (Audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,928,381**	28,738,760
NON-CURRENT LIABILITIES			
Long-term deposits received	*11*	**137,684**	142,880
Interest-bearing bank loans		**4,998,999**	3,572,464
Other borrowings		**261,617**	257,841
Guaranteed notes		**2,724,223**	2,725,518
Loans from a joint venture		–	426,156
Loans from a related company	*13*	–	650,000
Loans from a fellow subsidiary	*13*	**850,000**	–
Derivative financial instruments		**2,982**	–
Deferred tax liabilities		**3,337,957**	3,318,953
Total non-current liabilities		**12,313,462**	11,093,812
Net assets		**17,614,919**	17,644,948
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**745,927**	745,927
Reserves		**8,515,237**	8,513,538
		9,261,164	9,259,465
Non-controlling interests		**8,353,755**	8,385,483
Total equity		**17,614,919**	17,644,948

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2019

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group ("**Financial Statements**") for the six months ended 31 January 2019 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.

On 8 August 2018, Lai Sun Garment (International) Limited ("**LSG**"), which was incorporated in Hong Kong and whose shares are listed and traded on the Main Board of the Stock Exchange, became the ultimate holding company of the Company.

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 2018.

In addition, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include HKASs and interpretations) for the first time for the current period's unaudited Financial Statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for HKFRS 9 and HKFRS 15, the application of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 August 2018. Therefore, the comparative information has not restated and continues to be reported under HKAS 39.

The impacts from adopting HKFRS 9 related to the classification and measurement and the impairment requirements are summarised as follows:

Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, financial assets are subsequently measured at amortised cost, fair value through profit or loss ("**FVPL**"), or fair value through other comprehensive income ("**FVOCI**"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group invests in for strategic purpose and intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition.

- Financial assets at FVPL comprise derivative financial instruments, equity instruments that are held for trading and all other equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify as FVOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business model was made as of the date of initial application, i.e. 1 August 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

The above changes in classification and measurement mainly affect the classification and measurement of the Group's available-for-sale financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 9 Financial Instruments *(continued)*

Classification and measurement (continued)
The following table summarised the impact on changes in the classification and measurement of financial assets on 1 August 2018, the date of initial application of HKFRS 9:

	Available-for-sale investments *HK$'000*	Equity investments at FVOCI *HK$'000*	Investment revaluation reserve/ fair value reserve *HK$'000*	Retained profits *HK$'000*
At 31 July 2018, as previously reported	114,361	–	2,499	3,346,061
Reclassification from available-for-sale investments to equity investments at FVOCI	(114,361)	114,361	(35,805)	35,805
Remeasurement of equity investments at FVOCI previously measured at cost under HKAS 39	–	98,865	98,865	–
At 1 August 2018, as adjusted	–	213,226	65,559	3,381,866

Note:
The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale investments. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, the carrying amount of HK$114,361,000 was reclassified from available-for-sale investments to equity investments at FVOCI. The impairment loss of HK$35,805,000 previously recognised on available-for-sale investments now classified as equity investments at FVOCI under HKFRS 9 was transferred from retained profits to fair value reserve as at 1 August 2018. In addition, difference of HK$98,865,000 between the carrying amount and fair value was adjusted to fair value reserve.

Impairment of financial assets
The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The adoption of the ECL requirements of HKFRS 9 does not have a significant financial effect on the condensed consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments supersede HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and apply, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 August 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 August 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Presentation of contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Consideration received from customers in advance which was previously included in deposits received and deferred income, amounting to HK$584,588,000 as at 1 August 2018, are now recognised as contract liabilities (as included in deposits received, deferred income and contract liabilities) to reflect the terminology of HKFRS 15.

3. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

An analysis of the Group's turnover and other revenue is as follows:

	Six months ended 31 January	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover	**1,260,206**	1,184,881
Other revenue	**55,566**	113,050
Total turnover and other revenue	**1,315,772**	1,297,931
Turnover and other revenue from contracts with customers		
Sale of properties	**145,668**	129,883
Serviced apartment operation	**80,040**	84,526
Building management operation	**54,321**	56,118
Entertainment event income	**77,354**	126,605
Distribution commission income and licence fee income from film products and film rights	**238,212**	197,363
Album sales, licence income and distribution commission income from music publishing and licensing	**42,808**	31,098
Box-office takings, concessionary income and related income from cinemas	**214,277**	189,509
Artiste management fee income	**9,768**	21,814
Advertising income	**2,045**	1,794
Sale of game products	**103,132**	57,573
Sale of merchandising products	**5,788**	52,759
	973,413	949,042
Turnover and other revenue from other sources		
Rental income from investment properties	**286,793**	291,957
Bank interest income	**12,706**	11,487
Government grant	**513**	3,092
Others	**42,347**	42,353
	342,359	348,889
	1,315,772	1,297,931
Timing of recognition of turnover and other revenue from contracts with customers		
At a point in time	**811,357**	782,533
Over time	**162,056**	166,509
	973,413	949,042

3. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION *(continued)*

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**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**145,668**	129,883	**421,154**	376,483	**233,062**	237,090	**240,257**	199,157	**214,277**	189,509	**5,788**	52,759	**1,260,206**	1,184,881
Intersegment sales	**–**	–	**4,264**	3,044	**28**	–	**7,161**	7,693	**845**	1,008	**1,207**	1,524	**13,505**	13,269
Other revenue	**194**	1,387	**22,420**	63,679	**1,844**	4,425	**327**	404	**12,790**	15,590	**739**	11,412	**38,314**	96,897
Total	**145,862**	131,270	**447,838**	443,206	**234,934**	241,515	**247,745**	207,254	**227,912**	206,107	**7,734**	65,695	**1,312,025**	1,295,047
Elimination of intersegment sales													**(13,505)**	(13,269)
Total revenue													**1,298,520**	1,281,778
Segment results	**46,634**	21,720	**(146,524)**	550,791	**26,295**	25,315	**(36,610)**	(181,304)	**(45,557)**	(36,635)	**(97,187)**	(134,684)	**(252,949)**	245,203
Unallocated interest and other revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17,252**	16,153
Fair value losses on the cross currency swaps	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(5,513)**	–
Profit/(loss) from operating activities													**(241,210)**	261,356
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(95,504)**	(115,065)
Share of profits and losses of joint ventures	**(20,116)**	81,703	**–**	–	**(766)**	2,914	**(744)**	(4,208)	**–**	–	**(718)**	–	**(22,344)**	80,409
Share of profits and losses of associates	**–**	–	**23**	(101)	**(34)**	(30)	**113**	(1)	**463**	764	**–**	–	**565**	632
Profit/(loss) before tax													**(358,493)**	227,332
Income tax expense													**(58,402)**	(175,936)
Profit/(loss) for the period													**(416,895)**	51,396

3. TURNOVER, OTHER REVENUE AND 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**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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/(losses) on investment properties	**—**	—	**(312,139)**	349,748	**—**	—	**—**	—	**—**	—	**—**	—	**(312,139)**	349,748

Segment assets/liabilities:

	Property development		**Property investment**		**Media and entertainment**		**Film production and distribution**		**Cinema operation**		**Corporate and others**		**Consolidated**	
	31 January 2019 (Unaudited)	31 July 2018 (Audited)	**31 January 2019 (Unaudited)**	31 July 2018 (Audited)	**31 January 2019 (Unaudited)**	31 July 2018 (Audited)	**31 January 2019 (Unaudited)**	31 July 2018 (Audited)	**31 January 2019 (Unaudited)**	31 July 2018 (Audited)	**31 January 2019 (Unaudited)**	31 July 2018 (Audited)	**31 January 2019 (Unaudited)**	31 July 2018 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**3,406,669**	3,020,564	**24,163,391**	22,003,818	**346,525**	357,234	**985,452**	1,057,613	**689,797**	657,680	**3,917,899**	2,689,192	**33,509,733**	29,786,101
Investments in joint ventures	**280,465**	1,851,267	**—**	—	**13,230**	13,788	**2,666**	421	**—**	—	**1,960**	2,840	**298,321**	1,868,316
Investments in associates	**—**	—	**6,018**	5,932	**—**	—	**3,970**	3,706	**—**	6,640	**—**	—	**9,988**	16,278
Unallocated assets													**589,757**	379,124
Total assets													**34,407,799**	32,049,819
Segment liabilities	**786,645**	685,496	**1,690,474**	1,133,855	**119,282**	136,122	**432,751**	443,455	**180,099**	206,362	**167,035**	157,645	**3,376,286**	2,762,935
Unallocated liabilities													**13,416,594**	11,641,936
Total liabilities													**16,792,880**	14,404,871

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation^	**90,063**	87,000
Reversal of write-down of completed properties for sale to net realisable value*	**—**	(692)
Impairment of investment properties under construction at cost*	**—**	38,002
Amortisation of film rights#	**1,730**	1,676
Amortisation of film products#	**197,283**	261,529
Amortisation of music catalogs#	**1,487**	2,124
Amortisation of other intangible assets#	**310**	6,405
Impairment of advances and other receivables*	**3,350**	29
Impairment of amounts due from joint ventures*	**311**	1,463
Gain on disposal of subsidiaries*	—	(2,487)
Gain on disposal of an associate*	**(19,705)**	—
Gain on swap of properties*	**—**	(41,379)
Fair value losses on the cross currency swaps*	**5,513**	—
Foreign exchange differences, net*	**(13,503)**	(4,215)

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

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

^ Depreciation charge of HK$77,858,000 (six months ended 31 January 2018: HK$73,690,000) is included in "Other operating expenses, net" on the face of the unaudited condensed consolidated income statement of which HK$46,979,000 (six months ended 31 January 2018: HK$48,654,000) is for serviced apartments and related leasehold improvements and HK$30,879,000 (six months ended 31 January 2018: HK$25,036,000) is related to cinema operation.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**153,835**	81,966
Other borrowings	**2,895**	2,847
TFN Convertible Notes	**—**	5,712
Specific Mandate Convertible Notes	**—**	3,092
Fixed rate senior notes	**—**	71,415
Guaranteed notes	**74,126**	5,237
Loans from a joint venture	**7,112**	15,272
Loans from a fellow subsidiary	**19,019**	—
Amortisation of:		
Bank loans	**15,993**	12,384
Fixed rate senior notes	**—**	4,333
Guaranteed notes	**2,206**	152
Bank financing charges and direct costs	**4,919**	6,759
Other finance costs	**996**	289
	281,101	209,458
Less: Capitalised in properties under development	**(60,559)**	(36,655)
Capitalised in investment properties under construction	**(71,249)**	(38,421)
Capitalised in construction in progress	**(53,789)**	(19,317)
	(185,597)	(94,393)
Total finance costs	**95,504**	115,065

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 2019 and 31 January 2018. 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong		
Charge for the period	**1,748**	690
Overprovision in prior periods	**(52)**	(935)
	1,696	(245)
– Mainland China		
Corporate income tax		
Charge for the period	**42,854**	36,121
Overprovision in prior periods	**(3)**	(1,128)
Land appreciation tax		
Charge for the period	**54,468**	18,554
	97,319	53,547
– Elsewhere		
Charge for the period	**–**	135
	99,015	53,437
Deferred tax	**(40,613)**	122,499
Total tax charge for the period	**58,402**	175,936

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the 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 2018: 1,491,854,598) in issue during the period.

The calculation of diluted loss per share amounts is based on the 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 loss per share calculation.

7. 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 amounts presented during the periods ended 31 January 2019 and 31 January 2018.

The exercise of share options of Lai Fung has an anti-dilutive effect on the basic loss per share amount presented during the period ended 31 January 2019.

The conversion of the outstanding convertible notes issued by Media Asia Group Holdings Limited had an anti-dilutive effect on the basic loss per share amount presented during the period ended 31 January 2018.

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

	Six months ended 31 January	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	**(254,863)**	(14,295)
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)
Loss for the purpose of diluted loss per share	**(254,863)**	(14,971)

* Balance for the period ended 31 January 2018 represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK$676,000 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.

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2019 (six months ended 31 January 2018: 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.

9. DEBTORS *(continued)*

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 loss allowance, based on payment due date, as at 31 January 2019 and 31 July 2018 is as follows:

	31 January 2019 (Unaudited) ***HK$'000***	31 July 2018 (Audited) *HK$'000*
Trade debtors:		
Neither past due nor impaired	**128,136**	127,702
1 – 90 days past due	**50,623**	37,974
Over 90 days past due	**16,716**	15,923
Total	**195,475**	181,599

10. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased/payment due date, as at 31 January 2019 and 31 July 2018, is as follows:

	Note	**31 January 2019 (Unaudited)** ***HK$'000***	31 July 2018 (Audited) *HK$'000*
Trade creditors:			
Less than 30 days		**242,549**	197,917
31 – 60 days		**6,005**	53,817
61 – 90 days		**4,425**	3,767
Over 90 days		**8,329**	6,416
		261,308	261,917
Other creditors and accruals		**1,957,696**	1,699,651
Put option liabilities	*12*	**280,292**	–
Total		**2,499,296**	1,961,568

11. DEPOSITS RECEIVED, DEFERRED INCOME AND CONTRACT LIABILITIES

An analysis of the deposits received, deferred income and contract liabilities is as follows:

	31 January 2019 (Unaudited)	1 August 2018 (Unaudited) (Adjusted)	31 July 2018 (Audited)
	HK$'000	*HK$'000*	*HK$'000*
Deposits received and deferred income	**477,200**	216,779	801,367
Contract liabilities	**680,082**	584,588	—
	1,157,282	801,367	801,367
Amount classified as current	**(1,019,598)**	(658,487)	(658,487)
Non-current portion	**137,684**	142,880	142,880

12. PUT OPTION LIABILITIES

On 31 December 2018, Rosy Commerce Holdings Limited ("**Rosy Commerce**", a company indirectly owned by Lai Fung and the Company as to 80% and 20%, respectively) and China Cinda (HK) Asset Management Co., Limited ("**Cinda**"), an independent third party, entered into two investment agreements (the "**Agreements**"). Pursuant to the Agreements, Cinda agrees to invest, by way of share subscription and/or share sale, in two wholly-owned subsidiaries of Rosy Commerce, namely Harmonic Run Limited ("**HRL**") and Glorious Stand Limited ("**GSL**") at a total consideration (the "**Consideration**") of approximately US$35,752,000 (the "**Transaction**"). The Transaction was completed on 25 January 2019 (the "**Completion Date**") and constituted a deemed disposal of 30% equity interests in HRL and GSL to Cinda by Rosy Commerce.

On the Completion Date, Rosy Commerce and Cinda further entered into two shareholders' agreements, pursuant to the buy-back clause contained therein, upon the occurrence of certain triggering events during the six-year investment period, Rosy Commerce has a contractual obligation to buy-back the 30% equity interests in each of HRL and GSL from Cinda at an aggregate amount equals to the Consideration. Accordingly, financial liabilities of approximately US$35,752,000 (equivalent to approximately HK$280,292,000) are recorded as put option liabilities under 'Creditors and accruals' of the unaudited condensed consolidated statement of financial position as at the end of the reporting period.

Further details of the Transaction are set out in a joint announcement of Lai Fung, Lai Sun Development Company Limited ("**LSD**"), LSG and the Company dated 2 January 2019.

13. LOANS FROM A FELLOW SUBSIDIARY/A RELATED COMPANY

The balances represented loans from Hibright Limited ("**Hibright**"), a wholly-owned subsidiary of LSD. The balances are unsecured, interest-bearing at 3-month Hong Kong Interbank Offered Rate plus 3.3% per annum and are repayable in 2020.

LSD was a substantial shareholder of the Company as at 31 July 2018 and became an intermediate holding company of the Company since 8 August 2018. Accordingly, the loans from Hibright were presented as loans from a fellow subsidiary as at 31 January 2019 and loans from a related party as at 31 July 2018.

14. COMPARATIVE FIGURES

Certain comparative amounts on the face of the unaudited condensed consolidated income statement have been reclassified to conform with the current period's presentation. In the opinion of the Directors, this presentation would better reflect the financial performance of the Group.

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 a remarkable 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. "*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 in post-production stage. Projects under production include an action film "*Knockout*" by director Roy Chow featuring Han Geng and a romance comedy film "*The Calling of a Bus Driver*" by director Patrick Kong with Ivana Wong.

- 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. A 52 episode romance drama series "*New Horizon*", starring Zheng Kai and Chen Chiao-en, is in the post-production stage and the Group is in discussion with various Chinese and overseas portals and video web sites 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 "*Along With Ekin Live Concert 2019*" has earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of Sammi Cheng and Yoga Lin.

- 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. The exclusive distribution licence of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continues to provide stable income contribution to the Group.

- Artiste Management – actively looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster. 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 an additional 10% interest in Intercontinental Group Holdings Limited ("**IGHL**") in November 2018 facilitated better implementation of the operating strategies of the Company into IGHL and bolstered the Group's further development in sale and distribution of films and cinema business in Hong Kong and Mainland China. The MCL Cheung Sha Wan Cinema, newly opened in January 2019 is the first MCL cinema in West Kowloon district in Hong Kong. With industrial style design, the cinema has 4 houses with more than 400 seats of stadium seating, giving the audience a comfortable sightline and all cinema houses are equipped with 4K projection system, Dolby 7.1 surround sound system and Bowers & Wilkins Hi-Fi grade speakers to provide a great cinematic viewing experience for the audience. 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

Global economies around the world continue to progress along a precarious path against a backdrop of familiar uncertainties during the period under review. The capital market has demonstrated steadiness backed by cautious optimism despite a delicate economic outlook, most notably the protracted situation of Brexit and the intermittent 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. The determination of maintaining a stable economy is observed in the latest round of meetings in Beijing declaring a gross domestic product growth of 6%-6.5% at the time of this results announcement. The effects of the trade disputes with the USA can be felt in certain parts of the Chinese economy such as exports. The weaknesses in parts of the economy are going to continue as a result of lackluster global economic performance and trade disputes with the USA. However, we believe this may present an opportunity for domestic consumption plays. We believe the property sector being one of the main pillars could benefit from more favourable policies as a result. We have observed the same in various parts of China where the government has eased its control on the construction and the sale of property projects. 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 with its subsidiaries "**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.

Lai Fung Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio of Lai Fung Group is expected to increase from approximately 3.3 million square feet to approximately 9.7 million square feet through developing the existing projects on hand over the next few years. Construction works of the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and Hui Gong Building is expected to complete in the second quarter of 2022 and will add a total gross floor area ("**GFA**") of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of Lai Fung Group. The redevelopment plan includes an office tower, a shopping arcade and underground car-parking spaces. Construction work of Guangzhou Haizhu Plaza is expected to commence in the second quarter of 2019 and the completion is expected to be in the first half of 2023, providing a total rental GFA of approximately 580,500 square feet.

The construction works of Phase I of the Novotown project in Hengqin ("**Novotown**") is expected to be completed in the first half of 2019 with the opening in phases in the second half of 2019. On 31 December 2018, Lai Fung Group entered into investment agreements with China Cinda (HK) Asset Management Co., Limited ("**Cinda**") and Cinda has invested 30% equity interests in two subsidiaries of the Company, the core businesses of which are the internal buildout, fitting, preparation and operation of themed indoor experience centres in Phase I of the Novotown project under the intellectual property licenses granted by "National Geographic" and "Lionsgate".

Lai Fung Group succeeded in bidding for the land use rights of the land offered for sale by The Land and Resources Bureau of Zhuhai ("**Zhuhai Land Bureau**") through the listing-for-sale process in December 2018 and the land is situated adjacent to Phase I of the Novotown project with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of Phase II of the Novotown project. Apart from Real Madrid Club de Fútbol ("**Real Madrid Club**"), Harrow International (China) Management Services Limited and ILA Holdings Limited that have been secured as key partners for Novotown Phase II, Lai Fung Group entered into a license agreement on 27 December 2018 with Ducati Motor Holding S.p.A ("**Ducati**") in relation to the development and operation of a motorcycle themed experience centre ("**Ducati Experience Centre**") in Novotown Phase II. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions. Real Madrid World, Innovation Leadership Academy Hengqin ("**ILA Hengqin**") and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government. Lai Fung Group is in the process of finalising the master layout plan for the Novotown Phase II with the Chinese Government.

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I, as well as residential units in Shanghai Wuli Bridge project to be completed during the financial year ending 31 July 2019 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.

Other Business Updates

From May to August 2018, the Company went through a voluntary general cash offer ("**eSun Offer**") made by Transtrend Holdings Limited, a wholly-owned subsidiary of Lai Sun Development Company Limited ("**LSD**") in May 2018 to acquire all of the issued shares of the Company that were not already owned by LSD and its subsidiaries. Upon close of the eSun Offer on 22 August 2018, the Company became a subsidiary of LSD and the Group's financial results would be consolidated into that of LSD. Public float of the Company was restored subsequently in February 2019 and as at the date of this results announcement, the Company is a 74.62%-owned subsidiary of LSD. 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, Lai Fung is a 50.55%-owned subsidiary of the Company.

The supplemental deed executed by Lai Fung on 8 March 2019 aims to contribute to a more pragmatic and flexible investment decisions to be made by the Lai Sun Group and will be subject to independent shareholders' approval of each of Lai Fung, the Company, LSD and Lai Sun Garment (International) Limited and the shareholders' meetings have been scheduled on 30 April 2019.

As at 31 January 2019, the Group's consolidated cash position of HK$4,269.7 million (HK$317.3 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 2018: HK$3,209.8 million (HK$341.9 million excluding Lai Fung Group and MAGHL Group)) with a reasonable net debt to equity ratio of approximately 58.5% as at 31 January 2019 (31 July 2018: 53.9%) provides the Group with full confidence and the means to review opportunities more actively. Excluding the net debt of Lai Fung Group and MAGHL Group, the gearing ratio is approximately 7.1%. The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF INTERIM RESULTS

For six months ended 31 January 2019, the Group recorded a turnover of HK$1,260.2 million, representing an increase of 6.4% from that of HK$1,184.9 million for the same period of last year. The gross profit increased by approximately 26.7% to HK$567.1 million (2018: HK$447.5 million).

For the six months ended 31 January 2019, net loss attributable to owners of the Company was approximately HK$254.9 million (2018: net loss of HK$14.3 million). Net loss per share attributable to owners of the Company was HK$0.171 (2018: net loss of HK$0.010 per share). The significant increase in net loss attributable to owners of the Company is primarily due to a net decrease in fair value of investment properties of the Group during the period under review.

Net loss attributable to owners of the Company for the six months ended 31 January 2019 excluding the effect of property revaluations was approximately HK$136.5 million (2018: net loss of HK$165.7 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK$0.091 per share (2018: net loss of HK$0.111 per share).

Loss attributable to owners of the Company	**Six months ended 31 January**	
	2019 **HK$'million**	2018 HK$'million
Reported	**(254.9)**	(14.3)
Adjustments in respect of investment properties		
Revaluation of properties	**157.8**	(202.0)
Deferred tax on investment properties	**(39.5)**	50.5
Non-controlling interests' share of revaluation movements less deferred tax	**0.1**	0.1
Net loss after tax excluding revaluation of investment properties	**(136.5)**	(165.7)

Equity attributable to owners of the Company as at 31 January 2019 amounted to HK$9,261.2 million (31 July 2018: HK$9,259.5 million). Net asset value per share attributable to owners of the Company as at 31 January 2019 was HK$6.208 per share (31 July 2018: HK$6.207 per share).

Media and Entertainment

For the six months ended 31 January 2019, this segment recorded a turnover of HK$233.1 million (2018: HK$237.1 million) and segment results increased slightly to HK$26.3 million from that of HK$25.3 million in the same period last year.

Live Entertainment

The Group remains highly active on the live entertainment front. During the period under review, the Group organised and invested in 46 (2018: 62) shows by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Ivana Wong, JJ Lin, MayDay and EXO.

Music Production, Distribution and Publishing

For the six months ended 31 January 2019, the Group released 36 (2018: 23) albums, including titles by Sammi Cheng, Grasshopper, Remus Choy and Andy Leung. 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 six months ended 31 January 2019, this segment recorded a turnover of HK$240.3 million (2018: HK$199.2 million) and segment results of a loss of HK$36.6 million (2018: a loss of HK$181.3 million).

During the period under review, the Group released 2 films (2018: 3), namely *Kung Fu Monster* and *Dead Pigs* and distributed 22 (2018: 24) films and 290 (2018: 228) videos with high profile titles including *Doraemon The Movie: Nobita's Treasure Island*, *A Simple Favour*, *Green Book*, *Bumblebee*, *Avengers: Infinity War*, *Incredibles 2*, *Jurassic World: Fallen Kingdom* and *Ant-Man and the Wasp.*

Cinema Operation

For the six months ended 31 January 2019, this segment recorded a turnover of HK$214.3 million (2018: HK$189.5 million). As at the date of this results announcement, the Group operates ten cinemas in Hong Kong and three cinemas in Mainland China. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses. The MCL Cheung Sha Wan Cinema, newly opened in January 2019 is the first MCL cinema in West Kowloon district. With industrial style design, the cinema has 4 houses with more than 400 seats of stadium seating, giving the audience a comfortable sightline and all cinema houses are equipped with 4K projection system, Dolby 7.1 surround sound system and Bowers & Wilkins Hi-Fi grade speakers to provide a great cinematic viewing experience for the audience.

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	95	8	1,196
MCL Metro City Cinema *(Note 2)*	95	6	694
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
Subtotal		**51**	**7,213**
Total		**73**	**10,164**

Notes:

1. *On 100% basis*

2. *Renovation in phases is in progress and with effect from 1 November 2018, rental spaces of one cinema house had been handed back to the landlord.*

Property Portfolio Composition

All major properties of the Group in Mainland China are held through Lai Fung Group, except Phase I of Novotown in Hengqin which is 80% owned by Lai Fung Group and 20% owned by the Group. Set out below approximate attributable GFA (in ’000 square feet) and number of car-parking spaces as at 31 January 2019:

	Commercial/ Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
GFA of major properties and number of car-parking spaces of Lai Fung Group attributable to the Group *(Note 1)*						
Completed Properties Held for Rental *(Note 2)*	831	530	–	–	1,361	404
Completed Hotel Properties and Serviced Apartments *(Note 2)*	–	–	302	–	302	–
Properties under Development *(Note 3)*	2,129	783	416	1,035	4,363	2,947
Completed Properties Held for Sale	17 *(Note 4)*	–	–	307	324	1,073
Subtotal	**2,977**	**1,313**	**718**	**1,342**	**6,350**	**4,424**
GFA of major properties and number of car-parking spaces of the Group excluding Lai Fung Group						
Properties under Development *(Note 3)*	196	118	205	–	519	418
Completed Properties Held for Sale	–	–	–	39	39	–
Subtotal	**196**	**118**	**205**	**39**	**558**	**418**
Total	**3,173**	**1,431**	**923**	**1,381**	**6,908**	**4,842**

Notes:

1. *As at 31 January 2019, Lai Fung is a 50.60%-owned subsidiary of the Company.*
2. *Completed and rental generating properties*
3. *All properties under construction*
4. *Completed properties for sale, including 17,052 square feet of commercial space in Zhongshan Palm Spring Rainbow Mall which is currently for self-use*

Property Investment

Rental Income

For the six months ended 31 January 2019, the Group's rental operations recorded a turnover of HK$421.2 million, which including revenue of HK$366.9 million from lease of properties and HK$54.3 million from building management operation. The income from building management operation of approximately HK$56.1 million for the same period of last year was included in "Other revenue" on the face of the condensed consolidated income statement of the Group for the six months ended 31 January 2018.

Breakdown of rental turnover by major rental properties of the Group is as follows:

	For the six months ended 31 January			For the six months ended 31 January			
	2019# **HK$'million**	2018# HK$'million	Approximate change (%)	**2019** **RMB'million**	2018 RMB'million	Approximate change (%)	**Period end occupancy** (%)
Shanghai							
Shanghai Hong Kong Plaza	**227.5**	205.9	10.5	**199.7**	173.6	15.0	Retail: 97.8 Office: 94.6 Serviced apartments: 76.2
Shanghai May Flower Plaza	**32.7**	38.8	-15.7	**28.7**	32.7	-12.2	Retail: 82.1 Hotel: 64.8
Shanghai Regents Park	**10.6**	12.4	-14.5	**9.3**	10.5	-11.4	81.0
Guangzhou							
Guangzhou May Flower Plaza	**62.7**	53.1	18.1	**55.1**	44.8	23.0	98.9
Guangzhou West Point	**13.1**	9.9	32.3	**11.5**	8.3	38.6	99.9
Guangzhou Lai Fung Tower	**62.9**	51.9	21.2	**55.2**	43.8	26.0	Retail: 100.0 Office: 100.0*
Zhongshan							
Zhongshan Palm Spring	**4.7**	4.5	4.4	**4.1**	3.8	7.9	Retail: 71.2* Serviced apartments: 45.3
Others	**7.0**	—	N/A	**6.1**	—	N/A	N/A
Total	**421.2**	376.5	11.9	**369.7**	317.5	16.4	

The exchange rates adopted for the six months ended 31 January 2019 and 2018 are 0.8780 and 0.8433, respectively.

* *Excluding self-use area*

Breakdown of turnover by usage of major rental properties of the Group is as follows:

	For the six months ended 31 January 2019			For the six months ended 31 January 2018		
	Attributable interest to the Group	**Turnover HK$'million**	**Total GFA# square feet**	Attributable interest to the Group	Turnover HK$'million	Total GFA# square feet
Shanghai						
Shanghai Hong Kong Plaza	50.60%			50.60%		
Retail		**106.9**	**468,434**		90.4	468,434
Office		**57.5**	**362,096**		49.6	362,096
Serviced Apartments (room revenue and F&B)		**60.0**	**355,267**		62.0	355,267
Car-parking Spaces		**3.1**	**N/A**		3.9	N/A
		227.5	**1,185,797**		205.9	1,185,797
Shanghai May Flower Plaza	50.60%			50.60%		
Retail		**13.5**	**320,314**		17.3	320,314
Hotel (room revenue and F&B)		**17.3**	**143,846**		19.4	143,846
Car-parking Spaces		**1.9**	**N/A**		2.1	N/A
		32.7	**464,160**		38.8	464,160
Shanghai Regents Park	48.07%			48.07%		
Retail		**8.9**	**82,062**		10.3	82,062
Car-parking Spaces		**1.7**	**N/A**		2.1	N/A
		10.6	**82,062**		12.4	82,062
Guangzhou						
Guangzhou May Flower Plaza	50.60%			50.60%		
Retail		**54.8**	**357,424**		45.9	357,424
Office		**6.6**	**79,431**		5.7	79,431
Car-parking Spaces		**1.3**	**N/A**		1.5	N/A
		62.7	**436,855**		53.1	436,855
Guangzhou West Point	50.60%			50.60%		
Retail		**13.1**	**171,968**		9.9	171,968
Guangzhou Lai Fung Tower	50.60%			50.60%		
Retail		**8.1**	**99,054**		6.3	99,399
Office		**52.1**	**606,495**		42.7	606,495
Car-parking Spaces		**2.7**	**N/A**		2.9	N/A
		62.9	**705,549**		51.9	705,894
Zhongshan						
Zhongshan Palm Spring	50.60%			50.60%		
Retail*		**1.9**	**147,408**		1.4	127,884
Serviced Apartments (room revenue)		**2.8**	**98,556**		3.1	98,556
		4.7	**245,964**		4.5	226,440
Others		**7.0**	**N/A**		N/A	N/A
Total		**421.2**	**3,292,355**		376.5	3,273,176

* *Excluding self-use area*

\# *On 100% basis*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The drop in the rental income from Shanghai May Flower Plaza is due to the early termination of the lease of Lotte Mart in July 2018. Lai Fung Group has signed up Hema Fresh ("盒馬鮮生"), the prototype supermarket invested by Alibaba Group, to take up part of that site and is discussing with several prospective tenants to fill the vacancy.

Review of Major Rental Properties

Shanghai Hong Kong Plaza
Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki and internationally renowned luxury brands and a wide array of dining options.

The serviced apartments are managed by the Ascott Group and Lai Fung Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

Lai Fung Group owns 100% of this property.

Shanghai May Flower Plaza
Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

Lai Fung Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility. The lease of Lotte Mart, the anchor tenant in the retail podium was terminated early in July 2018. The Group has signed up Hema Fresh ("盒馬鮮生"), the prototype supermarket invested by Alibaba Group, to take up part of that site and is discussing with several prospective tenants to fill the vacancy.

Shanghai Regents Park
Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. Lai Fung Group retains a 95% interest in the commercial portion which has a total GFA of approximately 82,000 square feet (GFA attributable to Lai Fung Group is approximately 77,900 square feet).

Guangzhou May Flower Plaza
Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

Lai Fung Group owns 100% of this property.

Guangzhou West Point
Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where Lai Fung Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower
Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

The asset swap transaction with Guangzhou Light Industry Real Estate Development Company as announced on 15 January 2015 was completed in August 2017. The total GFA of this property owned by Lai Fung Group increased to approximately 705,500 square feet excluding car-parking spaces and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall
Zhongshan Palm Spring Rainbow Mall is the commercial element of the wholly owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at period end was approximately 71.2%.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai
Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet attributable to Lai Fung Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 86.7% was achieved during the period under review and the average room tariff was approximately HK$1,183.

STARR Hotel Shanghai
STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to Lai Fung Group is approximately 143,800 square feet. An average occupancy rate of 73.2% was achieved during the period under review and the average room tariff was approximately HK$515.

STARR Resort Residence Zhongshan
STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor swimming pool, gym, yoga room, reading room, wine club, card game/mahjong room, tennis court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type one- and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has an F&B outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 52.4% was achieved during the period under review and the average room tariff was approximately HK$375.

Property Development

Recognised Sales

For the six months ended 31 January 2019, the Group's property development operations recorded a turnover of HK$145.7 million (2018: HK$129.9 million) from sale of properties, representing a 12.2% increase 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 and car-parking spaces of Shanghai Regents Park.

For the six months ended 31 January 2019, the average selling price of residential units of Zhongshan Palm Spring amounted to approximately HK$1,520 per square foot (2018: HK$1,131 per square foot). Sales of residential units and retail units of Guangzhou Dolce Vita has been completed and the last retail unit sold and recognised during the period under review achieved an average selling price of HK$3,361 per square foot. This is recognised as a component of "Share of profits and losses of joint ventures" on the face of the condensed consolidated income statement.

Breakdown of turnover for the six months ended 31 January 2019 from sale of properties is as follows:

Recognised basis	No. of units	Approximate GFA	Average selling price#	Turnover*	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Zhongshan Palm Spring					
Residential High-rise Units	32	37,653	1,520	54.6	47.9
Subtotal	**32**	**37,653**	**1,520**	**54.6**	**47.9**
Shanghai Regents Park					
Car-parking Spaces	128			83.3	73.1
Guangzhou Eastern Place					
Car-parking Spaces	3			3.4	3.0
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Zhongshan Palm Spring					
Car-parking Spaces	20			3.7	3.3
Total				**145.7**	**127.9**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Retail Unit**(47.5% basis)	1	8,932	3,361	28.3	24.8
Subtotal	**1**	**8,932**	**3,361**	**28.3**	**24.8**
Car-parking Spaces**(47.5% basis)	6			1.9	1.7
Total				**30.2**	**26.5**

Before business tax and value-added tax inclusive

The exchange rate adopted for the six months ended 31 January 2019 is 0.8780.

* *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 2019, the recognised sales (after business tax and value-added tax exclusive) attributable to the project on 100% basis is HK$59.5 million (excluding car-parking spaces) and approximately 18,805 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$4.0 million.*

Contracted Sales

As at 31 January 2019, the Group's property development operations has contracted but not yet recognised sales of HK$601.9 million, comprising HK$361.1 million and HK$233.7 million from sales of residential units in Zhongshan Palm Spring and cultural studios in Hengqin Novotown Phase I, respectively and HK$7.1 million from sales of car-parking spaces in Shanghai Regents Park, Guangzhou Eastern Place, Guangzhou King's Park and Zhongshan Palm Spring. Sales of the cultural studios of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$4,929 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, cultural studios and car-parking space as at 31 January 2019 amounted to RMB528.5 million (31 July 2018: RMB251.0 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2019 is as follows:

Contracted basis	**No. of units**	**Approximate GFA**	**Average selling price#**	**Turnover#**	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Zhongshan Palm Spring					
Residential High-rise Units	104	130,127	1,605	208.8	183.3
Residential House Units	27	57,261	2,660	152.3	133.7
Hengqin Novotown Phase I					
Cultural Studios	11	47,420	4,929	233.7	205.2
Subtotal	**142**	**234,808**	**2,533**	**594.8**	**522.2**
Shanghai Regents Park					
Car-parking Spaces	7			4.8	4.2
Guangzhou Eastern Place					
Car-parking Space	1			1.1	1.0
Guangzhou King's Park					
Car-parking Space	1			0.8	0.7
Zhongshan Palm Spring					
Car-parking Spaces	2			0.4	0.4
Subtotal				**7.1**	**6.3**
Total				**601.9**	**528.5**

Before business tax and value-added tax inclusive

The exchange rate adopted for the six months ended 31 January 2019 is 0.8780.

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project
Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, Lai Fung Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. Lai Fung Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which 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. Demolition of Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works commenced in September 2017. This project is expected to complete in the second quarter of 2022.

Shanghai Wuli Bridge Project
In July 2014, Lai Fung Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 77,900 square feet and is intended to be developed into a high end luxury residential project. Construction works commenced in August 2017. This project is expected to complete in the second quarter of 2019.

Shanghai May Flower Plaza
Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 January 2019, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$105.1 million.

Shanghai Regents Park
Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. As at 31 January 2019, a total of 278 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$69.0 million.

Guangzhou King's Park
This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. During the period under review, the sales of 1 car-parking space contributed HK$0.7 million to the turnover. As at 31 January 2019, the contracted but not yet recognised sales of the 1 car-parking space amounted to approximately HK$0.8 million and the 13 unsold car-parking spaces have a total carrying amount of approximately HK$9.9 million.

Guangzhou Haizhu Plaza
Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 580,500 square feet and is intended to be developed for rental purposes. The construction is expected to commence in the second quarter of 2019 and the completion is expected to be in the first half of 2023.

Zhongshan Palm Spring
The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6,075,000 square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling approximately 4,466,000 square feet.

During the period under review, 37,653 square feet of high-rise residential units were recognised at average selling prices of HK$1,520 per square foot, which contributed a total of HK$54.6 million to the sales turnover. As at 31 January 2019, contracted but not yet recognised sales for residential high-rise units and house units amounted to HK$208.8 million and HK$152.3 million, at average selling prices of HK$1,605 and HK$2,660 per square foot, respectively. As at 31 January 2019, completed units held for sale in this development amounted to 448,800 square feet with a carrying amount of approximately HK$376.3 million. The remaining GFA under development was approximately 2,099,200 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	**Description**	**Approximate GFA*** (square feet)	**Expected completion**
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2021

** Excluding car-parking spaces and ancillary facilities*

Lai Fung Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Hengqin Novotown – Phase I
On 25 September 2013, the Company and Lai Fung jointly announced that they had successfully won the bid of the land use rights of the land for Phase I of the Novotown project in Hengqin which is 80% owned by Lai Fung and 20% owned by the Company. The Phase I of Novotown has a total GFA of 4,000,000 square feet including car-parking spaces and ancillary facilities. The total development cost is estimated to be approximately RMB5,447 million (equivalent to approximately HK$6,368 million). Construction work is expected to be completed in the first half of 2019 with the opening in phases in the second half of 2019.

The expected GFA breakdown by usage is set out below:

Usage	**GFA** square feet
Cultural themed hotel	596,727
Cultural workshop	429,641
Cultural commercial area	523,843
Performance halls	160,937
Cultural attractions	293,292
Office	542,447
Cultural studios (for sale)	244,936
Car-parking spaces	507,215
Ancillary facilities and others	736,217
Total	**4,035,255**

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment World™ in one of the two performance halls in the Phase I of Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, oversee its preopening and to operate the Lionsgate Entertainment World™ for a minimum of ten years. The Lionsgate Entertainment World™ is expected to feature attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

Lai Fung Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer, the size of which is expected to be approximately 50,200 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

In June 2017, Lai Fung Group entered into a cooperation agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

In January 2017, Lai Fung Group entered into a shareholders agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company codeveloping a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximate 80,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

Sales of the cultural studios of Hengqin Novotown Phase I were strong. As at 31 January 2019, contracted but not yet recognised sales for cultural studios amounted to HK$233.7 million, at an average selling price of HK$4,929 per square foot. Completed cultural studios held for sale in this development as at 31 January 2019 amounted to approximately 197,000 square feet with a carrying amount of approximately HK$336.0 million.

Hengqin Novotown – Phase II
In June 2017, Lai Fung Group entered into a licence agreement with Real Madrid Club in relation to the development and operation of a location based entertainment centre, namely Real Madrid World in Novotown. The Real Madrid World is expected to consist of three floors with over 20 attractions spanning across a total area of approximately 12,000 square meters, and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and when it first opens in September 2020, the ILA Hengqin will initially offer grade 7-12 education for approximately 900 students as well as facilities for boarding students.

Lai Fung Group entered into a license agreement in December 2018 with Ducati in relation to the development and operation of the Ducati Experience Centre in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions.

Lai Fung Group succeeded in bidding for the land use rights of the land offered for sale by Zhuhai Land Bureau through the listing-for-sale process in December 2018 and the land is situated adjacent to Phase I of the Novotown project with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of phase II of the Novotown project. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government. Lai Fung Group is in the process of finalising the master layout plan for the Novotown Phase II with the Chinese Government.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2019, cash and bank balances held by the Group amounted to HK$4,269.7 million (31 July 2018: HK$3,209.8 million) of which around 34.8% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 65.0% 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 2019 was HK$317.3 million (31 July 2018: HK$341.9 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 2019, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$9,690.6 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 2019, the Group had guaranteed general banking facilities granted by certain banks. As at 31 January 2019, the Group had outstanding bank loans of HK$122.4 million and utilised letter of credit and letter of guarantee facilities of HK$4.4 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 outstanding loans of HK$650.0 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$70.6 million as at 31 January 2019.

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$94.0 million for the said unsecured other borrowings as at 31 January 2019. 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 2019.

MAGHL

As at 31 January 2019, 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 January 2019, Lai Fung Group had total borrowings in the amount of HK$8,777.5 million comprising bank loans of HK$5,413.2 million, guaranteed notes of HK$2,724.2 million, loans from a subsidiary of the Company of HK$266.3 million, a loan from a joint venture of HK$277.6 million and other borrowings of HK$96.2 million. The maturity profile of Lai Fung Group's borrowings of HK$8,777.5 million is well spread with HK$733.4 million repayable within 1 year, HK$863.5 million repayable in the second year, HK$6,082.8 million repayable in the third to fifth years, and HK$1,097.8 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK$3,592.3 million as at 31 January 2019.

Approximately 31% and 62% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 7% of Lai Fung Group's borrowings were interest free.

Apart from the guaranteed notes, Lai Fung Group's other borrowings of HK$6,053.3 million were 50% denominated in RMB, 42% in HKD and 8% in USD.

Lai Fung Group's guaranteed notes of HK$2,724.2 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$12,078.4 million, properties under development with a total carrying amount of approximately HK$1,549.5 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,246.6 million, construction in progress with a total carrying amount of approximately HK$1,176.1 million and time deposits and bank balances of approximately HK$979.9 million.

As at 31 January 2019, the consolidated net assets attributable to the owners of the Company amounted to HK$9,261.2 million (31 July 2018: HK$9,259.5 million). The gearing ratio, being net debt (total borrowings of HK$9,690.6 million less pledged and restricted bank balances and time deposits of HK$1,165.2 million and cash and cash equivalents of HK$3,104.5 million) to net assets attributable to the owners of the Company is approximately 58.5%. Excluding the net debt of Lai Fung Group and MAGHL Group, the gearing ratio is approximately 7.1%.

Taking into account the amount of cash being held as at the end of the reporting period, the available loan and the banking facilities, certain bank loans, the expected refinancing of certain 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 2018.

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

During the six months ended 31 January 2019, 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 2019 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. Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its board meeting held on 22 January 2019 for improving transparency around the nomination process.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2019, the Group employed a total of around 1,990 (31 January 2018: 1,880) 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 2018, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
September 2018	2018 SCB Annual Investor Reverse Roadshow	Standard Chartered Bank	Hong Kong
October 2018	Post results non-deal roadshow	DBS	Singapore
November 2018	Post results non-deal roadshow	Maybank Kim Eng	Hong Kong
November 2018	Post results non-deal roadshow	DBS	London
November 2018	Post results non-deal roadshow	DBS	New York / San Francisco

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 2019, 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, 26 March 2019

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; one Non-executive Director, namely Madam U Po Chu; 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.