eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Final Results for the Year Ended 31 July 2019

RESULTS

The board of directors ("**Board**" and "**Directors**", respectively) of eSun Holdings Limited ("**Company**") announces the consolidated results of the Company and its subsidiaries ("**Group**") for the year ended 31 July 2019 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
TURNOVER	2	**2,903,362**	2,183,863
Cost of sales		**(1,528,418)**	(1,170,479)
Gross profit		**1,374,944**	1,013,384
Other revenue	2	**100,932**	247,475
Selling and marketing expenses		**(91,837)**	(153,458)
Administrative expenses		**(588,348)**	(681,328)
Other operating expenses, net		**(490,865)**	(515,893)
Fair value gains on investment properties		**211,500**	857,297
PROFIT FROM OPERATING ACTIVITIES		**516,326**	767,477
Finance costs	3	**(160,617)**	(240,612)
Share of profits and losses of joint ventures		**(25,424)**	402,888
Share of profits and losses of associates		**787**	(14,102)
PROFIT BEFORE TAX AND TAX INDEMNITY	4	**331,072**	915,651
Income tax expense	5	**(312,967)**	(334,929)
Tax indemnity	5	**–**	92,695
PROFIT FOR THE YEAR		**18,105**	673,417
Attributable to:			
Owners of the Company		**(77,645)**	263,840
Non-controlling interests		**95,750**	409,577
		18,105	673,417
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6		
Basic		**(HK$0.052)**	HK$0.177
Diluted		**(HK$0.052)**	HK$0.175

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**18,105**	673,417
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
Items that may be subsequently reclassified to the income statement:		
Exchange realignment on translation of foreign operations	**(277,434)**	(209,229)
Share of other comprehensive income/(loss) of joint ventures	**10,912**	(7,964)
Share of other comprehensive loss of associates	**(20)**	(15)
Release of exchange reserve upon winding-up and disposal of subsidiaries	**(10,636)**	(880)
Release of reserve upon maturity of cross currency swaps	**–**	(35,055)
Change in fair value of an available-for-sale investment	**–**	(14,677)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**–**	161,845
Reclassification adjustments for exchange loss included in the consolidated income statement	**–**	(134,959)
	–	26,886
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(277,178)**	(240,934)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(259,073)**	432,483
Attributable to:		
Owners of the Company	**(222,600)**	129,523
Non-controlling interests	**(36,473)**	302,960
	(259,073)	432,483

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,931,149**	3,790,965
Properties under development		**713,590**	410,157
Investment properties		**20,424,800**	18,601,100
Film rights		**24,608**	11,205
Film products		**75,022**	80,217
Music catalogs		**15,629**	9,657
Goodwill		**82,440**	82,440
Other intangible assets		**–**	586
Investments in joint ventures		**22,993**	1,868,316
Investments in associates		**5,804**	16,278
Available-for-sale investments		**–**	114,361
Financial assets at fair value through profit or loss		**75,815**	–
Deposits, prepayments and other receivables		**96,237**	120,116
Deferred tax assets		**9,108**	4,189
Derivative financial instruments		**20,581**	2,531
Total non-current assets		**26,497,776**	25,112,118
CURRENT ASSETS			
Properties under development		**1,815,822**	1,722,872
Completed properties for sale		**966,132**	852,588
Films under production and film investments		**417,242**	469,585
Inventories		**19,031**	21,874
Debtors	*7*	**232,507**	181,599
Financial assets at fair value through profit or loss		**144,936**	–
Deposits, prepayments and other receivables		**637,799**	441,526
Prepaid tax		**42,031**	37,856
Pledged and restricted time deposits and bank balances		**1,173,895**	1,073,762
Cash and cash equivalents		**2,598,020**	2,136,039
		8,047,415	6,937,701
Assets classified as held for sale	*8*	**68,186**	–
Total current assets		**8,115,601**	6,937,701
CURRENT LIABILITIES			
Creditors and accruals	*9*	**2,577,378**	1,961,568
Deposits received, deferred income and contract liabilities	*11*	**875,415**	658,487
Tax payable		**170,344**	123,973
Interest-bearing bank loans		**535,980**	348,489
Other borrowings		**41,440**	–
Loans from a fellow subsidiary	*13*	**900,000**	–
Loans from a joint venture		**–**	218,542
Total current liabilities		**5,100,557**	3,311,059
NET CURRENT ASSETS		**3,015,044**	3,626,642
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,512,820**	28,738,760

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 July 2019

	Notes	2019 HK$'000	2018 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,512,820**	28,738,760
NON-CURRENT LIABILITIES			
Long-term deposits received	*11*	**147,876**	142,880
Interest-bearing bank loans		**5,554,150**	3,572,464
Other borrowings		**262,894**	257,841
Guaranteed notes	*12*	**2,720,857**	2,725,518
Loans from a joint venture		**–**	426,156
Loans from a related company	*13*	**–**	650,000
Loans from a fellow subsidiary	*13*	**50,000**	–
Deferred tax liabilities		**3,351,747**	3,318,953
Total non-current liabilities		**12,087,524**	11,093,812
Net assets		**17,425,296**	17,644,948
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**745,927**	745,927
Reserves		**8,352,694**	8,513,538
		9,098,621	9,259,465
Non-controlling interests		**8,326,675**	8,385,483
Total equity		**17,425,296**	17,644,948

1.1 BASIS OF PREPARATION

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual period beginning on 1 August 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Group has applied the classification and measurement requirements (including impairment) of HKFRS 9 retrospectively as at 1 August 2018 (date of initial application) to instruments that have not been derecognised as at 1 August 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 August 2018. The difference between the carrying amounts as at 31 July 2018 and the carrying amounts as at 1 August 2018 is recognised in the opening retained profits and other components of equity as at 1 August 2018.

Classification and measurement

On 1 August 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. As at 31 July 2018, the Group's financial assets, including debtors, deposits and other receivables, pledged and restricted time deposits and bank balances, and cash and cash equivalents were classified and accounted for as loans and receivables under HKAS 39. Upon adoption of HKFRS 9 on 1 August 2018, except for other receivables of HK$29,033,000 as detail below, these financial assets were reclassified as financial assets at amortised cost.

On 1 August 2018, the financial assets previously classified as available-for-sale investments and other receivables with carrying amount of HK$114,361,000 and HK$29,033,000, respectively, were reclassified to financial assets at fair value through profit or loss because these financial assets did not pass the contractual cash flow characteristics test in HKFRS 9. In addition, the investment revaluation reserve of HK$2,499,000 and the difference of HK$98,865,000 between the carrying amount at 31 July 2018 and fair value of these financial assets at 1 August 2018 were adjusted to retained profits.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 9 Financial Instruments *(continued)*
There has been no impact on the Group's accounting for financial liabilities as the new requirements under HKFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

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 fair value through profit or loss.

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

As a result of the application of HKFRS 9, the Group has changed its accounting policies with respect to financial instruments.

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 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, if any, 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.

The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Following the adoption of HKFRS 15, such direct costs, if recoverable, are capitalised as "contract costs". The capitalised contract costs are amortised and charged to the income statement on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. As at 1 August 2018 and 31 July 2019, the impact of contract costs is not significant to the Group.

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 is now recognised as contract liabilities (as included in deposits received, deferred income and contract liabilities) to reflect the terminology of HKFRS 15. As at 1 August 2018 and 31 July 2019, amounts of HK$555,740,000 and HK$535,237,000 were reclassified to contract liabilities, respectively, as a result of the adoption of HKFRS 15.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 15 Revenue from Contracts with Customers *(continued)*

Significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price and the amount of revenue from the sale of completed properties should be adjusted for the effects of a financing component, if significant. As the period between the payment by the customer and the transfer of the property or service did not exceed one year, the impact was not significant to the Group as at 1 August 2018 and 31 July 2019.

2. TURNOVER, OTHER REVENUE AND OPERATING SEGMENT INFORMATION

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

	2019	2018
	HK$'000	*HK$'000*
Turnover	**2,903,362**	2,183,863
Other revenue	**100,932**	247,475
Total turnover and other revenue	**3,004,294**	2,431,338
Turnover and other revenue from contracts with customers		
Sale of properties	**613,322**	184,633
Serviced apartment operation	**158,073**	168,711
Theme park operation	**285**	–
Building management operation	**108,867**	114,354
Entertainment event income	**309,321**	197,686
Distribution commission income from, licence fee income from and sales of film products and film rights	**320,965**	337,757
Album sales, licence income and distribution commission income from music publishing and licensing	**86,609**	68,858
Box-office takings, concessionary income and related income from cinemas	**521,259**	408,342
Artiste management fee income	**18,900**	38,311
Advertising income	**5,031**	4,927
Sale of game products	**176,965**	123,343
Sale of merchandising products	**11,139**	60,043
	2,330,736	1,706,965
Turnover and other revenue from other sources		
Rental income from investment properties	**572,626**	591,252
Bank interest income	**27,892**	41,947
Other interest income	**1,007**	716
Interest income from an amount due from a joint venture, net	**687**	722
Government grants	**1,969**	6,230
Others	**69,377**	83,506
	673,558	724,373
	3,004,294	2,431,338

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

Segment revenue/results:

	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	**613,322**	184,633	**839,851**	759,963	**591,795**	428,198	**325,996**	342,684	**521,259**	408,342	**11,139**	60,043	**2,903,362**	2,183,863
Intersegment sales	-	-	**8,076**	6,226	**100**	-	**14,524**	11,453	**1,551**	1,595	**2,381**	3,039	**26,632**	22,313
Other revenue	**916**	2,599	**24,181**	137,970	**8,827**	7,898	**2,988**	2,227	**25,083**	32,130	**1,172**	12,060	**63,167**	194,884
Total	**614,238**	187,232	**872,108**	904,159	**600,722**	436,096	**343,508**	356,364	**547,893**	442,067	**14,692**	75,142	**2,993,161**	2,401,060
Elimination of intersegment sales													**(26,632)**	(22,313)
Total revenue													**2,966,529**	2,378,747
Segment results	**310,453**	(7,552)	**518,270**	1,252,698	**64,218**	21,817	**(119,590)**	(258,653)	**(107,274)**	(95,947)	**(205,566)**	(235,526)	**460,511**	676,837
Unallocated interest and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	**37,765**	52,591
Fair value gains on cross currency swaps	-	-	-	-	-	-	-	-	-	-	-	-	**18,050**	38,049
Profit from operating activities													**516,326**	767,477
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	**(160,617)**	(240,612)
Share of profits and losses of joint ventures	**(22,002)**	403,368	-	-	**(144)**	1,912	**(1,586)**	(909)	-	-	**(1,692)**	(1,483)	**(25,424)**	402,888
Share of profits and losses of associates	-	-	**(40)**	(192)	**(68)**	(1)	**432**	(15,638)	**463**	1,729	-	-	**787**	(14,102)
Profit before tax and tax indemnity													**331,072**	915,651
Income tax expense													**(312,967)**	(334,929)
Tax indemnity													**-**	92,695
Profit for the year													**18,105**	673,417

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

Segments assets/liabilities:

	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 assets	**3,537,621**	3,020,564	**25,056,113**	22,003,818	**433,816**	357,234	**877,035**	1,057,613	**647,469**	657,680	**3,315,404**	2,689,192	**33,867,458**	29,786,101
Investments in joint ventures	**1,317**	1,851,267	**-**	-	**17,804**	13,788	**2,071**	421	**-**	-	**1,801**	2,840	**22,993**	1,868,316
Investments in associates	**-**	-	**5,804**	5,932	**-**	-	**-**	3,706	**-**	6,640	**-**	-	**5,804**	16,278
Unallocated assets													**648,936**	379,124
Assets classified as held for sale													**68,186**	-
Total assets													**34,613,377**	32,049,819
Segment liabilities	**615,643**	685,496	**1,757,714**	1,133,855	**181,195**	136,122	**417,061**	443,455	**205,151**	206,362	**144,185**	157,645	**3,320,949**	2,762,935
Unallocated liabilities													**13,867,132**	11,641,936
Total liabilities													**17,188,081**	14,404,871

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

Other segment information:

	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 on investment properties	-	-	(211,500)	(857,297)	-	-	-	-	-	-	-	-	(211,500)	(857,297)
Gain on swap of properties	-	-	-	(41,379)	-	-	-	-	-	-	-	-	-	(41,379)
Gain on disposal of subsidiaries	-	-	-	-	-	-	(4,720)	-	-	-	-	(2,487)	(4,720)	(2,487)
Gain on disposal of an associate	-	-	-	-	-	-	-	-	(19,705)	-	-	-	(19,705)	-
Depreciation	1,438	1,887	87,397	109,652	1,587	1,617	1,508	2,236	64,699	53,671	8,178	9,638	164,807	178,701
Reversal of write-down of completed properties for sale to net realisable value	-	(426)	-	-	-	-	-	-	-	-	-	-	-	(426)
Loss on disposal of items of property, plant and equipment	47	19	693	2,296	28	-	-	-	39	28	10	4	817	2,347
Impairment of investment properties under construction at cost	-	-	-	55,658	-	-	-	-	-	-	-	-	-	55,658
Write-down of properties under development to net realisable value	-	38,222	-	-	-	-	-	-	-	-	-	-	-	38,222
Impairment of property, plant and equipment	-	-	-	-	-	-	-	-	40,850	10,000	-	-	40,850	10,000
Impairment of films under production	-	-	-	-	-	-	64,310	5,614	-	-	-	-	64,310	5,614
Amortisation of film rights	-	-	-	-	-	-	6,357	9,755	-	-	-	-	6,357	9,755
Amortisation of film products	-	-	-	-	-	-	69,019	320,773	-	-	-	-	69,019	320,773
Amortisation of music catalogs	-	-	-	-	2,870	1,781	-	-	-	-	-	-	2,870	1,781
Write-back of impairment of music catalogs	-	-	-	-	(8,842)	-	-	-	-	-	-	-	(8,842)	-
Write-back of impairment of film rights	-	-	-	-	-	-	(18,000)	-	-	-	-	-	(18,000)	-
Amortisation of other intangible assets	-	-	-	-	-	15,138	586	833	-	-	-	-	586	15,971
Impairment of advances and other receivables	-	-	-	-	3,184	3,031	18,486	12,893	539	-	-	-	22,209	15,924
Write-back of impairment of advances and other receivables	-	-	-	-	(251)	(118)	(316)	(500)	-	-	-	-	(567)	(618)
Impairment/(write-back of impairment) of amounts due from joint ventures	-	-	-	-	1,763	(172)	-	-	-	-	-	-	1,763	(172)
Impairment/(write-back of impairment) of inventories	-	-	-	-	2,319	(2,084)	161	319	-	-	-	85	2,480	(1,680)
Additions of property, plant and equipment	965	1,098	1,281,049	746,635	4,798	618	725	1,531	65,368	156,396	3,199	1,007	1,356,104	907,285
Additions of properties under development	703,012	537,140	-	-	-	-	-	-	-	-	-	-	703,012	537,140
Additions of investment properties	-	-	1,722,074	971,357	-	-	-	-	-	-	-	-	1,722,074	971,357
Additions of film rights	-	-	-	-	-	-	1,760	-	-	-	-	-	1,760	-
Additions of film products, net	-	-	-	-	-	-	2	(927)	-	-	-	-	2	(927)
Additions of films under production and film investments	-	-	-	-	-	-	245,585	292,633	-	-	-	-	245,585	292,633

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

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue:								
Sales to external customers	**1,020,704**	824,258	**1,806,101**	1,294,774	**76,557**	64,831	**2,903,362**	2,183,863
Assets:								
Segment assets:								
– non-current assets	**581,132**	627,662	**25,770,448**	24,328,387	**9,817**	99	**26,361,397**	24,956,148
– current assets	**1,107,954**	1,169,417	**6,407,596**	5,532,425	**19,308**	12,705	**7,534,858**	6,714,547
Unallocated assets							**648,936**	379,124
Assets classified as held for sale							**68,186**	-
Total assets							**34,613,377**	32,049,819
Other information:								
Additions of property, plant and equipment	**65,178**	102,164	**1,290,647**	805,091	**279**	30	**1,356,104**	907,285
Additions of properties under development	**-**	-	**703,012**	537,140	**-**	-	**703,012**	537,140
Additions of investment properties	**-**	-	**1,722,074**	971,357	**-**	-	**1,722,074**	971,357
Additions of film rights	**1,760**	-	**-**	-	**-**	-	**1,760**	-
Additions of film products, net	**2**	(927)	**-**	-	**-**	-	**2**	(927)
Additions of films under production and film investments	**70,766**	189,181	**174,819**	103,452	**-**	-	**245,585**	292,633

Information about major customers:
No customers of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 July 2019 and 2018.

3. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 *HK$'000*	2018 *HK$'000*
Interest on:		
Bank loans	**263,372**	180,053
Other borrowings	**5,766**	5,647
TFN Convertible Notes	**–**	8,849
Specific Mandate Convertible Notes	**–**	5,645
Fixed rate senior notes	**–**	103,767
Guaranteed notes	**147,043**	78,557
Loans from a joint venture	**7,125**	28,189
Loans from a related company	**–**	1,946
Loans from a fellow subsidiary	**41,436**	–
Amortisation of transaction fee for:		
Bank loans	**26,309**	24,626
Fixed rate senior notes	**–**	6,349
Guaranteed notes	**4,440**	2,260
Bank financing charges and direct costs	**7,601**	13,376
Other finance costs	**1,645**	507
	504,737	459,771
Less: Capitalised in properties under development	**(105,774)**	(87,857)
Capitalised in investment properties under construction	**(147,771)**	(83,472)
Capitalised in construction in progress	**(90,575)**	(47,830)
	(344,120)	(219,159)
Total finance costs	**160,617**	240,612

4. PROFIT BEFORE TAX AND TAX INDEMNITY

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

	2019 *HK$'000*	2018 *HK$'000*
Cost of completed properties sold	**253,122**	115,491
Outgoings in respect of rental income, serviced apartment operation and building management**	**303,962**	169,149
Cost of film rights, licence rights and film products	**347,347**	403,516
Cost of artiste management services and services for entertainment events provided	**268,671**	180,722
Cost of theatrical releasing and concessionary sales	**187,365**	151,894
Cost of inventories sold	**167,951**	149,707
Total cost of sales	**1,528,418**	1,170,479
Depreciation^	**164,807**	178,701
Impairment of property, plant and equipment*	**40,850**	10,000
Write-down of properties under development to net realisable value*	**–**	38,222
Impairment of investment properties under construction at cost*	**–**	55,658
Reversal of write-down of completed properties for sale to net realisable value*	**–**	(426)
Write-off of items of property, plant and equipment*	**653**	932
Impairment of films under production#	**64,310**	5,614
Share of net gain from entertainment events organised by co-investors*	**(9,109)**	(2,974)
Amortisation of film rights#	**6,357**	9,755
Amortisation of film products#	**69,019**	320,773
Amortisation of music catalogs#	**2,870**	1,781
Amortisation of other intangible assets#	**586**	15,971
Impairment of debtors*	**693**	429
Impairment of advances and other receivables*	**22,209**	15,924
Write-back of impairment of advances and other receivables*	**(567)**	(618)
Impairment/(write-back of impairment) of amounts due from joint ventures*	**1,763**	(172)
Write-back of impairment of music catalogs*	**(8,842)**	–
Write-back of impairment of film rights*	**(18,000)**	–
Gain on swap of properties*	**–**	(41,379)
Gain on disposal of subsidiaries*	**(4,720)**	(2,487)
Gain on disposal of an associate*	**(19,705)**	–
Fair value gains on cross currency swaps*	**(18,050)**	(38,049)
Fair value losses on financial assets at fair value through profit or loss*	**12,758**	–
Loss on disposal of items of property, plant and equipment*	**817**	2,347
Impairment/(write-back of impairment) of inventories#	**2,480**	(1,680)
Foreign exchange differences, net*	**5,812**	37,607

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

** Outgoings in respect of building management of HK$136,047,000 was included in "Administrative expenses" on the face of the consolidated income statement for the year ended 31 July 2018.

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

^ Depreciation charge of HK$142,309,000 (2018: HK$151,665,000) is included in "Other operating expenses, net" on the face of the consolidated income statement, of which HK$77,610,000 (2018: HK$97,994,000) is for serviced apartments and related leasehold improvements and HK$64,699,000 (2018: HK$53,671,000) is related to cinema operation.

5. INCOME TAX EXPENSE AND TAX INDEMNITY

(a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2019	2018
	HK$'000	*HK$'000*
Current		
– Hong Kong		
Charge for the year	**4,533**	1,550
Overprovision in prior years	**(22)**	(1,934)
	4,511	(384)
– Mainland China		
Corporate income tax ("**CIT**")		
Charge for the year	**78,747**	59,265
Underprovision/(overprovision) in prior years	**380**	(1,130)
Land appreciation tax ("**LAT**")		
Charge for the year	**118,898**	27,157
Underprovision in prior years	**20,301**	–
	218,326	85,292
– Elsewhere		
Charge for the year	**–**	145
	222,837	85,053
Deferred tax	**90,130**	249,876
Total tax charge for the year	**312,967**	334,929

(b) Tax indemnity

In connection with the listing of Lai Fung Holdings Limited ("**Lai Fung**", together with its subsidiaries, "**Lai Fung Group**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (currently on the Main Board), a tax indemnity deed was signed on 12 November 1997, pursuant to which Lai Sun Development Company Limited ("**LSD**") has undertaken to indemnify the Lai Fung Group in respect of certain potential Mainland China CIT and LAT payable or shared by the Lai Fung Group in consequence of the disposal of certain property interests attributable to the Lai Fung Group through its subsidiaries and joint ventures as at 31 October 1997.

During the year ended 31 July 2019, no tax indemnity was received. During the year ended 31 July 2018, HK$92,695,000 was received by the Lai Fung Group from LSD in relation to the CIT and LAT incurred and paid by the Lai Fung Group or its joint ventures which is attributable to the disposal of certain properties located in Guangzhou, Mainland China.

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (2018: 1,491,854,598) in issue during the year.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company, adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of profit of Lai Fung based on dilution of its earnings per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration as if all the Company's outstanding share options have been considered.

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

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

	2019	2018
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	**(77,645)**	263,840
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*	**(167)**	(1,572)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**(77,812)**	262,268

* Balance represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK$167,000 (2018: HK$1,572,000) assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the year.

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,491,854,598**	1,491,854,598
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	2,641,251
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**1,491,854,598**	1,494,495,849

7. DEBTORS

	2019	2018
	HK$'000	*HK$'000*
Trade debtors	**241,917**	191,184
Impairment	**(9,410)**	(9,585)
	232,507	181,599

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

The Lai Fung Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartment charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the Lai Fung Group, the settlement of which is in accordance with the respective agreements. Debtors of the Lai Fung Group are interest-free.

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

An ageing analysis of the trade debtors, net of loss allowance, based on payment due date, as at the end of the reporting period, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Trade debtors:		
Neither past due nor impaired	**133,404**	127,702
1 to 90 days past due	**84,424**	37,974
Over 90 days past due	**14,679**	15,923
Total	**232,507**	181,599

8. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 July 2019, two blocks of serviced apartments located in Zhongshan (namely, STARR Resort Residence Zhongshan) were offered for sale. The serviced apartments were previously classified as property, plant and equipment. The management has committed to a plan to sell with an active programme to locate buyers already initiated, and the disposal is expected to be completed in the ensuing year. As a result, the serviced apartments with a carrying amount of HK$68,186,000 were transferred to assets classified as held for sale.

9. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased/payment due date, as at the end of the reporting period, is as follows:

	Note	**2019** *HK$'000*	2018 *HK$'000*
Trade creditors:			
Less than 30 days		**959,287**	197,917
31 to 60 days		**4,390**	53,817
61 to 90 days		**5,734**	3,767
Over 90 days		**8,456**	6,416
		977,867	261,917
Other creditors and accruals		**1,319,791**	1,699,651
Put option liabilities	*10*	**279,720**	–
Total		**2,577,378**	1,961,568

10. 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 Cinda became a holder of 30% equity interests in HRL and GSL.

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$279,720,000) are recorded as put option liabilities under "Creditors and accruals" of the consolidated statement of financial position as at 31 July 2019.

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

11. DEPOSITS RECEIVED, DEFERRED INCOME AND CONTRACT LIABILITIES

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

	2019 *HK$'000*	2018 *HK$'000*
Deposits received and deferred income	**488,054**	801,367
Contract liabilities	**535,237**	–
	1,023,291	801,367
Amount classified as current	**(875,415)**	(658,487)
Non-current portion	**147,876**	142,880

12. GUARANTEED NOTES

US$350,000,000 5.65% Guaranteed Notes due 2023

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

The guaranteed notes are guaranteed by Lai Fung and also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from LSD.

13. LOANS FROM A FELLOW SUBSIDIARY/A RELATED COMPANY

The balances represented loans from Hibright Limited ("**Hibright**"), a wholly-owned subsidiary of LSD. Except for loans from Hibright of HK$50,000,000 (2018: HK$650,000,000) which are unsecured, interest-bearing and are repayable in the second year from the end of the reporting period, the loans from Hibright are unsecured, interest-bearing and are repayable within one year.

LSD was a substantial shareholder of the Company as at 31 July 2018 and has become 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 July 2019 and loans from a related party as at 31 July 2018.

14. EVENT AFTER THE REPORTING PERIOD

On 23 July 2019, Sunny Horizon Investments Limited, an indirect wholly-owned subsidiary of the Company, entered into the share sale and purchase agreement ("**SPA Agreement**") with LSD to dispose of a 20% equity interest in Rosy Commerce to LSD (or its nominee) for a consideration of HK$557,250,000 ("**Disposal**"). The completion of the Disposal was conditional upon the satisfaction of certain conditions as set out in the SPA Agreement ("**Conditions**") and was subject to the shareholders' approval of the Company. Details are set out in a joint announcement of the Company, LSD and LSG dated 23 July 2019 and the Company's circular dated 30 August 2019.

On 20 September 2019, a resolution in relation to the Disposal proposed at the special general meeting of the Company was duly passed by way of poll. Details are set out in an announcement of the Company dated 20 September 2019. On 24 September 2019, the Conditions were satisfied and the Disposal was completed.

15. FINAL DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 July 2019 (2018: Nil) for shareholders' approval at the forthcoming annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Media and Entertainment/Film Production and Distribution/Cinema Operation

The Group continues to enhance and expand its existing media and entertainment businesses in Hong Kong and Mainland China, optimising income derived from its film, TV, live entertainment, artiste management, music and cinema operation. Over the years, the entertainment industry has been generally considered to be recession resistant because it provides people with the need for distractions. Nevertheless, on the back of the growing middle class and rising per capita income, we expect the demand for entertainment will continue to be sustained. Having been continuously investing in the sector solidifying its foundation and presence in the industry, the Group is well positioned to capitalise on this trend.

- Film – continued drive to increase original production of films which appeal to Chinese language audiences with the current production pipeline including "*I'm Living It*", a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, "*Knockout*", an action film by director Roy Chow featuring Han Geng, "*The Calling of a Bus Driver*", a romance comedy film with Ivana Wong and director Patrick Kong, and "*Septet: the Story of Hong Kong*", an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam.

- 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 projects under development include a 20 episode modern-day drama series namely "*Who Sell Bricks in Hong Kong*" tailor-made for Viu TV, featuring Ng Siu Hin, Fish Liew, Wu Tze Tung and Patrick Tam. 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 "*FOLLOWMi Sammi Cheng World Tour – Hong Kong 2019*", "*EXO Planet#5 Tour 2019 Hong Kong*" and "*Along with Ekin Live Concert 2019*" have earned good reputation and public recognition. The Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of Tsai Chin, Yoga Lin and Leon Lai.

- 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 continue to provide stable income streams to the Group.

- Artiste Management – actively looking for promising talent in Greater China and business collaborations with Asian artistes with an aim to build up an artiste roster with breadth and depth. The Group is a strong believer of talent management and is of the view that such a roster will be an instrumental part of its media and entertainment businesses.

- Cinema – acquisition of an additional 10% equity 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. Officially commenced operations in January 2019, the MCL Cheung Sha Wan Cinema is the first MCL cinema in West Kowloon district in Hong Kong. Renovated with a touch of industrial style, the 4-house cinema is equipped with 418 seats in a stadium seating setting, 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. The Group has also secured one cinema project in Hong Kong, which is expected to commence business in 2022. We will closely monitor the market conditions in Hong Kong and Mainland China and will continue to evaluate opportunities to further 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 positioning. 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 economy remains sluggish in the midst of, amongst other factors, the ongoing trade war between the United States and China, uncertainty around Brexit, rising geopolitical tensions, as well as a series of anti-government protests in Hong Kong which started in early June 2019. Such events, and the development of them over the course of the year under review, coupled with softening inflation, have led to the growing caution surrounding capital markets. While the implications of some of these events are relatively trivial, certain events could have more profound and lasting repercussions for the business outlook. We remain cautiously optimistic about the future prospects of the cities in which the Group has exposure in, especially the Greater Bay Area in southern China, and continue to regard Hong Kong, where our headquarters is situated, as one of the major beneficiary cities. Stability is instrumental to the restoration of business confidence, and under the current leadership of the Chinese government, we remain certain that this will be sustained and enhanced.

The regional focus and rental-led strategy of Lai Fung Holdings Limited ("**Lai Fung**", together with its subsidiaries, "**Lai Fung Group**"), a non-wholly-owned subsidiary of the Company, continued to demonstrate resilience. With a total of approximately 3.4 million square feet of rentable gross floor area ("**GFA**"), primarily in Shanghai and Guangzhou, Lai Fung Group's rental portfolio delivered steady performance in rental income at close to full occupancies for the key assets.

Through developing the existing projects on hand in Shanghai, Guangzhou, Zhongshan and Hengqin, Lai Fung Group estimates that its rental portfolio will increase from approximately 3.4 million square feet to approximately 9.6 million square feet over the next few years. Construction work of the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and Hui Gong Building includes an office tower, a shopping mall and an underground car-parking structure, and is expected to complete in the second quarter of 2022 and will add a total GFA of approximately 693,600 square feet, excluding car-parking spaces, to the rental portfolio of Lai Fung Group. Construction work of Guangzhou Haizhu Plaza commenced in the first half of 2019 and is expected to complete in the first half of 2023, providing a total rental GFA of approximately 580,800 square feet.

The two themed indoor experience centres in Phase I ("**Novotown Phase I**") of the Novotown project in Hengqin ("**Novotown**"), namely "Lionsgate Entertainment World®" and "National Geographic Ultimate Explorer", commenced operations on 31 July 2019 and 9 September 2019, respectively. China Cinda (HK) Asset Management Co., Limited's investment of 30% equity interest in the two operating companies of the "Lionsgate Entertainment World®" and the "National Geographic Ultimate Explorer" on 31 December 2018 enhanced the capital structure for the operations of these two indoor experience centres. Taking into account the spaces for "Lionsgate Entertainment World®" and the "National Geographic Ultimate Explorer", leases of approximately 68% commercial area of Novotown Phase I has been secured with over 50% retail stores targeted to open by the end of 2019. The remaining portions of Novotown Phase I, including a hotel managed by Hyatt group, are nearing completion and is expected to be launched by phases by the end of 2019.

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 Novotown Phase I 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 ("**Novotown Phase II**"). 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 is expected 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 Novotown Phase II with the Chinese Government.

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Novotown Phase I, as well as residential units in Shanghai Wuli Bridge project completed in August 2019 are expected to contribute to the income of Lai Fung Group in the coming financial years. Particularly, in light of the prospects and the growing demand for residential units in Zhongshan, Lai Fung Group decided, in May 2019, to launch the sale of the serviced apartment units at STARR Resort Residence Zhongshan. Accordingly, STARR Resort Residence Zhongshan, comprising two 16-storey blocks in the Palm Lifestyle complex has been closed and the total GFA of approximately 98,600 square feet have been re-classified from "Property, plant and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in "Other operating gains/expenses, net" in the consolidated income statement of the Group. Lai Fung Group will continue its prudent and flexible approach and replenish its landbank as and when opportunities arise.

The sale ("**Novotown Phase I Sale**") of the Group's 20% equity interest in Novotown Phase I project to Lai Sun Development Company Limited ("**LSD**", together with its subsidiaries, "**LSD Group**") which has been approved by shareholders of the Company ("**Shareholders**") and completed in September 2019 enabled the Group to crystalise the value in its investment in Novotown Phase I and recycle the capital to reduce its borrowings so as to improve its working capital position for future opportunities that may arise.

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 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 closing 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. Immediately after the restoration of public float of the Company on 11 February 2019 and as at the date of this results announcement, the Company is 74.62% owned by 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 50.53% owned by the Company.

The supplemental deed executed by Lai Fung on 8 March 2019 aims to contribute to a more pragmatic and flexible approach for investment decisions to be made by the Lai Sun Group and has been approved by independent shareholders of each of Lai Fung, the Company, LSD and Lai Sun Garment (International) Limited on 30 April 2019.

Subsequent to the year end, on 16 September 2019, the Company was made aware that Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk ("**YUs**") had acquired additional shares of the Company in the open market ("**Purchase**") such that YUs became substantial Shareholders as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**" and "**Stock Exchange**", respectively), which in turn had caused a shortfall in the public float of Company. The public float was eventually restored on 25 September 2019 upon completion of YUs' disposal of 1,000,000 shares of the Company to an independent third party, and the trading in the shares of the Company on the Stock Exchange was resumed with effect from 1:00 p.m. on 26 September 2019.

As at 31 July 2019, the Group's consolidated cash position of HK$3,771.9 million (HK$339.7 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**")) (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 69.2% as at 31 July 2019 (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 7.9%. The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF ANNUAL RESULTS

For the year ended 31 July 2019, the Group recorded a turnover of HK$2,903.4 million, representing an increase of approximately 32.9% from that of HK$2,183.9 million last year. The increase is primarily due to higher turnover from sale of properties of Lai Fung Group for the year ended 31 July 2019 as compared to last year. The gross profit increased by approximately 35.7% to HK$1,374.9 million (2018: HK$1,013.4 million).

For the year ended 31 July 2019, net loss attributable to owners of the Company was approximately HK$77.6 million (2018: net profit of HK$263.8 million). Net loss per share attributable to owners of the Company was HK$0.052 (2018: net profit of HK$0.177 per share). The change from net profit attributable to owners of the Company last year to net loss for the year under review is primarily due to (i) a significant decrease in fair value gain arising from the revaluation of the Group's investment properties and (ii) a significant decrease in the profit contribution from the property sales of Guangzhou Dolce Vita, the joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") as compared to last year, which is recognised as a component of "Share of profits and losses of joint ventures" in the consolidated income statement of the Group.

Net loss attributable to owners of the Company for the year ended 31 July 2019 excluding the effect of property revaluations was approximately HK$192.5 million (2018: net loss of HK$108.2 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK$0.129 per share (2018: net loss of HK$0.073 per share).

Profit/(loss) attributable to owners of the Company	**For the year ended 31 July**	
	2019	2018
	HK$'million	HK$'million
Reported	**(77.6)**	263.8
Adjustments in respect of investment properties		
Revaluation of properties	**(153.5)**	(496.1)
Deferred tax on investment properties	**38.4**	124.0
Non-controlling interests' share of revaluation movements less deferred tax	**0.2**	0.1
Net loss after tax and tax indemnity excluding revaluation gains of investment properties	**(192.5)**	(108.2)

Equity attributable to owners of the Company as at 31 July 2019 amounted to HK$9,098.6 million (2018: HK$9,259.5 million). Net asset value per share attributable to owners of the Company decreased by 1.7% to HK$6.099 per share as at 31 July 2019 from HK$6.207 per share as at 31 July 2018.

Media and Entertainment

For the year ended 31 July 2019, this segment recorded a turnover of HK$591.8 million (2018: HK$428.2 million) and segment results increased to HK$64.2 million from that of HK$21.8 million last year.

Live Entertainment

The Group remains active on the live entertainment front. During the year under review, the Group organised and invested in 118 (2018: 138) shows by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Ekin Cheng, Ivana Wong, Grasshopper, JJ Lin, Yoga Lin, EXO, Donghae & Eunhyuk and MayDay.

Music Production, Distribution and Publishing

For the year ended 31 July 2019, the Group released 49 (2018: 53) albums, including titles by Sammi Cheng, Grasshopper, Remus Choy, Andy Leung, Tang Siu Hau and Feanna Wong. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Programme Production and Distribution

For the year ended 31 July 2019, this segment recorded a turnover of HK$326.0 million (2018: HK$342.7 million) and segment results of a loss of HK$119.6 million (2018: a loss of HK$258.7 million).

During the year under review, the Group released 2 films (2018: 5), namely *Kung Fu Monster* and *Dead Pigs* and distributed 33 (2018: 39) films and 482 (2018: 480) videos with high profile titles including *Green Book, Hotel Mumbai, John Wick: Chapter 3 – Parabellum, BumbleBee, Captain Marvel* and *Venom*.

Cinema Operation

For the year ended 31 July 2019, this segment recorded a turnover of HK$521.3 million (2018: HK$408.4 million). The Group currently operates 10 cinemas in Hong Kong and 3 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 in a stadium seating setting, 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. *With effect from 1 November 2018, rental spaces of one cinema house has 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 Novotown Phase I which was 80% owned by Lai Fung Group and 20% owned by the Group as at 31 July 2019. Upon completion of the Novotown Phase I Sale in September 2019, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by LSD Group. Set out below are the approximate attributable GFA (in ’000 square feet) and number of car-parking spaces as at 31 July 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)*	935 *(Note 2)*	540	–	–	1,475	404
Completed Hotel Properties and Serviced Apartments	–	–	252	–	252	–
Properties under Development *(Note 3)*	2,027	783	415	1,034	4,259	2,512
Completed Properties Held for Sale	17 *(Note 4)*	–	–	259 *(Note 5)*	276	1,054
Subtotal	**2,979**	**1,323**	**667**	**1,293**	**6,262**	**3,970**
GFA of major properties and number of car-parking spaces of the Group excluding Lai Fung Group *(Note 6)*						
Completed Properties Held for Rental *(Note 2)*	49	–	–	–	49	–
Properties under Development *(Note 3)*	146	118	205	–	469	389
Completed Properties Held for Sale	–	–	–	35	35	–
Subtotal	**195**	**118**	**205**	**35**	**553**	**389**
Total	**3,174**	**1,441**	**872**	**1,328**	**6,815**	**4,359**

Notes:

1. *As at 31 July 2019, Lai Fung is a 50.55%-owned subsidiary of the Company.*

2. *Completed and rental generating properties, including the cultural attraction space in Novotown Phase I that has been occupied by “Lionsgate Entertainment World®”*

3. *All properties under construction*

4. *Completed properties held for sale, including 17,035 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use*

5. *Completed properties held for sale, including 49,842 square feet of serviced apartment units of Zhongshan Palm Spring which have been reclassified as “Assets classified as held for sale” as at 31 July 2019*

6. *Upon completion of the Novotown Phase I Sale in September 2019, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by LSD Group.*

Property Investment

Revenue from Rental Operation

For the year ended 31 July 2019, Lai Fung Group's rental operations recorded a turnover of HK$839.6 million, which include revenue of HK$730.7 million from lease of properties and HK$108.9 million from building management operation. The income from building management operation of approximately HK$114.4 million for the last year was included in "Other revenue" on the face of the consolidated income statement for the year ended 31 July 2018.

Excluding the income from building management operation, the revenue from the leasing of properties for the year under review decreased slightly by 3.9% from HK$760.0 million of last year.

	For the year ended 31 July			For the year ended 31 July			
	2019# **HK$'million**	2018# HK$'million	Approximate change (%)	**2019** **RMB'million**	2018 RMB'million	Approximate change (%)	**Year end occupancy** (%)
Shanghai							
Shanghai Hong Kong Plaza	**450.6**	416.1	8.3	**393.0**	345.8	13.6	Retail: 99.0 Office: 96.3 Serviced Apartments: 89.6
Shanghai May Flower Plaza	**67.6**	75.9	-10.9	**58.9**	63.1	-6.7	Retail: 82.1 Hotel: 77.9
Shanghai Regents Park	**22.1**	25.0	-11.6	**19.3**	20.7	-6.8	100.0
Guangzhou							
Guangzhou May Flower Plaza	**122.9**	109.4	12.3	**107.2**	90.9	17.9	98.9
Guangzhou West Point	**26.7**	19.7	35.5	**23.2**	16.5	40.6	99.9
Guangzhou Lai Fung Tower	**126.8**	105.2	20.5	**110.6**	87.4	26.5	Retail: 100.0 Office: 100.0*
Zhongshan							
Zhongshan Palm Spring	**8.5**	8.7	-2.3	**7.4**	7.2	2.8	Retail: 71.2* Serviced Apartments: N/A**
Others	**14.4**	–	N/A	**12.6**	–	N/A	N/A
Total	**839.6**	760.0	10.5	**732.2**	631.6	15.9	

\# *The exchange rates adopted for the years ended 31 July 2019 and 2018 are 0.8721 and 0.8310, respectively.*

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed during the year under review and the serviced apartment units have been launched for sale in May 2019.*

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

	For the year ended 31 July 2019			For the year ended 31 July 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	**50.55%**			50.60%		
Retail		**208.7**	**468,434**		181.2	468,434
Office		**116.1**	**362,096**		102.4	362,096
Serviced Apartments (room revenue and F&B)		**119.7**	**355,267**		125.2	355,267
Car-parking Spaces		**6.1**	**N/A**		7.3	N/A
		450.6	**1,185,797**		416.1	1,185,797
Shanghai May Flower Plaza	**50.55%**			50.60%		
Retail		**29.5**	**320,314**		34.3	320,314
Hotel (room revenue and F&B)		**34.3**	**143,846**		37.6	143,846
Car-parking Spaces		**3.8**	**N/A**		4.0	N/A
		67.6	**464,160**		75.9	464,160
Shanghai Regents Park	**48.02%**			48.07%		
Retail		**19.2**	**82,062**		21.0	82,062
Car-parking Spaces		**2.9**	**N/A**		4.0	N/A
		22.1	**82,062**		25.0	82,062
Guangzhou						
Guangzhou May Flower Plaza	**50.55%**			50.60%		
Retail		**106.9**	**357,424**		94.8	357,424
Office		**13.1**	**79,431**		11.6	79,431
Car-parking Spaces		**2.9**	**N/A**		3.0	N/A
		122.9	**436,855**		109.4	436,855
Guangzhou West Point	**50.55%**			50.60%		
Retail		**26.7**	**171,968**		19.7	171,968
Guangzhou Lai Fung Tower	**50.55%**			50.60%		
Retail		**16.4**	**112,292**		12.7	99,054
Office		**104.7**	**625,821**		86.6	606,495
Car-parking Spaces		**5.7**	**N/A**		5.9	N/A
		126.8	**738,113**		105.2	705,549
Zhongshan						
Zhongshan Palm Spring	**50.55%**			50.60%		
Retail*		**4.3**	**147,408**		2.7	147,408
Serviced Apartments** (room revenue)		**4.2**	**98,556**		6.0	98,556
		8.5	**245,964**		8.7	245,964
Others		**14.4**	**N/A**		N/A	N/A
Total		**839.6**	**3,324,919**		760.0	3,292,355

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed during the year under review and the serviced apartment units have been launched for sale in May 2019.*

\# *On 100% basis*

Review of Major Rental Properties

Shanghai Hong Kong Plaza
Being Lai Fung Group's wholly-owned flagship investment property project in Shanghai, Shanghai Hong Kong Plaza is strategically located in the prime district of the city, directly above the Huangpi South Road Metro Station at Huaihaizhong Road in Huangpu District, which is highly accessible by car and well connected to public transportation networks, as well as walking distance from Shanghai Xintiandi.

Connected by an indoor footbridge, the property comprises a 32-storey office building, a 32-storey serviced apartment (managed by the Ascott Group), a shopping mall and carpark. The property's total GFA is approximately 1,185,800 square feet excluding 350 car-parking spaces, comprising approximately 362,100 square feet for office, approximately 468,400 square feet for serviced apartment, and approximately 355,300 square feet for shopping mall.

Anchor tenants, as of the date of this results announcement, include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki etc.

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. Lai Fung Group 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.

Upon completion of the asset swap transaction with Guangzhou Light Industry Real Estate Development Company in August 2017, the total GFA of this property owned by Lai Fung Group increased to approximately 738,100 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 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 year 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 86.0% was achieved during the year under review and the average room tariff was approximately HK$1,189.

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 73.1% was achieved during the year under review and the average room tariff was approximately HK$516.

Property Development

Recognised Sales

For the year ended 31 July 2019, Lai Fung Group's property development operations recorded a turnover of HK$613.3 million (2018: HK$184.6 million) from sale of properties, representing a 232.2% increase in sales revenue over last year. The significant increase was primarily driven by the sales performance of residential units of Zhongshan Palm Spring, cultural studios of Novotown Phase I and car-parking spaces of Shanghai Regents Park during the year under review. Sales of residential units and retail units of Guangzhou Dolce Vita has been completed and the last retail unit sold and recognised during the year under review achieved an average selling price of HK$3,384 per square foot. This is recognised as a component of "Share of profits and losses of joint ventures" in the consolidated income statement.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex has been closed. The serviced apartment units with total GFA of approximately 98,600 square feet have been launched for sale in May 2019 and have been re-classified from "Property, plant and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in "Other operating gains/expenses, net" in the consolidated income statement of the Group.

Breakdown of turnover for the year ended 31 July 2019 from property sales is as follows:

Recognised basis	**No. of units**	**Approximate GFA**	**Average selling price#**	**Turnover***	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Zhongshan Palm Spring					
Residential High-rise Units	129	158,473	1,590	240.2	209.5
Residential House Units	25	52,870	2,739	137.9	120.3
Hengqin Novotown Phase I					
Cultural Studios	6	24,207	5,274	121.6	106.0
Others				0.4	0.3
Subtotal	**160**	**235,550**	**2,227**	**500.1**	**436.1**
Shanghai Regents Park					
Car-parking Spaces	153			100.3	87.5
Guangzhou Eastern Place					
Car-parking Spaces	5			5.4	4.7
Guangzhou West Point					
Car-parking Spaces	4			2.4	2.1
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Zhongshan Palm Spring					
Car-parking Spaces	24			4.4	3.8
Total				**613.3**	**534.8**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Retail Unit**(47.5% basis)	1	8,932	3,384	28.5	24.9
Car-parking Spaces**(47.5% basis)	8			2.5	2.2
Total				**31.0**	**27.1**

Before business tax and value-added tax inclusive

The exchange rate adopted for the year ended 31 July 2019 is 0.8721.

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest.*

Contracted Sales

As at 31 July 2019, Lai Fung Group's property development operations has contracted but not yet recognised sales of HK$238.3 million, comprising HK$104.4 million and HK$131.1 million from sales of residential and serviced apartment units in Zhongshan Palm Spring and cultural studios in Novotown Phase I, respectively and HK$2.8 million from sales of car-parking spaces in Shanghai Regents Park, Guangzhou West Point and Guangzhou King's Park. Sales of the cultural studios of Novotown Phase I were strong and achieved an average selling price of HK$4,561 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, serviced apartment units, cultural studios and car-parking space as at 31 July 2019 amounted to RMB207.8 million (2018: RMB251.0 million).

Breakdown of contracted but not yet recognised sales as at 31 July 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	15	19,645	1,700	33.4	29.1
Residential House Units	10	21,164	2,637	55.8	48.7
Serviced Apartment Units###	10	10,414	1,460	15.2	13.3
Hengqin Novotown Phase I					
Cultural Studios	7	28,742	4,561	131.1	114.3
Subtotal	**42**	**79,965**	**2,945**	**235.5**	**205.4**
Shanghai Regents Park					
Car-parking Spaces	2			1.4	1.2
Guangzhou West Point					
Car-parking Spaces	1			0.6	0.5
Guangzhou King's Park					
Car-parking Spaces	1			0.8	0.7
Subtotal				**2.8**	**2.4**
Total				**238.3**	**207.8**

Before business tax and value-added tax inclusive

The exchange rate adopted for the year ended 31 July 2019 is 0.8721.

The sale of serviced apartment units of Zhongshan Palm Spring will be recorded as disposal of assets classified as held for sale and the sales proceeds will be included in "Other operating gains/expenses, net" in the consolidated income statement of the Group when the sale is completed.

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 Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping mall and an underground car-parking structure 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. 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. Construction work has been completed in August 2019. This high end luxury residential project has attributable GFA of approximately 77,900 square feet and is expected to be launched for sale in coming months.

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 July 2019, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$102.0 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 July 2019, a total of 253 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$61.0 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 year under review, the sales of 1 car-parking space contributed HK$0.7 million to the turnover. As at 31 July 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$9.6 million.

Guangzhou Haizhu Plaza
Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. Lai Fung Group owns the entire project. The proposed development has a total project GFA of approximately 580,800 square feet and is intended to be developed for rental purposes. The construction commenced in the first half 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 million square feet. The project comprises of high-rise residential towers, townhouses and commercial blocks totaling 4.466 million square feet.

During the year under review, 158,473 square feet of high-rise residential units and 52,870 square feet of high-rise house units were recognised at average selling prices of HK$1,590 and HK2,739 per square foot, respectively, which contributed a total of HK$378.1 million to the sales turnover. As at 31 July 2019, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK$33.4 million and HK$55.8 million, at average selling prices of HK$1,700 and HK$2,637 per square foot, respectively.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex was closed during the year under review. The serviced apartment units were launched for sale in May 2019 and have been re-classified from "Property, plant and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group as at 31 July 2019. As at 31 July 2019, contracted but not yet recognised sales for serviced apartment units amounted to HK$15.2 million, at an average selling prices of HK$1,460 per square foot. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in "Other operating gains/expenses, net" in the consolidated income statement of the Group.

As at 31 July 2019, completed units held for sale in this development, including high-rise residential units, house units and serviced apartment units, amounted to approximately 373,800 square feet with a total carrying amount of approximately HK$304.7 million. The carrying amount of the 1,215 unsold car-parking spaces of this development as at 31 July 2019 was approximately HK$110.9 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*

Hengqin Novotown – Phase I
On 25 September 2013, the Company and Lai Fung jointly announced Lai Fung 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 Group and 20% owned by LSD Group as of the date of this results announcement. Novotown Phase I has a total GFA of 4.0 million 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$6,182 million). Construction work is expected to be completed by phases by the end of 2019.

The expected GFA breakdown by usage including GFA of 24,207 square feet for cultural studios that have been sold up to 31 July 2019 is set out below:

Usage	**GFA** (square feet)
Cultural themed hotel	594,763
Cultural workshop	430,640
Cultural commercial area	526,264
Performance halls	155,193
Cultural attraction (Lionsgate Entertainment World®)	242,906
Cultural attraction (National Geographic Ultimate Explorer)	50,386
Office	543,020
Cultural studios (for sale)	244,936
Car-parking spaces	429,734
Ancillary facilities and others	830,216
Total	**4,048,058**

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 Novotown Phase I. 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, to oversee its pre-opening and to operate the Lionsgate Entertainment World® for a minimum of 10 years. The Lionsgate Entertainment World® opened on 31 July 2019 featuring 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 approximately 50,400 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. The National Geographic Ultimate Explorer officially commenced operations on 9 September 2019.

The cross border bus service between Hong Kong and Hengqin Novotown has been launched by Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited in July 2019.

Sales of the cultural studios of Novotown Phase I were strong. During the year under review, 24,207 square feet was recognised at an average selling price of HK$5,274 per square foot, which contributed HK$121.6 million to Lai Fung Group's turnover. As at 31 July 2019, contracted but not yet recognised sales for cultural studios amounted to HK$131.1 million, translating into an average selling price of HK$4,561 per square foot. Completed cultural studios held for sale in this development as at 31 July 2019 amounted to approximately 173,230 square feet with a carrying amount of approximately HK$334.0 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 Novotown Phase I 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 Novotown Phase II. 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 Novotown Phase II with the Chinese Government.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2019, cash and bank balances held by the Group amounted to HK$3,771.9 million (2018: HK$3,209.8 million) of which around 30.1% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 69.2% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2019 was HK$339.7 million (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 July 2019, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$10,065.3 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2019, the Group had guaranteed general banking facilities granted by certain banks. As at 31 July 2019, the Group had outstanding bank loans of HK$102.4 million and utilised letter of credit and letter of guarantee facilities of HK$4.9 million. All bank loans are repayable within 1 year and are on floating rate basis and are denominated in HKD.

Apart from the bank loans, the Group had outstanding loans of HK$750.0 million from Hibright Limited ("**Hibright**"), which is a wholly-owned subsidiary of LSD. The loans are on floating rate basis, denominated in HKD with HK$700.0 million repayable within 1 year and HK$50.0 million repayable in the second year. The Group has the undrawn facilities of HK$170.1 million as at 31 July 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$96.9 million for the said unsecured other borrowings as at 31 July 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 July 2019.

MAGHL

As at 31 July 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 within 1 year.

Lai Fung

As at 31 July 2019, Lai Fung Group had total borrowings in the amount of HK$9,119.2 million comprising bank loans of HK$5,987.7 million, guaranteed notes of HK$2,720.9 million, loans from a subsidiary of the Company of HK$316.2 million and other borrowings of HK$94.4 million. The maturity profile of Lai Fung Group's borrowings of HK$9,119.2 million is well spread with HK$791.2 million repayable within 1 year, HK$3,019.3 million repayable in the second year, HK$4,168.7 million repayable in the third to fifth years, and HK$1,140.0 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK$2,647.9 million as at 31 July 2019.

Approximately 30% and 66% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of Lai Fung Group's borrowings were interest free.

Apart from the guaranteed notes, Lai Fung Group's other borrowings of HK$6,398.3 million were 44% denominated in RMB, 48% in HKD and 8% in USD.

Lai Fung Group's guaranteed notes of HK$2,720.9 million were denominated in USD. Lai Fung Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

Lai Fung Group's presentation currency is denominated in HKD. Lai Fung Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. Lai Fung Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that the guaranteed notes have been effectively converted into HKD denominated debts and 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 facilities of the Group, including investment properties with a total carrying amount of approximately HK$10,890.3 million, properties under development with a total carrying amount of approximately HK$1,085.3 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$1,208.6 million and time deposits and bank balances of approximately HK$1,059.6 million.

As at 31 July 2019, the consolidated net assets attributable to the owners of the Company amounted to HK$9,098.6 million (2018: HK$9,259.5 million). The gearing ratio, being net debt (total borrowings of HK$10,065.3 million less pledged and restricted bank balances and time deposits of HK$1,173.9 million and cash and cash equivalents of HK$2,598.0 million) to net assets attributable to the owners of the Company was approximately 69.2%. Excluding the net debt of Lai Fung Group and MAGHL Group, the gearing ratio is approximately 7.9%.

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

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

During the year ended 31 July 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

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

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 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 and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as a Director (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company ("**AGM**") (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**Executive Directors**"). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage. 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 July 2019, the Group employed a total of around 2,570 (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 as well as attended non-deal roadshows and conference 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
April 2019	Post results non-deal roadshow	DBS	Hong Kong
April 2019	Post results non-deal roadshow	DBS	Singapore
April 2019	Post results non-deal roadshow	Daiwa	London
April 2019	Post results non-deal roadshow	DBS	New York / Syracuse
May 2019	Post results non-deal roadshow	DBS	Kuala Lumpur
September 2019	HSBC 3rd Annual Asia Credit Conference	The Hongkong and Shanghai Banking Corporation Limited	Hong Kong

The Company is keen on promoting investor relations and enhancing communication with the Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Investor Relations Department by phone on (852) 2853 6116 during normal business hours, by fax at (852) 2853 6651 or by e-mail at ir@esun.com.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 July 2019 including the accounting principles and practices adopted by the Company as well as the risk management and internal control and financial reporting matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2019 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Friday, 20 December 2019. Notice of the AGM together with the Company's Annual Report for the year ended 31 July 2019 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in mid-November 2019.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 22 October 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.