eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Interim Results for the Six Months Ended 31 January 2020

RESULTS

The board of directors ("**Board**" and "**Directors**", respectively) of eSun Holdings Limited ("**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries ("**Group**") for the six months ended 31 January 2020 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2020

		Six months ended 31 January	
	Notes	**2020 (Unaudited) *HK$'000***	2019 (Unaudited) *HK$'000*
TURNOVER	*4*	**1,107,375**	1,260,206
Cost of sales		**(562,250)**	(693,082)
Gross profit		**545,125**	567,124
Other revenue		**57,035**	55,566
Selling and marketing expenses		**(60,896)**	(40,657)
Administrative expenses		**(308,422)**	(297,045)
Other operating expenses, net		**(348,670)**	(214,059)
Fair value losses on investment properties		**(386,916)**	(312,139)
LOSS FROM OPERATING ACTIVITIES	*5*	**(502,744)**	(241,210)
Finance costs	*6*	**(158,895)**	(95,504)
Share of profits and losses of joint ventures		**(1,823)**	(22,344)
Share of profits and losses of associates		**(11)**	565
LOSS BEFORE TAX		**(663,473)**	(358,493)
Tax	*7*	**(219,026)**	(58,402)
LOSS FOR THE PERIOD		**(882,499)**	(416,895)
Attributable to:			
Owners of the Company		**(526,569)**	(254,863)
Non-controlling interests		**(355,930)**	(162,032)
		(882,499)	(416,895)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic		**(HK$0.353)**	(HK$0.171)
Diluted		**(HK$0.353)**	(HK$0.171)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2020

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(882,499)**	(416,895)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
Items that may be subsequently reclassified to the income statement:		
Exchange realignment on translation of foreign operations	**(431,649)**	352,358
Share of other comprehensive income of joint ventures	**452**	10,329
Share of other comprehensive loss of associates	**(9)**	(7)
Release of exchange reserve upon winding-up of a subsidiary	**–**	(10,621)
Items that will not be subsequently reclassified to the income statement:		
Change in fair value of equity investments at fair value through other comprehensive income	**–**	2,574
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(431,206)**	354,633
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(1,313,705)**	(62,262)
Attributable to:		
Owners of the Company	**(758,706)**	(68,314)
Non-controlling interests	**(554,999)**	6,052
	(1,313,705)	(62,262)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2020

	Notes	**31 January 2020 (Unaudited) *HK$'000***	31 July 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,877,088**	4,931,149
Right-of-use assets		**2,403,381**	–
Properties under development		**592,703**	713,590
Investment properties		**20,418,465**	20,424,800
Film rights		**34,918**	24,608
Film products		**71,240**	75,022
Music catalogs		**11,963**	15,629
Goodwill		**82,440**	82,440
Investments in joint ventures		**17,051**	22,993
Investments in associates		**1,165**	5,804
Financial assets at fair value through profit or loss		**59,654**	75,815
Deposits, prepayments and other receivables		**105,161**	96,237
Deferred tax assets		**11,833**	9,108
Derivative financial instruments		**24,323**	20,581
Total non-current assets		**27,711,385**	26,497,776
CURRENT ASSETS			
Properties under development		**1,128,752**	1,815,822
Completed properties for sale		**1,953,233**	966,132
Films under production and film investments		**419,295**	417,242
Inventories		**21,396**	19,031
Debtors	*10*	**234,314**	232,507
Financial assets at fair value through profit or loss		**134,723**	144,936
Deposits, prepayments and other receivables		**716,062**	637,799
Prepaid tax		**25,086**	42,031
Pledged and restricted time deposits and bank balances		**1,214,206**	1,173,895
Cash and cash equivalents		**1,888,989**	2,598,020
		7,736,056	8,047,415
Assets classified as held for sale		**16,645**	68,186
Total current assets		**7,752,701**	8,115,601
CURRENT LIABILITIES			
Creditors and accruals	*11*	**2,618,646**	2,577,378
Deposits received and contract liabilities	*12*	**857,470**	875,415
Lease liabilities		**160,703**	–
Tax payable		**256,230**	170,344
Interest-bearing bank loans		**1,112,297**	535,980
Other borrowings		**41,148**	41,440
Loans from fellow subsidiaries		**200,000**	900,000
Total current liabilities		**5,246,494**	5,100,557
NET CURRENT ASSETS		**2,506,207**	3,015,044
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,217,592**	29,512,820

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 January 2020

	Notes	**31 January 2020 (Unaudited)** ***HK$'000***	31 July 2019 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,217,592**	29,512,820
NON-CURRENT LIABILITIES			
Lease liabilities		**952,950**	–
Long-term deposits received	*12*	**140,299**	147,876
Interest-bearing bank loans		**5,726,132**	5,554,150
Other borrowings		**264,702**	262,894
Guaranteed notes		**2,703,874**	2,720,857
Loans from fellow subsidiaries		**432,359**	50,000
Deferred tax liabilities		**3,387,864**	3,351,747
Derivative financial instruments		**3,660**	–
Total non-current liabilities		**13,611,840**	12,087,524
Net assets		**16,605,752**	17,425,296
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**745,927**	745,927
Reserves		**7,868,433**	8,352,694
		8,614,360	9,098,621
Non-controlling interests		**7,991,392**	8,326,675
Total equity		**16,605,752**	17,425,296

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group ("**Financial Statements**") for the six months ended 31 January 2020 have not been audited by the Company's independent auditor but have been reviewed by the Company's Audit Committee.

The unaudited Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. SIGNIFICANT ACCOUNTING POLICIES

Except for the details below, the significant accounting policies and basis of preparation adopted in the preparation of these unaudited Financial Statements for the period under review are the same as those used in the Group's audited consolidated financial statements for the year ended 31 July 2019.

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)–Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)–Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)–Int 15 *Operating Leases – Incentives* and HK(SIC)–Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 August 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 August 2019, and the comparative information for prior periods was not restated and continued to be reported under HKAS 17 and related interpretations.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 16 Leases *(continued)*

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)–Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of cinema properties, offices, staff dormitory, warehouse and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 August 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition
Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the incremental borrowing rate at 1 August 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 August 2019 was about 4.0%. The Group elected to present the lease liabilities separately in the unaudited condensed consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 August 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. In addition, leasehold land previously included in property, plant and equipment on the consolidated statement of financial position as at 31 July 2019 were reclassified to the right-of-use assets on 1 August 2019. The Group elected to present the right-of-use assets separately in the unaudited condensed consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 August 2019. They continue to be measured at fair value applying HKAS 40.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 16 Leases *(continued)*

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 August 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on its assessment of whether leases are onerous immediately before the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Financial impact at 1 August 2019

The impacts arising from the adoption of HKFRS 16 as at 1 August 2019 are as follows:

	Increase/(decrease) (Unaudited) *HK$'000*
Assets	
Property, plant and equipment	(1,382,376)
Right-of-use assets	2,376,976
Deposits, prepayment and other receivables	(860)
Increase in total assets	993,740
Liabilities	
Creditors and accruals	(39,361)
Lease liabilities	1,033,101
Increase in total liabilities	993,740

The lease liabilities as at 1 August 2019 reconciled to the operating lease commitments as at 31 July 2019 is as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 31 July 2019	1,241,683
Add: Payments for optional extension periods not recognised as at 31 July 2019	118,660
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 July 2020 and commitments relating to leases of low-value assets	(132,100)
Less: Total future interest expenses	(195,142)
Lease liabilities as at 1 August 2019	1,033,101

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 16 Leases *(continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 July 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 August 2019:

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Completed properties for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate), or a change in assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3. OPERATING SEGMENT INFORMATION

Segment revenue/results:

	Six months ended 31 January															
	Property development		**Property investment**		**Hotel and serviced apartment**		**Media and entertainment**		**Film production and distribution**		**Cinema operation**		**Corporate and others**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	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*	***HK$'000***	*HK$'000*
Segment revenue:																
Sales to external customers	**175,186**	145,668	**342,638**	341,114	**78,168**	80,040	**202,827**	233,062	**111,354**	240,257	**194,576**	214,277	**2,626**	5,788	**1,107,375**	1,260,206
Intersegment sales	**–**	–	**1,191**	4,232	**–**	32	**86**	28	**5,252**	7,161	**675**	845	**1,006**	1,207	**8,210**	13,505
Other revenue	**393**	194	**9,491**	22,400	**113**	20	**1,491**	1,844	**1,671**	327	**20,204**	12,790	**914**	739	**34,277**	38,314
Total	**175,579**	145,862	**353,320**	367,746	**78,281**	80,092	**204,404**	234,934	**118,277**	247,745	**215,455**	227,912	**4,546**	7,734	**1,149,862**	1,312,025
Elimination of intersegment sales															**(8,210)**	(13,505)
Total revenue															**1,141,652**	1,298,520
Segment results	**126,142**	46,634	**(357,621)**	(137,911)	**(30,006)**	(8,613)	**20,503**	26,295	**(6,609)**	(36,610)	**(152,937)**	(45,557)	**(125,056)**	(97,187)	**(525,584)**	(252,949)
Unallocated interest and other revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**22,758**	17,252
Fair value gains/(losses) on cross currency swaps	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**3,742**	(5,513)
Fair value losses on foreign currency forward contract	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(3,660)**	–
Loss from operating activities															**(502,744)**	(241,210)
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(158,895)**	(95,504)
Share of profits and losses of joint ventures	**(107)**	(20,116)	**–**	–	**–**	–	**869**	(766)	**(778)**	(744)	**–**	–	**(1,807)**	(718)	**(1,823)**	(22,344)
Share of profits and losses of associates	**–**	–	**(8)**	23	**–**	–	**(30)**	(34)	**27**	113	**–**	463	**–**	–	**(11)**	565
Loss before tax															**(663,473)**	(358,493)
Tax															**(219,026)**	(58,402)
Loss for the period															**(882,499)**	(416,895)

3. OPERATING SEGMENT INFORMATION *(continued)*

Other segment information:

	Six months ended 31 January															
	Property development		**Property investment**		**Hotel and serviced apartment**		**Media and entertainment**		**Film production and distribution**		**Cinema operation**		**Corporate and others**		**Consolidated**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	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*	***HK$'000***	*HK$'000*
Fair value losses on investment properties	**–**	–	**(386,916)**	(312,139)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(386,916)**	(312,139)
Impairment of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(97,050)**	–	**–**	–	**(97,050)**	–

Segment assets/liabilities:

	Property development		**Property investment**		**Hotel and serviced apartment**		**Media and entertainment**		**Film production and distribution**		**Cinema operation**		**Corporate and others**		**Consolidated**	
	31 January 2020	31 July 2019	**31 January 2020**	31 July 2019	**31 January 2020**	31 July 2019	**31 January 2020**	31 July 2019	**31 January 2020**	31 July 2019	**31 January 2020**	31 July 2019	**31 January 2020**	31 July 2019	**31 January 2020**	31 July 2019
	(Unaudited)	(Audited)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Restated)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**3,737,355**	3,537,621	**22,327,760**	22,354,822	**3,122,868**	2,701,291	**360,071**	433,816	**907,607**	877,035	**1,526,067**	647,469	**2,796,046**	3,315,404	**34,777,774**	33,867,458
Investments in joint ventures	**1,210**	1,317	**–**	–	**–**	–	**12,142**	17,804	**1,228**	2,071	**–**	–	**2,471**	1,801	**17,051**	22,993
Investments in associates	**–**	–	**1,165**	5,804	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,165**	5,804
Unallocated assets															**651,451**	648,936
Assets classified as held for sale															**16,645**	68,186
Total assets															**35,464,086**	34,613,377
Segment liabilities	**641,385**	615,643	**947,719**	1,307,915	**885,283**	449,799	**97,202**	181,195	**481,131**	417,061	**1,199,800**	205,151	**199,801**	144,185	**4,452,321**	3,320,949
Unallocated liabilities															**14,406,013**	13,867,132
Total liabilities															**18,858,334**	17,188,081

4. TURNOVER

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

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover from contracts with customers		
Sale of properties	**175,186**	145,668
Hotel and serviced apartment operation	**78,168**	80,040
Theme park operation	**13,949**	–
Building management operation	**53,549**	54,321
Entertainment event income	**66,886**	77,354
Distribution commission income and licence fee income from film products and film rights	**109,944**	238,212
Album sales, licence income and distribution commission income from music publishing and licensing	**43,847**	42,808
Box-office takings, concessionary income and related income from cinemas	**194,576**	214,277
Artiste management fee income	**7,413**	9,768
Advertising income	**1,410**	2,045
Sale of game products	**84,681**	103,132
Sale of merchandising products	**2,626**	5,788
	832,235	973,413
Turnover from other sources		
Rental income from investment properties	**275,140**	286,793
Total turnover	**1,107,375**	1,260,206
Timing of recognition of turnover from contracts with customers		
At a point in time	**663,103**	811,357
Over time	**169,132**	162,056
	832,235	973,413

5. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment^	**139,957**	90,063
Depreciation of right-of-use assets^	**111,039**	–
Amortisation of film rights#	**1,826**	1,730
Amortisation of film products#	**39,631**	197,283
Amortisation of music catalogs#	**3,666**	1,487
Amortisation of other intangible assets#	**–**	310
Impairment of property, plant and equipment*	**97,050**	–
Impairment of advances and other receivables*	**609**	3,350
Impairment of amounts due from joint ventures*	**1,071**	311
Write-back of impairment of film rights*	**(12,000)**	–
Gain on disposal of an associate*	**–**	(19,705)
Gain on disposal of assets classified as held for sale*	**(49,632)**	–
Fair value losses/(gains) on cross currency swaps*	**(3,742)**	5,513
Fair value losses on foreign currency forward contract*	**3,660**	–
Fair value losses on financial assets at fair value through profit or loss*	**17,142**	–
Foreign exchange differences, net*	**(8,377)**	(13,503)

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

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

^ Depreciation charge of HK$229,438,000 (six months ended 31 January 2019: HK$77,858,000) is included in "Other operating expenses, net" on the face of the unaudited condensed consolidated income statement of which HK$35,987,000 (six months ended 31 January 2019: HK$46,979,000) is for hotels and serviced apartments and related leasehold improvements, HK$84,164,000 (six months ended 31 January 2019: Nil) is related to theme parks and HK$109,287,000 (six months ended 31 January 2019: HK$30,879,000) is related to cinema operation.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Lease liabilities	**25,149**	–
Bank loans	**160,130**	153,835
Other borrowings	**2,881**	2,895
Guaranteed notes	**74,126**	74,126
Loans from a joint venture	**–**	7,112
Loans from a fellow subsidiary	**12,796**	19,019
Amortisation of:		
Bank loans	**10,225**	15,993
Guaranteed notes	**2,336**	2,206
Bank financing charges and direct costs	**1,491**	4,919
Other finance costs	**592**	996
	289,726	281,101
Less: Capitalised in properties under development	**(20,708)**	(60,559)
Capitalised in investment properties under construction	**(92,443)**	(71,249)
Capitalised in construction in progress	**(17,680)**	(53,789)
	(130,831)	(185,597)
Total finance costs	**158,895**	95,504

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 31 January 2020 and 31 January 2019. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong		
Charge for the period	**829**	1,748
Overprovision in prior periods	**(96)**	(52)
	733	1,696
– Mainland China		
Corporate income tax		
Charge for the period	**65,220**	42,854
Overprovision in prior periods	**(150)**	(3)
Land appreciation tax		
Charge for the period	**52,803**	54,468
	117,873	97,319
	118,606	99,015
Deferred tax	**100,420**	(40,613)
Total tax charge for the period	**219,026**	58,402

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (six months ended 31 January 2019: 1,491,854,598) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 31 January 2020 in respect of a dilution as the impact of the share options of Lai Fung Holdings Limited ("**Lai Fung**", together with its subsidiaries collectively known as "**Lai Fung Group**") had an anti-dilutive effect on the basic loss per share amounts presented.

No adjustment had been made to the basic loss per share amounts presented for the period ended 31 January 2019 in respect of a dilution as the impact of the share options of Lai Fung and the Company had an anti-dilutive effect on the basic loss per share amounts presented.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2020 (six months ended 31 January 2019: Nil).

10. DEBTORS

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

An ageing analysis of the trade debtors, net of loss allowance, based on payment due date, as at 31 January 2020 and 31 July 2019 is as follows:

	31 January 2020 (Unaudited) ***HK$'000***	31 July 2019 (Audited) *HK$'000*
Trade debtors:		
Neither past due nor impaired	**153,164**	133,404
1 to 90 days past due	**58,322**	84,424
Over 90 days past due	**22,828**	14,679
Total	**234,314**	232,507

11. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased/payment due date, as at 31 January 2020 and 31 July 2019, is as follows:

	31 January 2020 (Unaudited) ***HK$'000***	31 July 2019 (Audited) *HK$'000*
Trade creditors:		
Less than 30 days	**254,397**	959,287
31 to 60 days	**9,047**	4,390
61 to 90 days	**4,962**	5,734
Over 90 days	**28,274**	8,456
	296,680	977,867
Other creditors and accruals	**2,044,219**	1,319,791
Put option liabilities	**277,747**	279,720
Total	**2,618,646**	2,577,378

12. DEPOSITS RECEIVED AND CONTRACT LIABILITIES

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

	31 January 2020 (Unaudited) ***HK$'000***	31 July 2019 (Audited) *HK$'000*
Deposits received	**416,099**	488,054
Contract liabilities	**581,670**	535,237
	997,769	1,023,291
Amount classified as current	**(857,470)**	(875,415)
Non-current portion	**140,299**	147,876

13. EVENT AFTER THE REPORTING PERIOD

On 21 February 2020, Holy Unicorn Limited ("**Offeror**", a wholly-owned subsidiary of Lai Sun Development Company Limited ("**LSD**")) made a conditional voluntary general cash offer to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD), including the Lai Fung shares owned by the Company, and to cancel all the outstanding share options of Lai Fung. The offer price for each Lai Fung share is HK$8.99 in cash. Details are set out in a joint announcement of the Company, LSD, Lai Sun Garment (International) Limited, Lai Fung and the Offeror dated 21 February 2020.

14. COMPARATIVE FIGURES

During the six months ended 31 January 2020, segment information of hotels and serviced apartments previously included in the "Property investment" segment has been reclassified to the "Hotel and serviced apartment" segment. Accordingly, the comparative segment information has been reclassified to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Media and Entertainment/Film Production and Distribution/Cinema Operation

Hong Kong entertainment industry, alongside tourism, catering and retail industries, had suffered from repercussions of a prolonged social unrest in the city emerging since mid-2019. The industry outlook was further clouded by the outbreak of the novel coronavirus (COVID-19) since early 2020. While the social unrest had led to a decline in the number tourist arrivals and, particularly, visitors from Mainland China, and in the foot traffic at shopping malls in Hong Kong, the outbreak of the novel coronavirus had dealt a further blow to consumption. Both of these events were unforeseen and had, in its own ways, impacted the economy and, unavoidably, the Group's business performance as well, during the six months ended 31 January 2020, and may have lingering effects into the rest of 2020.

In response to such unprecedented events, the Group had implemented certain measures aimed to contain the spread of the novel coronavirus, and to ensure the Group remains versatile. Such measures included, but are not limited to, (i) optimising costs and overheads; (ii) reducing operating hours of its cinemas in Hong Kong; and (iii) communicating closely and working amicably with its landlords with respect to rental concessions. Following the newly announced crowd control measures by the Hong Kong government on 27 March 2020, all cinemas of the Group in Hong Kong will be closed temporarily for 14 days, effective from 28 March 2020. The Group is prepared to consider and implement further short-term measures as and when needed to help reduce the risk of local community transmission.

Despite the short-term impacts brought about by the abovementioned events, the Group would like to reiterate its strong commitment to the long-term development of media and entertainment industry. Through dedicated management efforts and continual investments to accelerate growth of its fully-integrated media and entertainment platform, the Group strives to further solidify its industry positioning and be well-prepared to capture the opportunities of the entertainment market in Hong Kong and Mainland China.

- 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 ViuTV, 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.

- 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 – the Group now owns 95% equity interest in Intercontinental Group Holdings Limited, and has become one of the leading multiplex cinema operators in Hong Kong in terms of total number of cinemas and box office revenue, according to reports of Hong Kong Box Office Limited ("**HKBO**"). During the period under review, according to HKBO, Hong Kong market recorded total box office revenue of HK$792.5 million, representing a decrease of approximately 10.0% as compared to the six months ended 31 January 2019. The decline in the Group's box office revenue for the period under review as compared to the same period of last year was largely in line with the Hong Kong market. Such decline was mainly attributable to the temporary closure of certain cinemas amid the social unrest in Hong Kong and the delay in release for certain blockbuster films during the Lunar New Year in January 2020 as a result of the outbreak of the novel coronavirus. Nevertheless, the Group remains cautiously optimistic about the long-term potential of cinema operation in Hong Kong and Mainland China and has recently secured two new cinema sites, in Kai Tak and at Cyberport respectively. The new cinema at Cyberport is expected to open in the financial year ending 31 July 2020 and the new cinema in Kai Tak is expected to commence business in 2022. The Group intends to further expand its market share in cinema operation through improving the existing cinemas, upgrading the facilities of the existing cinemas and acquiring new cinema sites, and will closely monitor the market conditions in Hong Kong and Mainland China and continue to evaluate opportunities to further expand its footprint.

Mainland China Property Market

Over the period under review, the Chinese economy was predominantly shadowed by the uncertainties around the trade disputes with the United States. Coupled with the anti-speculation measures by the government, home prices across Mainland China grew at a much slower pace than in recent years. The Lunar New Year holiday in 2020 was extended because of the outbreak of the novel coronavirus. Containment measures including, but not limited to, restrictions on group gatherings and public events, closure of unnecessary public communal space and amenities, designated drop-off and pick-up points for parcel and food delivery to minimise contact, quarantine controls and denial of access for certain individuals, lockdown of residential communities, etc. were imposed by local governments. As a result, factories were closed, travels were restricted, and cities were effectively in lockdown for an extended period of time. Many developers in Mainland China were faced with suspension of sales and construction. While the long-term impact of such a global pandemic remains difficult to predict, the Group has been proactive in preparing for the challenges ahead, and will work closely with its stakeholders, and continue to prudently manage its financial position to weather the storm.

Top tier cities and the Greater Bay Area will remain as the primary drivers for the rental gross floor area ("**GFA**") growth of Lai Fung Holdings Limited ("**Lai Fung**", a non-wholly-owned subsidiary of the Company) and its subsidiaries (collectively, "**Lai Fung Group**") in the coming years. Upon completion of the construction works of the existing projects on hand, which include the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building, the development of Guangzhou Haizhu Plaza, and Phase II ("**Novotown Phase II**") of the Novotown project in Hengqin ("**Novotown**"), Lai Fung Group will have a rental portfolio of approximately 9.3 million square feet.

Aside from rental GFA growth, Lai Fung Group also strives to strengthen its rental portfolio through operational enhancements. The two themed indoor experience centres in Phase I ("**Novotown Phase I**") of Novotown, namely "Lionsgate Entertainment World®" and "National Geographic Ultimate Explorer Hengqin", commenced operations on 31 July 2019 and 9 September 2019, respectively. The hotel, known as "Hyatt Regency Hengqin" soft opened on 31 December 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 76% of the leasable area having been leased. The introduction of Zhuhai Da Hengqin Real Estate Co., Ltd. (珠海大横琴置業有限公司) in January 2020 strengthened the cash position for the operation of Novotown Phase I. Lai Fung Group will continue to explore and evaluate potential strategic alliances and financing alternatives to accelerate the growth of Novotown. Despite the temporary closure of Novotown Phase I as part of preventive and protective measures in light of the outbreak of the novel coronavirus since 24 January 2020, Lai Fung Group remains confident that the resumption of operations will make Novotown a new contributor to Lai Fung Group's results in the long run. Lai Fung Group is carefully monitoring the evolving situation, stays in close contact with local officials and will announce the reopening date upon confirmation. On 23 January 2020, Lai Fung Group renewed the management agreement with Ascott Group with respect to the serviced residence in Shanghai. Through extending the longstanding partnership with Ascott Group, Lai Fung Group wishes to continue to leverage on the Ascott Group's extensive experience and expertise in operating and branding serviced residences to enhance the value of the serviced residence to Lai Fung Group.

Lai Fung Group is in the process of obtaining the sales permit for the Shanghai Wuli Bridge Project, which is a high-end luxury residential project located by the Huangpu River in Huangpu District. Upon the grant of sales permit, Lai Fung Group will reassess the market conditions in preparation for the launch. Development of Phase III and Phase IV of Zhongshan Palm Spring is on track and expected to be completed in the third quarter of 2020 and the third quarter of 2021 respectively. Construction work of Novotown Phase I has been completed by end of 2019 pending for the filing of as-built inspection of office tower and cultural workshop tower with relevant construction administrative department of the Chinese government and the cultural workshops have been launched for sale during the period under review. The residential units in Shanghai Wuli Bridge project, serviced apartment units and remaining residential units in Zhongshan Palm Spring as well as the cultural studios and cultural workshops of Novotown Phase I are expected to contribute to the income of Lai Fung Group in the coming financial years.

Lai Fung Group will consider replenishing its landbank as and when opportunities arise, and will take into account, amongst other factors, overall macroeconomic conditions, Lai Fung Group's existing presence in the relevant cities, and allocation of risks etc.

Other Business Updates

The disposal ("**Novotown Phase I Sale**") of the Group's 20% equity interest in Novotown Phase I project to Lai Sun Development Company Limited ("**LSD**") 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.

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 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 the 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 on 26 September 2019.

On 21 February 2020, the Company announced that Lai Fung has been approached by LSD and its wholly-owned subsidiary, Holy Unicorn Limited ("**Offeror**") in connection with a conditional voluntary general cash offer ("**LFH Offer**") to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of Lai Fung. As at the date of this results announcement, Lai Fung is a 50.99%-owned subsidiary of the Company and the disposal of all the Lai Fung shares owned by the Company ("**eSun Disposal**") as a result of its acceptance of the LFH Offer will transform the remaining Group into a pure-play cinema, media and entertainment company and provide it with the funding to reinforce its industry position and accelerate growth in its business of the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products and cinema operation. The eSun Disposal will constitute a very substantial disposal and a connected transaction for the Company and is subject to the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. Trinity Corporate Finance Limited ("**eSun IFA**") has been appointed as the independent financial adviser of the Company to advise on the eSun Disposal. A circular containing, amongst other things, details of the LFH Offer and the eSun Disposal and the letter of advice from the eSun IFA to the independent board committee of the Company are expected to be despatched to Shareholders on or about 14 April 2020.

As at 31 January 2020, the Group's consolidated cash and bank deposits amounted to HK$3,103.2 million (HK$380.4 million excluding Lai Fung Group and Media Asia Group Holdings Limited ("**MAGHL**", a non-wholly-owned subsidiary of the Company, together with its subsidiaries ("**MAGHL Group**")) (31 July 2019: HK$3,771.9 million (HK$339.7 million excluding Lai Fung Group and MAGHL Group)) and the net debt to equity ratio as at 31 January 2020 increased to 85.6% (31 July 2019: 69.2%). Excluding the net debt of Lai Fung Group and MAGHL Group, the gearing ratio is approximately 0.2%. The Group will continue its prudent and flexible approach in managing its financial position.

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2020, the Group recorded a turnover of HK$1,107.4 million, representing a decrease of 12.1% from that of HK$1,260.2 million for the same period of last year. The gross profit dropped slightly by approximately 3.9% to HK$545.1 million (2019: HK$567.1 million).

For the six months ended 31 January 2020, net loss attributable to owners of the Company was approximately HK$526.6 million (2019: net loss of HK$254.9 million). Net loss per share attributable to owners of the Company was HK$0.353 (2019: net loss of HK$0.171 per share). The substantial increase in consolidated loss for the period under review is primarily due to (i) an increase in fair value losses on investment properties of the Group; (ii) an impairment of certain property, plant and equipment; and (iii) the increased finance costs as a result of a decrease in capitalisation of finance costs in relation to certain projects, the development of which have been completed, during the period under review.

Net loss attributable to owners of the Company for the six months ended 31 January 2020 excluding the effect of property revaluations was approximately HK$403.4 million (2019: net loss of HK$136.5 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK$0.270 per share (2019: net loss of HK$0.091 per share).

Loss attributable to owners of the Company	**Six months ended 31 January**	
	2020	2019
	HK$'million	HK$'million
Reported	**(526.6)**	(254.9)
Adjustments in respect of investment properties		
Revaluation of properties	**200.5**	157.8
Deferred tax on investment properties	**(50.1)**	(39.5)
Non-controlling interests' share of revaluation movements less deferred tax	**(27.2)**	0.1
Net loss after tax excluding revaluation of investment properties	**(403.4)**	(136.5)

Equity attributable to owners of the Company as at 31 January 2020 amounted to HK$8,614.4 million (31 July 2019: HK$9,098.6 million). Net asset value per share attributable to owners of the Company as at 31 January 2020 was HK$5.774 per share (31 July 2019: HK$6.099 per share).

Media and Entertainment

For the six months ended 31 January 2020, this segment recorded a turnover of HK$202.8 million (2019: HK$233.1 million) and segment results decreased slightly to HK$20.5 million from that of HK$26.3 million in the same period last year.

Live Entertainment

During the period under review, the Group organised and invested in 39 (2019: 46) shows by popular local, Asian and internationally renowned artistes, including EXO, Ivana Wong, Miriam Yeung and Jan Lamb.

Music Production, Distribution and Publishing

For the six months ended 31 January 2020, the Group released 12 (2019: 36) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On and Nowhere Boys. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Programme Production and Distribution

For the six months ended 31 January 2020, this segment recorded a turnover of HK$111.4 million (2019: HK$240.3 million) and segment results of a loss of HK$6.6 million (2019: a loss of HK$36.6 million).

During the period under review, a total of 4 films produced/invested by the Group was theatrically released, namely *Bodies at Rest*, *Fagara*, *The Climbers* and *A Witness Out of the Blue*. The Group also distributed 17 (2019: 22) films and 179 (2019: 290) videos with high profile titles including *1917*, *Gemini Man*, *Men in Black: International*, *Avengers: Endgame*, *Spider-Man: Far From Home*, *Fast & Furious Presents: Hobbs & Shaw*, *The Lion King*, *Toy Story 4* and *John Wick: Chapter 3-Parabellum.*

Cinema Operation

For the six months ended 31 January 2020, this segment recorded a turnover of HK$194.6 million (2019: HK$214.3 million) and segment results of a loss of HK$152.9 million (2019: HK$45.6 million). The substantial increase in segmental losses of the cinema operation of the Group is primarily due to impairment of property, plant and equipment of certain cinemas, the performance of which was not as expected during the period under review. As at the date of this results announcement, the Group operates ten cinemas in Hong Kong and three cinemas in Mainland China. Details on the number of screens and seats of each existing cinema are as follows:

Cinema	**Attributable interest to the Group** (%)	**No. of screens** *(Note)*	**No. of seats** *(Note)*
Mainland China			
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	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**

Note: On 100% basis

Property Portfolio Composition

As at 31 January 2020, all major properties of the Group in Mainland China are held through Lai Fung Group. Set out below are the approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 January 2020:

	Commercial/ Retail	Office	Hotels and serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental (Note 1)	1,231 (Note 2)	539	–	–	1,770	1,149
Completed Hotel Properties and Serviced Apartments	–	–	493	–	493	–
Properties under Development (Note 3)	1,731	782	175	994	3,682	1,676
Completed Properties Held for Sale	17 (Note 4)	–	–	232	249	1,096
Total GFA of major properties of Lai Fung Group attributable to the Group (Note 5)	**2,979**	**1,321**	**668**	**1,226**	**6,194**	**3,921**

Notes:

1. *Completed and rental generating properties*

2. *Including cultural attraction spaces in Novotown Phase I that have been occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin with approximately 98,192 square feet and 20,368 square feet attributable to the Group, respectively*

3. *All properties under construction*

4. *Completed properties for sale, including 17,028 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use*

5. *As at 31 January 2020, Lai Fung is a 50.53%-owned subsidiary of the Company.*

Property Investment

Rental Income

For the six months ended 31 January 2020, Lai Fung Group's rental operations recorded a turnover of HK$406.9 million. The average Renminbi exchange rate for the period under review depreciated by approximately 2.6% compared with the last corresponding period. Excluding the effect of currency translation, the Renminbi denominated revenue from lease of properties decreased slightly by 0.8% to RMB366.7 million.

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

	Six months ended 31 January			**Six months ended 31 January**			
	2020# HK$'million	2019# HK$'million	Approximate change (%)	**2020 RMB'million**	2019 RMB'million	Approximate change (%)	**Period end occupancy (%)**
Shanghai							
Shanghai Hong Kong Plaza	**209.0**	227.5	-8.1	**188.4**	199.7	-5.7	Retail: 97.5 Office: 90.4 Serviced Apartments: 64.1
Shanghai May Flower Plaza	**35.7**	32.7	+9.2	**32.2**	28.7	+12.2	Retail: 100.0 Hotel: 57.7
Shanghai Regents Park	**11.7**	10.6	+10.4	**10.6**	9.3	+14.0	100.0
Guangzhou							
Guangzhou May Flower Plaza	**60.7**	62.7	-3.2	**54.7**	55.1	-0.7	98.3
Guangzhou West Point	**12.7**	13.1	-3.1	**11.4**	11.5	-0.9	99.9
Guangzhou Lai Fung Tower	**61.5**	62.9	-2.2	**55.4**	55.2	+0.4	Retail: 100.0 Office: 98.9*
Zhongshan							
Zhongshan Palm Spring**	**2.2**	4.7	-53.2	**2.0**	4.1	-51.2	Retail: 84.4*
Hengqin							
Hengqin Novotown	**5.7**	–	N/A	**5.1**	–	N/A	Retail: 75.8*** Hotel: N/A****
Others	**7.7**	7.0	+10.0	**6.9**	6.1	+13.1	N/A
Total	**406.9**	421.2	-3.4	**366.7**	369.7	-0.8	

\# *The exchange rates adopted for the six months ended 31 January 2020 and 2019 are 0.9012 and 0.8780, respectively.*

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed and the serviced apartment units were launched for sale in May 2019, hence no rental turnover was generated from that during the period under review.*

*** *Including spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin*

**** *Hyatt Regency Hengqin soft opened on 31 December 2019 has been temporarily closed since 1 February 2020 due to the outbreak of the novel coronavirus in Mainland China.*

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

	Six months ended 31 January 2020			Six months ended 31 January 2019		
	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	**50.53%**			50.60%		
Retail		**98.4**	**468,434**		106.9	468,434
Office		**51.6**	**362,096**		57.5	362,096
Serviced Apartments (room revenue and F&B)		**56.0**	**355,267**		60.0	355,267
Car-parking Spaces		**3.0**	**N/A**		3.1	N/A
		209.0	**1,185,797**		227.5	1,185,797
Shanghai May Flower Plaza	**50.53%**			50.60%		
Retail		**17.3**	**320,314**		13.5	320,314
Hotel (room revenue and F&B)		**16.5**	**143,846**		17.3	143,846
Car-parking Spaces		**1.9**	**N/A**		1.9	N/A
		35.7	**464,160**		32.7	464,160
Shanghai Regents Park	**48.00%**			48.07%		
Retail		**10.6**	**82,062**		8.9	82,062
Car-parking Spaces		**1.1**	**N/A**		1.7	N/A
		11.7	**82,062**		10.6	82,062
Guangzhou						
Guangzhou May Flower Plaza	**50.53%**			50.60%		
Retail		**52.8**	**357,424**		54.8	357,424
Office		**6.5**	**79,431**		6.6	79,431
Car-parking Spaces		**1.4**	**N/A**		1.3	N/A
		60.7	**436,855**		62.7	436,855
Guangzhou West Point	**50.53%**			50.60%		
Retail		**12.7**	**171,968**		13.1	171,968
Guangzhou Lai Fung Tower	**50.53%**			50.60%		
Retail		**7.5**	**112,292**		8.1	99,054
Office		**51.1**	**625,821**		52.1	606,495
Car-parking Spaces		**2.9**	**N/A**		2.7	N/A
		61.5	**738,113**		62.9	705,549
Zhongshan						
Zhongshan Palm Spring	**50.53%**			50.60%		
Retail*		**2.2**	**147,408**		1.9	147,408
Serviced Apartments** (room revenue)		**–**	**–**		2.8	98,556
		2.2	**147,408**		4.7	245,964
Hengqin						
Novotown Phase I	**40.42%**			60.48%		
Retail***		**0.1**	**682,076**		–	N/A
Hotel (room revenue and F&B)		**5.6**	**594,756**		–	N/A
		5.7	**1,276,832**		–	N/A
Others		**7.7**	**N/A**		7.0	N/A
Total		**406.9**	**4,503,195**		421.2	3,292,355

On 100% basis

* *Excluding self-use area*

** *STARR Resort Residence Zhongshan has been closed and the serviced apartment units were launched for sale in May 2019.*

*** *Excluding the cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin*

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 355,300 square feet for serviced apartment, and approximately 468,400 square feet for shopping mall. Anchor tenants, as at the date of this results announcement, include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki, etc.

Lai Fung Group owns 100% of this property.

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

Lai Fung Group owns 100% of the retail podium which has a total GFA of approximately 320,300 square feet including the basement commercial area. The asset is positioned as a community retail facility. The Group secured a lease with Hema Fresh (盒馬鮮生), which is one of the first supermarkets opened in Mainland China under Alibaba Group's New Retail initiatives.

Shanghai Regents Park
Shanghai Regents Park is a large-scale mixed-use 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 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 period end was approximately 84.4%.

Hengqin Novotown Phase I
Novotown Phase I is an integrated tourism and entertainment project located in the heart of Hengqin, being one of the core cities in Guangdong province within the Greater Bay Area of Mainland China, with close proximity to Macau and Hong Kong. Novotown Phase I comprises a 493-room hotel (operating under the “Hyatt Regency” brand), offices, cultural workshops, cultural studios, shopping and leisure facilities and 1,844 car-parking spaces. The GFA breakdown by usage of Novotown Phase I excluding ancillary facilities and car-parking spaces as at 31 January 2020 is set out below:

Usage	**GFA** (square feet)
Cultural themed hotel	594,756
Cultural commercial area	526,117
Performance halls	155,959
Cultural attractions (Lionsgate Entertainment World®)	242,906
Cultural attractions (National Geographic Ultimate Explorer Hengqin)	50,386
Office	543,020
Cultural workshops (for sale)	432,025
Cultural studios (for sale)	198,391
Total	**2,743,560**

The period under review had been remarkable to Novotown as numerous project milestones had been achieved. Lionsgate Entertainment World® 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 commenced operation on 31 July 2019. The family edutainment center, National Geographic Ultimate Explorer Hengqin, 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 officially commenced operations on 9 September 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 76% of the leasable area let. Despite the temporary closure of the project as part of preventive and protective measures in light of the outbreak of the novel coronavirus since 24 January 2020, Lai Fung Group remains confident that the resumption of operations will make Novotown a new contributor to Lai Fung Group’s results in the long run.

Lai Fung Group owns 80% of Novotown Phase I.

Hotels 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 82.8% was achieved during the period under review and the average room tariff was approximately HK$1,130.

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 74.2% was achieved during the period under review and the average room tariff was approximately HK$500.

Hyatt Regency Hengqin
Hyatt Regency Hengqin soft opened on 31 December 2019 is located in Novotown Phase I, the heart of the Greater Bay Area and is within easy reach of the bridge linking Zhuhai with Hong Kong and Macau. Hyatt Regency Hengqin with total GFA of approximately 594,800 square feet and approximately 475,800 square feet attributable to Lai Fung Group has 493 guest rooms including 55 suites ranging in size from 430 sq.ft. to 2,580 sq.ft., a wide range of dining options, as well as banqueting and conference facilities of over 40,000 square feet.

Property Development

Recognised Sales

For the six months ended 31 January 2020, Lai Fung Group's property development operations recorded a turnover of HK$175.2 million from sale of properties, representing a 20.2% increase compared to the last corresponding period. Total recognised sales was primarily driven by the sales performance of cultural studios of Novotown Phase I and residential units of Zhongshan Palm Spring during the period under review.

Breakdown of turnover for the six months ended 31 January 2020 from sales of properties is as follows:

Recognised basis	No. of units	Approximate GFA (Square feet)	Average selling price[#] (HK$/square foot)	Turnover* (HK$'million[##])	(RMB'million)
Zhongshan Palm Spring					
Residential High-rise Units	13	17,556	1,667	27.9	25.1
Residential House Units	10	21,105	2,565	51.5	46.5
Hengqin Novotown Phase I					
Cultural Studios	7	22,315	4,175	88.7	79.9
Subtotal	**30**	**60,976**	**2,896**	**168.1**	**151.5**
Shanghai Regents Park					
Car-parking Spaces	6			3.8	3.4
Guangzhou Eastern Place					
Car-parking Spaces	2			2.1	1.9
Guangzhou West Point					
Car-parking Spaces	2			1.2	1.1
Total				**175.2**	**157.9**

Before business tax and value-added tax inclusive

The exchange rate adopted for the six months ended 31 January 2020 is 0.9012.

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

Contracted Sales

As at 31 January 2020, Lai Fung Group's property development operations has contracted but not yet recognised sales of HK$332.7 million, comprising HK$84.3 million and HK$245.7 million from sales of residential units and serviced apartment units in Zhongshan Palm Spring and cultural studios and cultural workshops in Novotown Phase I, respectively and HK$2.7 million from sales of car-parking spaces in Shanghai Regents Park and Guangzhou King's Park. Sales of the cultural studios and cultural workshops of Novotown Phase I were strong and achieved an average selling price of HK$4,537 and HK$3,411 per square foot, respectively. The cultural workshops of Novotown Phase I were launched for sale during the period under review. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, serviced apartment units, cultural studios, cultural workshops and car-parking spaces as at 31 January 2020 amounted to RMB299.8 million (31 July 2019: RMB207.8 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2020 is as follows:

Contracted basis	No. of units	Approximate GFA (Square feet)	Average selling price# (HK$/square foot)	Turnover# (HK$'million##)	(RMB'million)
Zhongshan Palm Spring					
Residential High-rise Units	25	30,936	1,555	48.1	43.4
Residential House Units	3	6,379	3,135	20.0	18.0
Serviced Apartment Units###	11	11,387	1,423	16.2	14.6
Hengqin Novotown Phase I					
Cultural Studios	7	30,282	4,537	137.4	123.8
Cultural Workshops	47	31,754	3,411	108.3	97.6
Subtotal	**93**	**110,738**	**2,980**	**330.0**	**297.4**
Shanghai Regents Park					
Car-parking Spaces	3			2.0	1.8
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Subtotal				**2.7**	**2.4**
Total				**332.7**	**299.8**

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

\## *The exchange rate adopted for the six months ended 31 January 2020 is 0.9012.*

\### *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 net of cost will be included in other operating income in the unaudited condensed 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 the 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 be completed in the second half 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 the Group is in the process of obtaining the sales permit.

Shanghai May Flower Plaza
Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 January 2020, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$100.0 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 January 2020, a total of 247 car-parking spaces of this development remained unsold with a carrying amount of approximately HK$58.3 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. As at 31 January 2020, the contracted but not yet recognised sales of the 1 car-parking space amounted to approximately HK$0.7 million and the 13 unsold car-parking spaces have a total carrying amount of approximately HK$9.4 million.

Guangzhou Haizhu Plaza
Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 580,800 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 will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

During the period under review, 17,556 square feet of high-rise residential units and 21,105 square feet of house units were recognised at average selling prices of HK$1,667 and HK$2,565 per square foot, respectively, which contributed a total of HK$79.4 million to the sales turnover. As at 31 January 2020, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK$48.1 million and HK$20.0 million, at average selling prices of HK$1,555 and HK$3,135 per square foot, respectively.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex was closed. The serviced apartment units were launched for sale in May 2019 and have been re-classified from "Property, property and equipment" to "Assets classified as held for sale" in the consolidated statement of financial position of the Group. As at 31 January 2020, contracted but not yet recognised sales for serviced apartment units amounted to HK$16.2 million, at an average selling price of HK$1,423 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 income in the unaudited condensed consolidated income statement of the Group.

As at 31 January 2020, completed units held for sale in this development, including high-rise residential units, house units and serviced apartment units, amounted to approximately 261,000 square feet with a total carrying amount of approximately HK$213.7 million. The carrying amount of the 1,215 unsold car-parking spaces of this development as at 31 January 2020 was approximately HK$109.5 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
Construction work of Novotown Phase I has been completed by end of 2019 pending for the filing of as-built inspection of office tower and cultural workshop tower with relevant construction administrative department of the Chinese government.

Sales of the cultural studios of Novotown Phase I were strong. During the period under review, sales of 22,315 square feet was recognised at an average selling price of HK$4,175 per square foot, which contributed HK$88.7 million to Lai Fung Group's turnover. As at 31 January 2020, contracted but not yet recognised sales for cultural studios and cultural workshops amounted to HK$137.4 million and HK$108.3 million, at an average selling price of HK$4,537 and HK$3,411 per square foot, respectively. Completed cultural studios held for sale in this development as at 31 January 2020 amounted to approximately 150,916 square feet with a carrying amount of approximately HK$280.6 million.

Lai Fung Group owns 80% of Novotown Phase I.

Hengqin Novotown Phase II
In June 2017, Lai Fung Group entered into a licence agreement with Real Madrid Club de Fútbol in relation to the development and operation of a location based entertainment centre, 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 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 Motor Holding S.p.A. 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 The Land and Resources Bureau of Zhuhai 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.

Construction works for Novotown Phase II were inevitably affected by the recent outbreak of, and the containment measures around, the novel coronavirus. Management has been closely monitoring the development of the situation, and will adhere to the measures as announced by the local government from time to time. Through communicating and working amicably with project partners, Lai Fung Group is confident that damages as a result of any of such delay can be minimised.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2020, cash and bank balances held by the Group amounted to HK$3,103.2 million (31 July 2019: HK$3,771.9 million) of which around 28.9% was denominated in Hong Kong dollars ("**HKD**") and United States dollars ("**USD**"), and around 70.3% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 January 2020 was HK$380.4 million (31 July 2019: HK$339.7 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 and forward contract arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 January 2020, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$10,480.5 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 January 2020, the Group had guaranteed general banking facilities granted by certain banks. As at 31 January 2020, the Group had outstanding bank loans of HK$134.5 million and utilised letter of credit and letter of guarantee facilities of HK$1.9 million. The maturity profile of the Group's bank loans is spread with HK$62.9 million repayable within one year, HK$17.9 million repayable in the second year and HK$53.7 million repayable in the third year. All bank loans are on floating rate basis and are denominated in HKD.

Apart from the bank loans, the Group had outstanding loans of HK$50.0 million from Hibright Limited ("**Hibright**"), which is a wholly-owned subsidiary of LSD. The loans are on floating rate basis, denominated in HKD and repayable in the second year. The Group has the undrawn facilities of HK$218.1 million as at 31 January 2020.

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$99.8 million for the said unsecured other borrowings as at 31 January 2020. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 January 2020.

MAGHL

As at 31 January 2020, MAGHL has unsecured and interest-bearing loans from Hibright and the Company of HK$200.0 million and HK$132.0 million respectively. The maturity profile of the loans is spread with HK$300.0 million repayable within one year and HK$32.0 million repayable in the third year. The loans are on floating rate basis and are denominated in HKD.

Lai Fung

As at 31 January 2020, Lai Fung Group had total borrowings in the amount of HK$9,883.2 million comprising bank loans of HK$6,703.9 million, guaranteed notes of HK$2,703.9 million, loans from a fellow subsidiary of HK$382.3 million and other borrowings of HK$93.1 million. The maturity profile of Lai Fung Group's borrowings of HK$9,883.2 million is well spread with HK$1,090.6 million repayable within one year, HK$3,340.5 million repayable in the second year, HK$4,329.4 million repayable in the third to fifth years, and HK$1,122.7 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK$3,756.0 million as at 31 January 2020.

Approximately 32% and 64% 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$7,179.3 million were 49% denominated in RMB, 44% in HKD and 7% in USD.

Lai Fung Group's guaranteed notes of HK$2,703.9 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. In addition, certain bank loans of Lai Fung Group with a total carrying amount of HK$446.5 million were denominated in USD. Lai Fung Group has entered into a forward contract with a financial institution and the bank loans 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 and certain USD bank loans 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 and forward contract 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$11,698.3 million, completed properties for sales with a total carrying amount of approximately HK$1,089.4 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK$1,175.1 million and time deposits and bank balances of approximately HK$1,069.3 million.

As at 31 January 2020, the consolidated net assets attributable to the owners of the Company amounted to HK$8,614.4 million (31 July 2019: HK$9,098.6 million). The gearing ratio, being net debt (total borrowings of HK$10,480.5 million less pledged and restricted bank balances and time deposits of HK$1,214.2 million and cash and cash equivalents of HK$1,889.0 million) to net assets attributable to the owners of the Company was approximately 85.6%. Excluding the net debt of Lai Fung Group and MAGHL Group, the gearing ratio is approximately 0.2%.

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.

CONTINGENT LIABILITIES

There has been no material change in contingent liabilities of the Group since 31 July 2019.

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

During the six months ended 31 January 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rule**s") throughout the six months ended 31 January 2020 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, subject to re-election.

None of the existing non-executive Directors ("**NEDs**", including the independent non-executive directors ("**INEDs**")) is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Bye-laws of the Company, which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board 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 (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 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**"). 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. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2020, the Group employed a total of around 2,770 (31 January 2019: 1,990) 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 2019, the Company has met with a number of research analysts and investors as well as attended non-deal roadshows and conferences as follows:

Month	Event	Organiser	Location
September 2019	HSBC 3rd Annual Asia Credit Conference	HSBC	Hong Kong
October 2019	J.P. Morgan Asia Credit Conference	J.P. Morgan	Hong Kong
November 2019	Post results non-deal roadshow	DBS	Hong Kong
November 2019	Post results non-deal roadshow	DBS	Singapore
November 2019	Post results non-deal roadshow	DBS	New York / Philadelphia / Los Angeles / San Francisco
November 2019	Post results non-deal roadshow	DBS	London
January 2020	Daiwa Hong Kong Expert Series – Hengqin & its position in the Greater Bay Area	Daiwa	Hong Kong

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

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2020, the accounting principles and practices adopted by the Company as well as internal control and financial reporting matters.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 27 March 2020

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.