



**eSun Holdings Limited**

**豐德麗控股有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

# **INTERIM REPORT**

For the six months ended 31 January 2014

## CORPORATE INFORMATION

### Place of Incorporation

Bermuda

### Board of Directors

#### *Executive Directors*

Lui Siu Tsuen, Richard (*Chief Executive Officer*)

Chew Fook Aun

Lam Hau Yin, Lester

Yip Chai Tuck

#### *Non-executive Directors*

U Po Chu

Andrew Y. Yan

#### *Independent Non-executive Directors*

Low Chee Keong (*Chairman*)

Lo Kwok Kwei, David

Ng Lai Man, Carmen

Alfred Donald Yap

### Audit Committee

Ng Lai Man, Carmen (*Chairwoman*)

Low Chee Keong

Alfred Donald Yap

### Remuneration Committee

Low Chee Keong (*Chairman*)

Chew Fook Aun

Lui Siu Tsuen, Richard

Ng Lai Man, Carmen

Alfred Donald Yap

### Authorised Representatives

Chew Fook Aun

Lui Siu Tsuen, Richard

### Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### Principal Office

11th Floor, Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon, Hong Kong

Tel: (852) 2741 0391

Fax: (852) 2785 2775

### Company Secretary

Chung Yim Hung Eliza

### Share Registrar and Transfer Office in Bermuda

MUFG Fund Services (Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

### Branch Share Registrar and Transfer Office in Hong Kong

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong\*

### Independent Auditors

Ernst & Young

Certified Public Accountants

### Principal Bankers

The Bank of East Asia, Limited

China CITIC Bank Corporation Limited

DBS Bank Ltd., Hong Kong Branch

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

### Shares Information

#### *Place of Listing*

The Main Board of The Stock Exchange of Hong Kong Limited

#### *Stock Code*

571

#### *Board Lot*

2,000 shares

### Website

www.esun.com

### Investor Relations

Tel: (852) 2853 6116

Fax: (852) 2853 6651

E-mail: ir@esun.com

\* The above address of Tricor Tengis Limited will become effective from 31 March 2014.

## RESULTS

The board of directors (“Board” and “Directors” respectively) of eSun Holdings Limited (“Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 31 January 2014 together with the comparative figures of the last corresponding period as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2014

	Notes	Six months ended	
		31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
<b>TURNOVER</b>	3	<b>1,220,405</b>	1,115,115
Cost of sales		<b>(767,569)</b>	(779,819)
Gross profit		<b>452,836</b>	335,296
Other revenue	4	<b>119,163</b>	91,365
Selling and marketing expenses		<b>(68,986)</b>	(74,366)
Administrative expenses		<b>(330,481)</b>	(316,843)
Other operating gains		<b>38,231</b>	28,556
Other operating expenses		<b>(172,546)</b>	(108,874)
Fair value gains on investment properties		<b>597,147</b>	324,560
PROFIT FROM OPERATING ACTIVITIES	5	<b>635,364</b>	279,694
Finance costs	6	<b>(206,676)</b>	(89,161)
Share of profits and losses of joint ventures		<b>9,094</b>	(9,278)
Share of profits and losses of associates		<b>(505)</b>	(282)
PROFIT BEFORE TAX		<b>437,277</b>	180,973
Income tax expense	7	<b>(150,445)</b>	(135,567)
<b>PROFIT FOR THE PERIOD</b>		<b>286,832</b>	45,406
Attributable to:			
Owners of the Company		<b>113,547</b>	(28,932)
Non-controlling interests		<b>173,285</b>	74,338
		<b>286,832</b>	45,406
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	8		
Basic		<b>HK\$0.091</b>	(HK\$0.023)
Diluted		<b>HK\$0.091</b>	(HK\$0.023)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2014

	Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>286,832</b>	45,406
<b>OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX</b>		
Exchange realignment on translation of foreign operations	<b>198,123</b>	105,448
Reclassification adjustments relating to disposal of foreign operations during the period	<b>(1,763)</b>	—
Change in fair value of an available-for-sale investment	<b>5,776</b>	23,324
Share of other comprehensive income of joint ventures	<b>14,315</b>	291
Net gain on cash flow hedges	<b>63,979</b>	—
<b>OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX</b>	<b>280,430</b>	129,063
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>567,262</b>	174,469
Attributable to:		
Owners of the Company	<b>262,257</b>	41,041
Non-controlling interests	<b>305,005</b>	133,428
	<b>567,262</b>	174,469

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2014

	Notes	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,864,701	2,736,990
Properties under development		542,553	495,504
Investment properties		12,694,269	11,867,497
Film rights		41,506	47,225
Film products		117,631	101,223
Music catalogs		18,361	20,665
Goodwill	16, 18	123,440	10,435
Other intangible assets	18	—	64,018
Investments in joint ventures		1,120,124	1,092,289
Investments in associates		32,618	17,856
Available-for-sale investments		164,267	158,491
Deposit for acquisition of land use rights		333,540	—
Deposits, prepayments and other receivables		44,306	89,147
Derivative financial instruments		36,414	—
Deferred tax assets		5,323	—
Total non-current assets		18,139,053	16,701,340
<b>CURRENT ASSETS</b>			
Properties under development		881,373	1,059,062
Completed properties for sale		1,619,035	1,480,161
Loans receivable		—	11,000
Films under production		178,816	141,376
Inventories		32,315	8,987
Debtors	10	174,325	166,735
Deposits, prepayments and other receivables		518,326	478,296
Options	18	—	21,579
Prepaid tax		47,411	47,092
Pledged and restricted time deposits and bank balances		2,029,532	2,057,388
Cash and cash equivalents		3,741,587	4,832,685
Total current assets		9,222,720	10,304,361
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	11	1,080,441	881,573
Deposits received and deferred income		306,479	285,655
Tax payable		488,413	504,784
Finance lease payables		3	74
Interest-bearing bank loans, secured		362,518	617,470
Convertible notes	12	196,019	190,882
Fixed rate senior notes	13	1,431,253	1,427,090
Total current liabilities		3,865,126	3,907,528
<b>NET CURRENT ASSETS</b>		<b>5,357,594</b>	<b>6,396,833</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>23,496,647</b>	<b>23,098,173</b>

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

31 January 2014

	Notes	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>23,496,647</b>	23,098,173
<b>NON-CURRENT LIABILITIES</b>			
Long-term deposits received		97,611	77,021
Finance lease payables		9	66
Interest-bearing bank loans, secured		1,898,727	1,774,856
Other borrowings		238,138	234,515
Convertible notes	12	63,286	60,357
Fixed rate senior notes	13	2,256,748	2,223,610
Derivative financial instruments		—	43,712
Deferred tax liabilities		2,487,733	2,367,086
Total non-current liabilities		7,042,252	6,781,223
Net assets		16,454,395	16,316,950
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	14	621,606	621,606
Reserves		8,245,051	7,685,314
		8,866,657	8,306,920
<b>Non-controlling interests</b>		<b>7,587,738</b>	8,010,030
Total equity		16,454,395	16,316,950

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2014

## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Issued capital	Share premium account	Contributed surplus	Share option reserve	Investment revaluation reserve	Hedge reserve	Exchange reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 August 2013 (Audited)	621,606	4,230,797	891,289	15,258	8,570	(29,516)	196,787	375,271	1,996,858	8,306,920	8,010,030	16,316,950
Profit for the period	–	–	–	–	–	–	–	–	113,547	113,547	173,285	286,832
Other comprehensive income/(loss) for the period, net of tax:												
Exchange realignment on translation of foreign operations	–	–	–	–	–	–	101,527	–	–	101,527	96,596	198,123
Reclassification adjustments relating to disposal of foreign operations during the period	–	–	–	–	–	–	(900)	–	–	(900)	(863)	(1,763)
Change in fair value of an available-for-sale investment	–	–	–	–	5,776	–	–	–	–	5,776	–	5,776
Share of other comprehensive income of joint ventures	–	–	–	–	–	–	9,428	–	–	9,428	4,887	14,315
Net gain on cash flow hedges	–	–	–	–	–	32,879	–	–	–	32,879	31,100	63,979
Total comprehensive income for the period	–	–	–	–	5,776	32,879	110,055	–	113,547	262,257	305,005	567,262
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	15,717	15,717
Acquisition of additional interests in subsidiaries**	–	–	–	–	–	–	–	284,205	–	284,205	(755,256)	(471,051)
Deemed acquisition of partial interests in a subsidiary arising from conversion of convertible notes of a subsidiary	–	–	–	–	–	–	–	4,398	–	4,398	632	5,030
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(27,818)	(27,818)
Placing of new shares of a subsidiary	–	–	–	–	–	–	–	11,492	–	11,492	68,310	79,802
Release of reserve upon lapse of share options of a subsidiary	–	–	–	–	–	–	–	–	263	263	(263)	–
Shares issued by a subsidiary in lieu of cash dividend	–	–	–	–	–	–	–	(2,878)	–	(2,878)	4,097	1,219
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(32,716)	(32,716)
<b>At 31 January 2014 (Unaudited)</b>	<b>621,606</b>	<b>4,230,797*</b>	<b>891,289*</b>	<b>15,258*</b>	<b>14,346*</b>	<b>3,363*</b>	<b>306,842*</b>	<b>672,488*</b>	<b>2,110,668*</b>	<b>8,866,657</b>	<b>7,587,738</b>	<b>16,454,395</b>

\* These reserve accounts comprise the consolidated reserves of HK\$8,245,051,000 (31 July 2013: HK\$7,685,314,000) in the consolidated statement of financial position.

\*\* The amount comprises (i) HK\$62,928,000 arising from the acquisition of additional shares of Lai Fung Holdings Limited ("**Lai Fung**") from public shareholders (thereby increasing its shareholding in Lai Fung from 49.46% to 51.39%); and (ii) HK\$408,123,000 arising from the acquisition by Lai Fung of additional shareholding interests in its subsidiaries. A change in interest in a subsidiary without loss of control is accounted for as an equity transaction.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 31 January 2014

	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY										
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 August 2012 (Audited)	621,606	4,230,797	891,289	2,741	—	31,672	208,886	2,010,909	7,997,900	7,868,885	15,866,785
Profit/(loss) for the period	—	—	—	—	—	—	—	(28,932)	(28,932)	74,338	45,406
Other comprehensive income for the period, net of tax:											
Exchange realignment on translation of foreign operations	—	—	—	—	—	46,358	—	—	46,358	59,090	105,448
Change in fair value of an available-for-sale investment	—	—	—	—	23,324	—	—	—	23,324	—	23,324
Share of other comprehensive income of joint ventures	—	—	—	—	—	291	—	—	291	—	291
Total comprehensive income/(loss) for the period	—	—	—	—	23,324	46,649	—	(28,932)	41,041	133,428	174,469
Equity-settled share option arrangements	—	—	—	12,330	—	—	—	—	12,330	26,390	38,720
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	159,254	—	159,254	(203,748)	(44,494)
Release of reserves upon lapse of share options of a subsidiary	—	—	—	—	—	—	—	2,741	2,741	(2,741)	—
Dividend paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	(22,812)	(22,812)
At 31 January 2013 (Unaudited)	621,606	4,230,797	891,289	15,071	23,324	78,321	368,140	1,984,718	8,213,266	7,799,402	16,012,668



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2014

	Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	217,675	180,487
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,014,206)	(125,452)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(326,517)	(224,075)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,123,048)	(169,040)
Cash and cash equivalents at beginning of period	4,832,685	3,211,249
Effect of foreign exchange rate changes, net	31,950	9,927
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,741,587	3,052,136
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	1,602,572	1,160,510
Non-pledged and non-restricted time deposits	2,139,015	1,891,626
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	3,741,587	3,052,136

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2014

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group (“**Financial Statements**”) for the six months ended 31 January 2014 have not been audited by the Company’s independent auditors 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 Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of these unaudited Financial Statements for the period under review are the same as those used in the Group’s audited consolidated financial statements for the year ended 31 July 2013. During the current period, the Group recognised revenue from its cinema operations and, accordingly the accounting policies for revenue recognition of relevant revenue are adopted by the Group and described in 2.1 below. Its related financial information is included in the segment of film production and distribution. These unaudited condensed consolidated results should be read in conjunction with the Company’s annual report for the year ended 31 July 2013.

### 2.1 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

*Gross box-office takings for film exhibition*

Income from gross box-office takings for film exhibition is recognised upon the sale of tickets and when the film is released.

In addition, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include HKASs and Interpretations) which are applicable to the Group for the first time for the current period’s unaudited Financial Statements.

Other than as further explained below regarding the impact of HKFRS 13 “Fair Value Measurement”, the application of these new and revised HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. HKFRS 13 does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group’s fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 17 to the Financial Statements.

### 3. SEGMENT INFORMATION

#### Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	307,006	549,673	282,637	262,496	312,334	214,926	263,613	37,313	54,815	50,707	1,220,405	1,115,115
Other revenue	99	1,135	62,925	54,574	6,105	3,267	13,707	2,141	1,190	379	84,026	61,496
Total	307,105	550,808	345,562	317,070	318,439	218,193	277,320	39,454	56,005	51,086	1,304,431	1,176,611
Segment results	(8,179)	(62,545)	718,715	464,667	42,441	3,792	(15,793)	(11,827)	(146,550)	(144,262)	590,634	249,825
Unallocated interest and other gains											35,137	29,869
Gain on disposal of subsidiaries	–	–	–	–	9,593	–	–	–	–	–	9,593	–
Profit from operating activities											635,364	279,694
Finance costs											(206,676)	(89,161)
Share of profits and losses of joint ventures	15,410	9,600	–	–	(6,002)	(1,822)	(314)	(17,056)	–	–	9,094	(9,278)
Share of profits and losses of associates	–	–	–	–	(329)	(282)	(176)	–	–	–	(505)	(282)
Profit before tax											437,277	180,973
Income tax expense											(150,445)	(135,567)
Profit for the period											286,832	45,406

Note: The cinema operations of the Group are included in the segment of film production and distribution.

#### Other segment information:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
Fair value gains on investment properties	–	–	597,147	324,560	–	–	–	–	–	–	597,147	324,560
Impairment of properties under development*	–	36,124	–	–	–	–	–	–	–	–	–	36,124
Impairment of completed properties for sale*	–	9,669	–	–	–	–	–	–	–	–	–	9,669

\* Impairment of properties under development of HK\$36,124,000 and impairment of completed properties for sale of HK\$9,669,000 were recognised in profit or loss for the six months ended 31 January 2013.

### 3. SEGMENT INFORMATION *(continued)*

#### Segment assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 July 2013 (Audited) HK\$'000
Segment assets	<b>3,102,215</b>	3,083,759	<b>15,626,287</b>	14,419,896	<b>490,020</b>	557,750	<b>1,044,008</b>	720,447	<b>5,576,403</b>	6,784,900	<b>25,838,933</b>	25,566,752
Investments in joint ventures	<b>1,086,037</b>	1,055,965	—	—	<b>30,878</b>	24,397	<b>3,209</b>	11,927	—	—	<b>1,120,124</b>	1,092,289
Investments in associates	—	—	—	—	<b>101</b>	406	<b>32,517</b>	17,450	—	—	<b>32,618</b>	17,856
Unallocated assets											<b>370,098</b>	328,804
Total assets											<b>27,361,773</b>	27,005,701
Segment liabilities	<b>456,883</b>	413,295	<b>322,696</b>	324,120	<b>142,894</b>	130,442	<b>286,100</b>	101,715	<b>275,958</b>	274,677	<b>1,484,531</b>	1,244,249
Unallocated liabilities											<b>9,422,847</b>	9,444,502
Total liabilities											<b>10,907,378</b>	10,688,751

### 4. OTHER REVENUE

	Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
Property management fee income	<b>51,347</b>	48,805
Bank interest income	<b>17,730</b>	17,674
Other interest income	—	1,639
Interest income from an amount due from a joint venture, net	<b>145</b>	1,416
Consultancy service income from a joint venture, net	<b>1,078</b>	1,996
Others	<b>48,863</b>	19,835
Total	<b>119,163</b>	91,365

## 5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
Cost of completed properties sold	281,979	519,133
Outgoings in respect of rental income	72,740	58,956
Cost of film rights, licence rights and film products	115,059	28,867
Cost of artiste management services, advertising agency services, and services for entertainment events provided	142,769	152,479
Theatrical releasing costs	41,833	—
Cost of inventories sold	113,189	20,384
<b>Total cost of sales</b>	<b>767,569</b>	<b>779,819</b>
Depreciation <sup>##</sup>	70,462	54,869
Impairment of properties under development <sup>**</sup>	—	36,124
Impairment of completed properties for sale <sup>**</sup>	—	9,669
Impairment of other receivables, net <sup>**</sup>	19,593	—
Impairment of property, plant and equipment <sup>**</sup>	15,775	—
Fair value loss/(gain) on options <sup>**/*</sup>	5,172	(1,051)
Amortisation of film rights <sup>#</sup>	12,555	5,500
Amortisation of film products <sup>#</sup>	55,060	18,072
Amortisation of music catalogs <sup>#</sup>	2,304	2,467
Amortisation of other intangible assets <sup>#</sup>	3,693	4,516
Loss on disposal of items of property, plant and equipment <sup>**</sup>	110	173
Gain on disposal of a joint venture <sup>*</sup>	(6,049)	—
Gain on disposal of subsidiaries <sup>*</sup>	(9,593)	—
Reversal of provision for advances to artiste <sup>#</sup>	(2,983)	—
Recovery of bad debts <sup>*</sup>	(11)	(118)
Reversal of provision for inventories <sup>#</sup>	(391)	—
Ineffective portion of the effective hedge recognised in profit or loss <sup>**</sup>	13,736	—
Foreign exchange differences, net <sup>*</sup>	(10,187)	(4,878)

\* These items are included in "Other operating gains" on the face of the unaudited condensed consolidated income statement.

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

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

## Depreciation charges of HK\$57,727,000 (six months ended 31 January 2013: HK\$39,919,000) are included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement of which HK\$49,030,000 (six months ended 31 January 2013: HK\$39,919,000) are for serviced apartments and related leasehold improvements and HK\$8,697,000 (six months ended 31 January 2013: Nil) are related to cinema operations.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	67,321	46,851
Other borrowings wholly repayable within five years	2,847	2,840
2007 Notes (as defined and disclosed in note 13)	65,390	65,116
2013 Notes (as defined and disclosed in note 13)	71,844	—
First Completion Convertible Notes	10,167	9,251
Second Completion Convertible Notes	2,929	2,668
Amortisation of:		
Bank loans	7,358	—
2007 Notes	4,186	3,806
2013 Notes	3,255	—
Bank financing charges and direct costs	13,381	3,233
	<b>248,678</b>	133,765
Less: Capitalised in properties under development	<b>(22,490)</b>	(36,498)
Capitalised in investment properties under construction	<b>(9,502)</b>	(8,106)
Capitalised in property, plant and equipment	<b>(10,010)</b>	—
	<b>(42,002)</b>	(44,604)
Total finance costs	<b>206,676</b>	89,161

## 7. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the period ended 31 January 2014. No provision for Hong Kong profits tax was made for the six months ended 31 January 2013 as there were no assessable profits arising in Hong Kong. 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 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
Current		
— Hong Kong		
Charge for the period	3,438	—
Overprovision in prior years	—	(1,738)
— Elsewhere	859	1,346
— Mainland China		
Corporate income tax		
Charge for the period	32,795	50,412
Land appreciation tax		
Charge for the period	27,978	79,032
	<b>65,070</b>	129,052
Deferred tax	109,677	6,515
Tax indemnity receivable	(24,302)	—
Total tax charge for the period	<b>150,445</b>	135,567

## 7. INCOME TAX EXPENSE *(continued)*

In connection with the listing of Lai Fung on the Stock Exchange (currently on the Main Board), a tax indemnity deed was signed on 12 November 1997, pursuant to which Lai Sun Development Company Limited (“LSD”) has undertaken to indemnify Lai Fung and its subsidiaries (collectively known as “Lai Fung Group”) in respect of certain potential Mainland China income tax and land appreciation tax payable or shared by the Lai Fung Group in consequence of the disposal of any of the property interests attributable to the Lai Fung Group through its subsidiaries and its joint ventures as at 31 October 1997. During the period, an amount of HK\$24,302,000 (six months ended 31 January 2013: Nil) was receivable by the Lai Fung Group under the aforesaid indemnities and was included in the Group’s deposits, prepayments and other receivables in respect of the tax indemnity receivable from LSD.

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company and ordinary shares of 1,243,212,165 (six months ended 31 January 2013: 1,243,212,165) in issue during the period.

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

The exercise of share options of the Company had an anti-dilutive effect on the basic loss per share amount presented during the period ended 31 January 2013.

The exercise of share options of Media Asia Group Holdings Limited (“MAGHL”) and the conversion of the outstanding convertible notes issued by MAGHL have an anti-dilutive effect on the basic earnings/(loss) per share amounts presented during the periods ended 31 January 2014 and 2013.

As the impact of diluted potential ordinary shares of Lai Fung is insignificant for the periods ended 31 January 2014 and 2013, the diluted earnings/(loss) per share of the Group for the periods is approximately the same as the basic earnings/(loss) per share of the Group.

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

	Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	113,547	(28,932)
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	(317)	—
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	113,230	(28,932)
	Number of shares	
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,243,212,165	1,243,212,165
Effect of dilution — weighted average number of ordinary shares: Share options	862,313	702,244
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	1,244,074,478	1,243,914,409

## 9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2014 (six months ended 31 January 2013: 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 trade receivables are widely dispersed in different sectors and industries.

The Lai Fung Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartments charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the Lai Fung Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Lai Fung Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at 31 January 2014 and 31 July 2013 is as follows:

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Trade debtors:		
Neither past due nor impaired	<b>103,058</b>	105,246
1—90 days past due	<b>53,124</b>	43,260
Over 90 days past due	<b>18,143</b>	18,229
Total	<b>174,325</b>	166,735

The carrying amounts of debtors approximate their fair values.

## 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 2014 and 31 July 2013 is as follows:

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	<b>90,720</b>	38,900
31—60 days	<b>26,817</b>	1,373
61—90 days	<b>3,245</b>	73
Over 90 days	<b>12,769</b>	2,986
Other creditors and accruals	<b>133,551</b>	43,332
Total	<b>946,890</b>	838,241
Total	<b>1,080,441</b>	881,573

The carrying amounts of creditors and accruals approximate their fair values.



## 12. CONVERTIBLE NOTES

The fair values of the liability component of the First Completion Convertible Notes and the Second Completion Convertible Notes at 31 January 2014 were approximately HK\$196,759,000 (31 July 2013: HK\$193,234,000) and HK\$63,694,000 (31 July 2013: HK\$60,941,000), respectively.

## 13. FIXED RATE SENIOR NOTES

### US\$200,000,000 9.125% Senior Notes due 2014

On 4 April 2007, Lai Fung issued US\$200,000,000 9.125% fixed rate senior notes (the “2007 Notes”), which will mature on 4 April 2014 for bullet repayment. The 2007 Notes bear interest from 4 April 2007 and are payable semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 October 2007. The 2007 Notes are listed on the Singapore Exchange Securities Trading Limited.

### RMB1,800,000,000 6.875% Senior Notes due 2018

On 25 April 2013, Lai Fung issued RMB1,800,000,000 6.875% fixed rate senior notes (the “2013 Notes”), which will mature on 25 April 2018 for bullet repayment. The 2013 Notes bear interest from 25 April 2013 and are payable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013. The 2013 Notes are listed on the Stock Exchange.

The fair values of the 2007 Notes and 2013 Notes were estimated at approximately HK\$1,441,816,000 (31 July 2013: HK\$1,466,536,000) and HK\$2,243,235,000 (31 July 2013: HK\$2,031,354,000), respectively, which were determined by reference to the closing prices of the 2007 Notes and 2013 Notes published by a leading global financial market data provider as at the end of the reporting period.

## 14. SHARE CAPITAL

	31 January 2014		31 July 2013	
	Number of shares (Unaudited) '000	Nominal value (Unaudited) HK\$'000	Number of shares (Audited) '000	Nominal value (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each	2,500,000	1,250,000	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each	1,243,212	621,606	1,243,212	621,606

## 15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting periods:

	<b>31 January 2014 (Unaudited) HK\$'000</b>	31 July 2013 (Audited) HK\$'000
Contracted but not provided for:		
Construction and compensation costs and land premium	<b>763,625</b>	449,680
Capital contributions to joint ventures	<b>6,486</b>	11,401
Acquisition of items of property, plant and equipment	<b>3,109</b>	2,479
Shareholder's loan to an associate	—	2,011
Acquisition of an 85% equity interest in a company	—	200,000
	<b>773,220</b>	665,571
Authorised, but not contracted for:		
Construction and resettlement costs	<b>3,556,022</b>	421,241
Acquisition of items of property, plant and equipment	<b>12,476</b>	—
	<b>3,568,498</b>	421,241

## 16. BUSINESS COMBINATIONS

### Acquisition of Intercontinental Group Holdings Limited

On 15 August 2013, the Group acquired an 85% interest in Intercontinental Group Holdings Limited (“IGHL”, formerly known as Kadokawa Intercontinental Group Holdings Limited) for a total consideration of HK\$212.5 million (the “IGHL Acquisition”). IGHL and its subsidiaries (collectively known as the “IGHL Group”) became non-wholly owned subsidiaries of the Company. IGHL is an investment holding company, the principal activities of its subsidiaries are the sale and distribution of films, DVDs, Blu-ray discs, video games, as well as operating cinemas in Hong Kong and Mainland China.

Further details of the IGHL Acquisition are set out in the announcement and the circular of the Company dated 5 July 2013 and 26 July 2013, respectively.

The Group had elected to measure the non-controlling interests in the IGHL Group at the non-controlling interests' proportionate share of IGHL's identifiable net assets.

The Group incurred transaction costs of HK\$4,827,000 for the IGHL Acquisition. These transaction costs had been expensed and were included in other operating expenses in the consolidated income statement for the year ended 31 July 2013.

Goodwill of approximately HK\$123,440,000 was recognised. The Group considers that the IGHL Acquisition would add immediate scale in Hong Kong and complement the Group's cinema operations in Mainland China. None of the goodwill recognised is expected to be deductible for income tax purpose.

## 16. BUSINESS COMBINATIONS (continued)

### Acquisition of Intercontinental Group Holdings Limited (continued)

The fair values of the identifiable assets and liabilities of IGHL as at the date of acquisition were as follows:

	<b>(Unaudited)</b> HK\$'000
Property, plant and equipment	45,070
Investment in an associate	19,176
Other non-current assets	8,295
Inventories	11,818
Debtors	48,212
Deposits, prepayments and other receivables	25,032
Cash and cash equivalents	96,990
Other current assets	116
Creditors and accruals	(125,743)
Interest-bearing bank loan, unsecured	(15,000)
Other current liabilities	(9,189)
	104,777
Non-controlling interests	(15,717)
	89,060
Total identifiable net asset at fair value	89,060
Goodwill on acquisition	123,440
	212,500
Satisfied by Cash	212,500

An analysis of the cash flows in respect of the IGHL Acquisition is as follows:

	<b>(Unaudited)</b> HK\$'000
Cash consideration	(212,500)
Deposit paid during the year ended 31 July 2013	12,500
	(200,000)
Cash and cash equivalents acquired	96,990
	(103,010)
Net outflow of cash and cash equivalents including in cash flows from investing activities	(103,010)
Transaction costs of the acquisition included in cash flows from operating activities	(4,827)
	(107,837)

Since the acquisition, IGHL Group contributed HK\$255,175,000 to the Group's turnover and net profit of HK\$5,367,000 for the period ended 31 January 2014.

Had the combination taken place at the beginning of the period, the turnover of the Group and the profit of the Group for the period ended 31 January 2014 would have been HK\$1,241,318,000 and HK\$290,847,000, respectively.

## 17. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

### Assets measured at fair value:

#### The Group

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 31 January 2014				
Available-for-sale investments	78,226	—	—	78,226
Derivative financial instruments	—	36,414	—	36,414
	78,226	36,414	—	114,640

Available-for-sale investments with a carrying amount of HK\$86,041,000 as at 31 January 2014 are stated at cost.

The Group did not have any financial liabilities measured at fair value as at 31 January 2014.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Management has assessed that the fair values of cash and cash equivalents, pledged and restricted time deposits and bank balances, financial assets included in investments in joint ventures and associates, debtors, deposits and prepayments, financial liabilities included in creditors and accruals and deposits received, interest-bearing bank loans and other borrowings approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (i) the fair values of the convertible notes are calculated by discounting the future cash flows at the prevailing market interest rate;
- (ii) the fair values of fixed rate senior notes are based on quoted market prices;
- (iii) the fair values of available-for-sale investments are based on quoted prices in active markets; and
- (iv) derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values.

## 18. DISPOSAL OF SUBSIDIARIES

On 17 December 2013, MAGHL entered into a sale and purchase agreement with an independent third party to sell the entire equity interest in Galaxy Soar Investments Limited and its subsidiaries at a consideration of approximately HK\$63,764,000. The disposal was completed on 24 December 2013. Upon completion of the disposal, the related goodwill, other intangible assets and options were derecognised. A gain on disposal of HK\$9,593,000 has been recognised in the condensed consolidated income statement for the current period. Further details of the disposal are set out in the announcement of MAGHL dated 17 December 2013.

## 19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Financial Statements, the Group had the following material transactions with related parties during the period under review:

### (a) Transactions with related parties

	Notes	Six months ended	
		31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
LSD (a major shareholder of the Company) and its subsidiaries:			
Rental expense and building management fee paid	(i)	4,744	2,846
Tax indemnity receivable	(ii)	24,302	—
Joint ventures:			
Consultancy and production service fee paid	(iii)	1,210	1,350
Consultancy service income	(iii)	1,107	2,151
Interest income received	(iv)	163	1,562
Management fee and other service fees paid or payable to a related company	(v)	5,175	4,920

Notes:

- (i) The rental expense and building management fee were charged with reference to market rates.
- (ii) Further details of this transaction are set out in the note 7 to the Financial Statements.
- (iii) The consultancy and production service fee, and consultancy service income were charged on bases mutually agreed by the respective parties.
- (iv) The interest income was charged with reference to the People's Bank of China's base interest rate per annum.
- (v) The management fee and other service fees were charged based on an agreement entered into between the Group and a subsidiary of CapitaLand Limited, a substantial shareholder of Lai Fung.

### (b) Compensation of key management personnel of the Group:

	Six months ended	
	31 January 2014 (Unaudited) HK\$'000	31 January 2013 (Unaudited) HK\$'000
Short-term employee benefits	17,408	16,251
Equity-settled share option expense	—	18,360
Post-employment benefits	29	28
Total compensation paid to key management personnel	17,437	34,639

## INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2014 (six months ended 31 January 2013: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Outlook

#### *Media and Entertainment/Film Production and Distribution/Cinema Operations*

The Mainland China entertainment market continues to grow at an unprecedented pace. The Group continues to expand its media and entertainment businesses in China, maximising income from its film, television, music, live entertainment and talent management in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry and gathered good momentum across all fronts for the six months ended 31 January 2014.

- Films — continued drive to increase original production of films which appeal to Chinese audiences and foresees a solid distribution pipeline in the year to come with a slate of films currently in development and production. Recent successful releases included *One Night Surprise* and *Blind Detective*.
- Live Entertainment — successfully produced and promoted several major concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes during the period under review. The Group is expanding its activities and continues to be a driving force in this area whilst exploring other types of live entertainment such as musicals and theatrical performances in addition to concerts.
- TV — expanded its activities in production and investments in quality television drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China. Moreover, the Group is also looking to step into other types of TV programmes such as variety shows and reality series which shall create synergy with the Group's other media and entertainment businesses.
- Artistes Management — expanded the Chinese artiste roster as well as collaborated with high profile Asian artistes such as top Korean music groups. With the diverse projects including film, TV, music and live events which ensure maximum commercial value and appeal. The Group is in a good position to attract stars and develop new talents.
- Music — as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is poised to capitalise on this new economic model.
- Cinema — acquisition of Intercontinental Group Holdings Limited (“**IGHL**”) and its subsidiaries (collectively known as “**IGHL Group**”) bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China.

In summary, the Group believes that its integrated media platform comprising film, TV, music, talent and events management, live entertainment and cinemas presents the most balanced and synergistic approach to growing a Chinese entertainment powerhouse. The Group will continue to optimise its resources and strive towards this goal.

#### *Mainland China Property Market*

The Central Government has softened its economic growth target to 7.5% against a backdrop of delicate recovery of major economies around the world, whilst transitioning the economy from an export-led growth policy to a more progressive and sustainable model driven by domestic consumption. The property sector is a significant economic pillar and continues to be shaped significantly by government policies. The control measures implemented are expected to be refined to better adapt to regional circumstances and ensure a sustainable long term growth, which is underpinned by continued urbanisation and income growth.

## Business Review and Outlook *(continued)*

### Mainland China Property Market *(continued)*

The Group's regional focus coupled with the rental-led strategy that the Group adopted eighteen months ago is validated against this challenging operating environment. The rental portfolio of approximately 2.8 million square feet, primarily in Shanghai and Guangzhou, delivered steady increases in rental income at close to full occupancies for the key assets despite a general slowdown in retail sales. This provided the Group the flexibility in selling other projects with an emphasis to maximise profit rather than recycling capital. The control measures implemented by the Central Government slowed sales across the sector. However, the Group experienced a steady increase in average selling prices in its projects for sale, which indicated the strength and depth of the underlying demand.

The management believes it is important to prepare the Group for the challenges and opportunities ahead. The Group's major subsidiary, Lai Fung Holdings Limited ("**Lai Fung**" and its subsidiaries collectively known as "**Lai Fung Group**"), completed a series of corporate activities as part of the new strategy to improve funding sources, execution capabilities and overall coordination with the wider Lai Sun Group. Since the year ended 31 July 2013 and up to 31 January 2014, Lai Fung completed the buyout of minority interests in the two largest rental assets, namely the 5% interest in Shanghai Hong Kong Plaza and the 22.5% interest in Guangzhou May Flower Plaza. In November 2013, Lai Fung bought out a 2% minority interest in Shanghai Northgate Plaza I, which is subject to completion, increasing its interest in this project to 99%.

Lai Fung was successful in the auction for Phase I of the Creative Culture City project in Hengqin ("**Phase I CCC**") which it will co-develop with its ultimate holding company, the Company, with 80% held by Lai Fung and 20% held by the Company. The master layout plan for Phase I CCC is being finalised and the Group will provide more details when they are available. Phases I CCC has total Gross Floor Area ("**GFA**") of approximately 2.8 million square feet and a total investment cost of approximately HK\$3.8 billion (of which approximately HK\$665.5 million is land cost).

The hotel at Shanghai May Flower Plaza and serviced apartments in Zhongshan Palm Spring under the STARR branding have also commenced operation during the period under review. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza is in progress and new tenants are expected to move in by the end of 2014.

Lai Fung has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan. The rental portfolio is expected to increase from approximately 2.8 million square feet to approximately 7.5 million square feet through developing the existing rental projects in the next few years. The remaining residential units in Guangzhou Dolce Vita Phases I and III, Guangzhou King's Park, Shanghai May Flower Plaza and Zhongshan Palm Spring Phase I are expected to contribute to the profit and loss account in the current and coming financial years.

The Group's consolidated cash position of HK\$5,771.1 million (HK\$531.4 million excluding Lai Fung Group and Media Asia Group Holdings Limited ("**MAGHL**") together with its subsidiaries) with a net debt to equity ratio of 7.6% as at 31 January 2014 provide the Group full confidence and the means to review opportunities more actively. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

## Overview of Interim Results

For the six months ended 31 January 2014, the business delivered an encouraging set of results underpinned by a steady improvement in the media and entertainment business. Lai Fung also performed steadily despite a challenging operating environment.

For the six months ended 31 January 2014, the Group recorded a turnover of HK\$1,220.4 million (2013: HK\$1,115.1 million), representing an increase of over 9.4% due to stronger performance from the non-property related segments and acquisition of the IGHL Group.

Profit from operating activities was HK\$635.4 million (2013: HK\$279.7 million) due to general improvements in the non-property related segments and higher property revaluation gain compared to the same period last year.

## Overview of Interim Results *(continued)*

Profit before tax, excluding finance costs and property revaluations, was HK\$46.8 million (2013: a loss of HK\$54.4 million). Profit attributable to owners of the Company improved from a loss of HK\$28.9 million to a profit of HK\$113.5 million. Basic earnings per share attributable to owners of the Company correspondingly increased to HK\$0.091 per share (2013: a loss of HK\$0.023 per share). Excluding the effect of property revaluations, net loss attributable to owners of the Company improved to approximately HK\$110.1 million (2013: a loss of HK\$139.4 million). This is primarily due to better performance of non-property related segments and contributions of the IGHL Group, despite the decline in recognised sales and higher interest expense from the two outstanding bonds of Lai Fung, one of which is due to expire in April 2014. Loss per share attributable to owners of the Company excluding the revaluation effect correspondingly improved from HK\$0.112 per share to HK\$0.089 per share.

Profit/(loss) attributable to owners of the Company	Six months ended 31 January	
	2014 HK\$ million	2013 HK\$ million
Reported	113.5	(28.9)
Adjustments in respect of investment properties		
Revaluation of properties	(299.2)	(160.3)
Deferred tax on investment properties	74.8	40.1
Non-controlling interests' share of revaluation movements less deferred tax	0.8	9.7
Net loss after tax excluding revaluation gains of investment properties	(110.1)	(139.4)

Equity attributable to owners of the Company as at 31 January 2014 amounted to HK\$8,866.7 million (31 July 2013: HK\$8,306.9 million). Net asset value per share attributable to owners of the Company similarly increased to HK\$7.1 (31 July 2013: HK\$6.7), representing a discount of 85% to the share price of HK\$1.06 as at 31 January 2014.

### Media and Entertainment

For the six months ended 31 January 2014, this segment recorded a total turnover of HK\$312.3 million (2013: HK\$214.9 million).

#### Live Entertainment

For the six months ended 31 January 2014, the Group organised and invested in 59 shows (2013: 60) by popular local, Asian and internationally renowned artistes, including S.H.E., Super Junior, Girls' Generation, Andy Lau, Grasshopper x Softhard, Ekin Cheng, Jordan Chan, Michael Tse, Jerry Lamb, Chin Ka Lok, Denise Ho and Justin Lo.

The Group has scheduled a further 35 shows before 31 July 2014.

#### Music Production, Distribution and Publishing

The Group released 53 albums during the period under review (2013: 42), including titles by Anita Mui, Andy Hui, Edmond Leung, Roman Tam, Miriam Yeung, Sammi Cheng, Super Junior, C AllStar, Denise Ho, Mark Lui and Justin Lo.

The Group is scheduled to release another 18 albums before 31 July 2014. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

#### Television Drama, Content Production and Distribution

The Group has made investments in production of 140 episodes of television dramas in Mainland China which are expected to generate return to the Group in the coming financial year. The Group has been building up its production and distribution team and expects to see a substantial growth in this business.

#### 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 TV drama production and film production business.



## Overview of Interim Results *(continued)*

### Media and Entertainment *(continued)*

#### Video Game Distribution

IGHL is one of the leading video game distributors in Hong Kong. During the period under review, the IGHL Group distributed acclaimed titles including *Call of Duty Ghosts*, *Assassin's Creed IV: Black Flag*, *Super Robot Taisen OG Infinite Battle* and *Gundam Extreme VS Full Boost*.

#### Film Production and Distribution

For the six months ended 31 January 2014, this segment recorded a turnover of HK\$263.6 million (2013: HK\$37.3 million). The increase in turnover was primarily due to consolidation of the IGHL Group and more titles released during the period under review compared to the same period last year.

For the six months ended 31 January 2014, the Group released 5 films, namely *One Night Surprise*, *The Wrath of Vajra*, *Control*, *Campus Confidential* and *As The Light Goes Out*, some of which have been nominated for various awards from different institutions/film festivals. In September 2013, *American Dreams in China*, which we invested in, won Best Actor, Best Director and Best Film in China's Golden Rooster Awards.

During the period under review, the Group principally completed the photography of 4 films, with 5 other films in the production pipeline or under development and distributed 14 films and 300 videos during the period under review. High profile titles include *The Legend of Hercules*, *The Wind Rises*, *Girl in The Sunny Place* and *Ender's Game*.

The Group currently operates 2 cinemas under the brand of "May Flower" in Mainland China and 7 cinemas under the brand of "MCL" in Hong Kong and Mainland China as well as 1 joint venture cinema in Hong Kong, offering 22 screens with 2,856 seats in Mainland China and 38 screens with 5,436 seats in Hong Kong, respectively. The cinema operations provide a complementary distribution channel for the Group's film production and distribution businesses. Details on the number of screens and seats of each cinema are as follows:

Cinema	Attributable Interest to the Group (%)	No. of Screens	No. of Seats
<b>Mainland China</b>			
Guangzhou May Flower Cinema City	100	7	767
Zhongshan May Flower Cinema City (opened in February 2014)	100	5	931
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
	<b>Subtotal:</b>	<b>22</b>	<b>2,856</b>
<b>Hong Kong</b>			
MCL Metro Cinema	85	7	950
MCL Telford Cinema	85	6	819
STAR Cinema	85	6	622
MCL Kornhill Cinema	85	5	792
MCL JP Cinema	85	2	658
The Grand Cinema	25.5	12	1,595
	<b>Subtotal:</b>	<b>38</b>	<b>5,436</b>
	<b>Total:</b>	<b>60</b>	<b>8,292</b>

## Overview of Interim Results *(continued)*

### Property Investment

The following details are extracted from Lai Fung's interim report and comparative figures are presented on a six-month basis for the six months ended 31 January 2014 and 31 January 2013.

#### Rental Income

For the six months ended 31 January 2014, Lai Fung Group's rental operations recorded a turnover of HK\$283.2 million (2013: HK\$262.5 million), representing a 8% increase over the same period last year. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January			Period end occupancy (%)
	2014 HK\$ million	2013 HK\$ million	% Change	
Shanghai Hong Kong Plaza	192.2	182.9	5.1	Retail: 99.2 Office: 88.9 Serviced Apartments: 84.9
Shanghai Regents Park	7.0	6.1	14.8	100.0
Shanghai Northgate Plaza I	5.4	4.9	10.2	90.8
Shanghai May Flower Plaza	17.4	13.8	26.1	95.4
Guangzhou May Flower Plaza	52.5	46.8	12.2	Retail: 98.5 Office: 100.0
Guangzhou West Point	8.3	8.0	3.8	97.9
Zhongshan Palm Spring	0.4	—	N/A	29.0
<b>Total</b>	<b>283.2</b>	<b>262.5</b>	<b>7.9</b>	

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio, as well as contribution from the retail podium of the Shanghai May Flower Plaza.

A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 31% of total GFA, has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes fully leased. Soft opening of the serviced apartments in the Zhongshan Palm Spring, STARR Resort Residence Zhongshan, and the hotel in Shanghai May Flower Plaza, STARR Hotel Shanghai, commenced in August 2013 and November 2013, respectively. The other STARR branded hotel in Guangzhou is expected to soft open in the fourth quarter of 2014.

## Overview of Interim Results *(continued)*

### Property Development

The following details are extracted from Lai Fung's interim report and comparative figures are presented on a six-month basis for the six months ended 31 January 2014 and 31 January 2013.

#### Recognised Sales

For the six months ended 31 January 2014, Lai Fung Group's property development operations recorded a turnover of HK\$307.0 million (2013: HK\$549.7 million) from sale of properties, representing a 44% decrease in sales revenue over the same period last year. The decline is primarily due to slower sales and slower-than-expected completion of sales.

Total recognised sales were primarily driven by the sales performance of Shanghai May Flower Plaza of which approximately 60,962 square feet of residential and office GFA were sold, achieving sales revenue of HK\$272.9 million.

Recognition of the sale of Dolce Vita Phase I achieved an average selling price of HK\$1,837 per square foot and equity accounted for a share of profit of HK\$75.6 million under "Share of profit of joint ventures" in the consolidated income statement.

For the six months ended 31 January 2014, average selling price recognised as a whole (excluding Dolce Vita) increased to approximately HK\$3,100 per square foot (2013: HK\$1,664 per square foot). The increase is due to a higher proportion of units at Shanghai May Flower Plaza being sold and recognised during the period under review at higher average selling prices.

Breakdown of turnover for the six months ended 31 January 2014 from property sales is as follows:

Recognised Basis	Approximate Gross Floor Area Square feet	Average Selling Price# HK\$/square foot	Turnover* HK\$ million
Shanghai May Flower Plaza			
Residential Units	56,746	4,858	260.1
Office Apartment Units	4,216	3,214	12.8
Zhongshan Palm Spring			
Residential High-rise Units	31,206	637	18.7
Residential House Units	12,814	1,272	15.4
<b>Total</b>	<b>104,982</b>	<b>3,100</b>	<b>307.0</b>

#### Recognised sales from joint venture project

Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	151,280	1,837	262.4

# Before business tax

\* After business tax

\*\* Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the six months ended 31 January 2014, the recognised sales (after business tax) attributable to the full project is HK\$552.4 million and approximately 318,484 square feet of GFA were recognised.

## Overview of Interim Results *(continued)*

### Property Development *(continued)*

#### Contracted Sales

As at 31 January 2014, Lai Fung Group's property development operations, excluding Dolce Vita, has contracted but not yet recognised sales of HK\$325.4 million from sale of properties (2013: HK\$196.0 million). The total contracted but not yet recognised sales of Lai Fung Group as at 31 January 2014 including Dolce Vita amounted to HK\$1,034.3 million.

Breakdown of contracted but not yet recognised sales of Lai Fung Group as at 31 January 2014 is as follows:

<b>Contracted Basis</b>	<b>Approximate Gross Floor Area</b> Square feet	<b>Average Selling Price<sup>#</sup></b> HK\$/square foot	<b>Turnover<sup>#</sup></b> HK\$ million
Shanghai May Flower Plaza			
Residential Units	39,817	5,007	199.4
Office Apartment Units	1,648	2,913	4.8
Zhongshan Palm Spring			
Residential High-rise Units	10,802	713	7.7
Residential House Units	60,647	1,420	86.1
Guangzhou King's Park	4,982	5,500	27.4
Subtotal	117,896	2,760	325.4
<b>Contracted sales from joint venture project</b>			
Guangzhou Dolce Vita			
Residential Units <sup>**</sup> (47.5% basis)	304,951	2,325	708.9
<b>Total</b>	<b>422,847</b>	<b>2,446</b>	<b>1,034.3</b>

<sup>#</sup> Before business tax

<sup>\*\*</sup> Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 January 2014, the contracted but not yet recognised sales attributable to the full project is HK\$1,492.4 million and approximately 642,000 square feet of GFA were sold.

## Liquidity, Financial Resources, Charge on Assets and Gearing

### Cash and Bank Balances

As at 31 January 2014, cash and bank balances held by the Group amounted to HK\$5,771.1 million (31 July 2013: HK\$6,890.1 million) of which over 54% was denominated in Hong Kong dollar ("HKD") and United States dollar ("USD") currencies, and 46% was denominated in Renminbi ("RMB"). Cash held by the Group excluding cash held by MAGHL together with its subsidiaries and Lai Fung Group as at 31 January 2014 was HK\$531.4 million (31 July 2013: HK\$810.0 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to exchange rate risk 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.

## Liquidity, Financial Resources, Charge on Assets and Gearing *(continued)*

### *Borrowings*

As at 31 January 2014, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$6,446.7 million. The borrowings of the Group, which comprises the Company, MAGHL and Lai Fung, are as follows:

#### *Company*

As at 31 January 2014, 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\$65.8 million for the said unsecured other borrowings as at 31 January 2014. 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 2014.

#### *MAGHL*

As at 31 January 2014, MAGHL had unsecured and unguaranteed First Completion Convertible Notes with an aggregate principal amount of approximately HK\$294.1 million, comprising approximately HK\$91.1 million and HK\$203.0 million issued to the Group and other subscribers, respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the First Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2014 at the principal amount outstanding. As at 31 January 2014, MAGHL has unsecured and unguaranteed Second Completion Convertible Notes with an aggregate principal amount of approximately HK\$224.9 million, comprising approximately HK\$153.2 million and approximately HK\$71.7 million issued to the Group and other subscribers respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2015 at the principal amount outstanding. For accounting purposes, after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the First Completion Convertible Notes and the Second Completion Convertible Notes after adjusting for (i) accrued interest and (ii) intra-group elimination was HK\$259.3 million as at 31 January 2014.

#### *Lai Fung*

As at 31 January 2014, Lai Fung Group had total borrowings in the amount of HK\$6,089.3 million comprising bank loans of HK\$2,261.2 million, fixed rate senior notes of HK\$3,696.0 million and other borrowing of HK\$132.1 million. The maturity profile of Lai Fung Group's borrowings of HK\$6,089.3 million is well spread with HK\$1,801.8 million repayable within 1 year, HK\$773.4 million repayable in the second year and HK\$3,514.1 million repayable in the third to fifth years. Included in the fixed rate senior notes liability of Lai Fung, a carrying amount of HK\$8.0 million is held by a subsidiary of the Company. Included in the other borrowings of Lai Fung, an amount of HK\$72.7 million is due to a subsidiary of the Company.

Approximately 61% and 37% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 2% of Lai Fung Group's borrowings were interest-free.

Apart from the fixed rate senior notes, Lai Fung Group's bank and other borrowings of HK\$2,393.3 million were 47% denominated in RMB, 31% in HKD and 22% in USD.

Lai Fung Group's fixed rate senior notes of HK\$3,696.0 million were 61% denominated in RMB and 39% in USD. On 25 April 2013, issue date of the RMB denominated senior notes ("**RMB Notes**"), Lai Fung Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the RMB Notes have been effectively converted into USD denominated loans.

## Liquidity, Financial Resources, Charge on Assets and Gearing *(continued)*

### *Borrowings (continued)*

#### *Lai Fung (continued)*

Lai Fung Group's presentation currency is denominated in HKD. Lai Fung Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. Lai Fung Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, Lai Fung Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, Lai Fung Group has a net exchange exposure to RMB as Lai Fung Group's assets are principally located in Mainland China and the revenues are predominantly in RMB. Apart from the aforesaid cross currency swap arrangements, Lai Fung Group does not have any derivative financial instruments or hedging instruments outstanding.

### *Charge on Assets and Gearing*

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK\$8,807.2 million, completed properties for sale with a total amount of approximately HK\$405.7 million, properties under development with a total carrying amount of approximately HK\$148.0 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK\$1,701.2 million, a property with carrying amount of approximately HK\$96.3 million and bank balances of approximately HK\$134.5 million.

As at 31 January 2014, undrawn facilities of Lai Fung Group were HK\$2,070.0 million. In addition, as at 31 January 2014, a revolving term loan facility in the amount of HK\$60.0 million was granted by a bank to the Group. The said loan facility is subject to an annual review by the bank for renewal and is secured by a pledge of the Group's land and buildings with a carrying amount of HK\$50.6 million as at 31 January 2014. Such bank loan facility had not been utilised by the Group as at 31 January 2014. As at 31 January 2014, an unsecured revolving loan facility in the amount of HK\$20.0 million was granted by another bank to the Group. The said unsecured loan facility is subject to an annual review by the bank for renewal and such bank loan facility had not been utilised by the Group as at 31 January 2014.

As at 31 January 2014, the consolidated net assets attributable to the owners of the Company amounted to HK\$8,866.7 million (31 July 2013: HK\$8,306.9 million). The gearing ratio, being net debt (total borrowings of HK\$6,446.7 million less cash and bank balances of HK\$5,771.1 million) to net assets attributable to the owners of the Company was approximately 7.6%.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing operations and projects.

### **Contingent Liabilities**

There has been no material change in contingent liabilities of the Group since 31 July 2013.

## PARTICULARS OF PROPERTIES

### Completed Properties held for Rental

Property Name and Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			No. of Car-parking Spaces Attributable to the Group
			Commercial/ Retail	Office	Total (excluding car-parking & ancillary facilities)	
<b>Shanghai</b>						
Shanghai Hong Kong Plaza 282 & 283 Huaihaizhong Road, Huangpu District	51.39%	The property is held for a term of 50 years commencing on 16 September 1992	240,728	185,357	426,085	180
May Flower Plaza Sujiaxiang, Zhabei District	48.82%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	156,379	—	156,379	—
Northgate Plaza I <sup>(Note 1)</sup> 99 Tian Mu Road West, Zhabei District	49.85%	The property is held for a term of 50 years commencing on 15 June 1993	95,882	64,919	160,801	51
Regents Park 88 Huichuan Road, Changning District	48.82%	The property is held for a term of 70 years commencing on 4 May 1996	40,063	—	40,063	—
<b>Guangzhou</b>						
May Flower Plaza 68 Zhongshanwu Road, Yuexiu District	51.39%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	171,839	52,661	224,500	70
West Point Zhongshan Qi Road, Liwan District	51.39%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	88,760	—	88,760	—
<b>Zhongshan</b>						
Palm Spring Caihong Planning Area, West District	51.39%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	28,803 <sup>(Note 2)</sup>	—	28,803	—
<b>Subtotal of completed properties held for rental:</b>			<b>822,454</b>	<b>302,937</b>	<b>1,125,391</b>	<b>301</b>

Notes:

- In November 2013, Lai Fung bought out 2% minority interest in Northgate Plaza I, subject to completion, increasing Lai Fung's interest in this property to 99%.
- Including the portion leased by Lai Fung to the Company for Zhongshan May Flower Cinema City, which was accounted for as Property, Plant & Equipment at the Company's level.

## Completed Hotel Properties and Serviced Apartments

Property Name and Location	Group Interest	Tenure	No. of rooms	Approximate Attributable Gross Floor Area (square feet)	No. of Car-parking Spaces Attributable to the Group
Ascott Huaihai Road Shanghai 282 Huaihaizhong Road, Huangpu District, Shanghai	51.39%	The property is held for a term of 50 years commencing on 16 September 1992	298	181,499	—
STARR Hotel Shanghai Sujiaxiang, Zhabei District, Shanghai	48.82%	The property is held for a term of 50 years commencing on 5 February 2007	239	70,226	—
STARR Resort Residence Zhongshan Caihong Planning Area, West District, Zhongshan	51.39%	The property is held for a term expiring on 23 October 2073	90	50,648	—
<b>Subtotal of completed hotel properties and serviced apartments:</b>			<b>627</b>	<b>302,373</b>	<b>—</b>



## Properties Under Development

Property Name and Location	Group Interest	Stage of Construction	Expected completion date	Approximate site area (square feet) <i>(Note 1)</i>	Approximate Attributable Gross Floor Area (square feet)					No. of Car-parking Spaces Attributable to the Group
					Commercial/Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking & ancillary facilities)	
<b>Guangzhou</b>										
Dolce Vita Jinshazhou, Hengsha, Baiyun District	24.41%	Construction work in progress	Phase 1b: 2nd quarter 2014 Phase 2: 2nd quarter 2014 Phase 3: 2nd quarter 2014 Phase 4: 4th quarter 2014 Phase 5: 1st quarter 2016	3,217,769 <i>(Note 2)</i>	14,228	—	—	709,253	723,481	393
Paramount Centre Da Sha Tou Road, Yuexiu District	51.39%	Construction work in progress	2nd quarter 2014	23,788	2,876	—	39,789	—	42,665	24
Eastern Place Phase V 787 Dongfeng East Road, Yuexiu District	51.39%	Construction work in progress	2nd quarter 2015	212,587	55,681	276,344	—	164,505	496,530 <i>(Note 3)</i>	182
Haizhu Plaza Chang Di Main Road, Yuexiu District	51.39%	Resettlement in progress	2017 – 2018 <i>(Note 4)</i>	90,708	148,103	156,213 <i>(Note 5)</i>	—	—	304,316	288
Guan Lu Road Project Guan Lu Road, Yuexiu District	51.39%	Development under planning	<i>(Note 6)</i>	26,178	1,438	—	—	48,097	49,535	32
<b>Zhongshan</b>										
Palm Spring Caihong Planning Area, Western District	51.39%	Construction work in progress	Phase 1b: 4th quarter 2016 Phase 2: 2nd quarter 2016 Phase 3: 1st quarter 2019 Phase 4: 4th quarter 2019	2,547,298 <i>(Note 2)</i>	277,107	—	99,569	2,265,165	2,641,841	1,241
<b>Shanghai</b>										
Northgate Plaza II Tian Mu Road West, Zhabei District	50.88%	Development under planning	2017 – 2018 <i>(Note 7)</i>	44,293	31,730	100,501	—	—	132,231	91
<b>Zhuhai</b>										
Creative Culture City Phase I East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area	61.11%	Development under planning <i>(Note 8)</i>	2018	1,401,184	1,712,583	—	—	—	1,712,583	—
<b>Subtotal of properties under development:</b>					<b>2,243,746</b>	<b>533,058</b>	<b>139,358</b>	<b>3,187,020</b>	<b>6,103,182</b>	<b>2,251</b>

## Properties Under Development *(continued)*

Notes:

1. On project basis
2. Including portions of the projects that have been completed for sale/lease
3. Excluding GFA attributable to the Chinese counterparty under Chinese-Foreign contractual joint venture agreement
4. In the process of negotiating the buildable area for the site with the city government
5. Office/office apartments
6. In the process of discussing the re-development plan with the city government
7. In the process of discussing a comprehensive re-development proposal with the district government
8. In the process of finalising master layout plan with zoning of cultural, creative industrial and commercial usage

## Completed Properties Held for Sale

Property Name and Location	Group Interest	Approximate Attributable Gross Floor Area (square feet)				Total (excluding car-parking & ancillary facilities)	No. of Car-parking Spaces Attributable to the Group
		Commercial/Retail	Serviced Apartments	Residential			
<b>Zhongshan</b>							
Palm Spring Caihong Planning Area, Western District	51.39%	64,268	—	153,979	218,247	—	
<b>Shanghai</b>							
May Flower Plaza Sujiaxiang, Zhabei District	48.82%	—	7,463	54,376	61,839	224	
Regents Park, Phase II 88 Huichuan Road, Changning District	48.82%	—	—	—	—	198	
<b>Guangzhou</b>							
King's Park Donghua Dong Road, Yuexiu District	51.39%	1,715	—	48,794	50,509	29	
Dolce Vita Jinshazhou, Heng Sha, Baiyun District	24.41%	—	—	873	873	—	
Eastern Place 787 Dongfeng East Road, Yuexiu District	51.39%	—	—	458	458	1	
West Point Zhongshan Qi Road, Liwan District	51.39%	—	—	—	—	72	
<b>Subtotal of completed properties held for sale:</b>		<b>65,983</b>	<b>7,463</b>	<b>258,480</b>	<b>331,926</b>	<b>524</b>	

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Corporate Governance

The Company has complied with all the 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 (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) throughout the six months ended 31 January 2014 save for the deviations from code provisions A.4.1 and A.5.1 as follows:

*Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.*

None of the existing non-executive directors (“**NEDs**”, including the independent non-executive directors (“**INEDs**”)) of the Company is appointed for a specific term. However, all directors of the Company (“**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 of Directors (“**Board**”) as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**Executive Directors**”). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

### Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (“**Securities Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2014.

## Share Option Schemes

### (1) The Company

An employee share option scheme (“**Scheme**”) was adopted by the Company on 23 December 2005 (“**Date of Adoption**”) and became effective on 5 January 2006. The Scheme will remain in force for a period of 10 years from the effective date. Pursuant to the terms of the Scheme and in compliance with Chapter 17 of the Listing Rules, the initial maximum number of shares of the Company (“**Shares**”) in respect of which options may be granted under the Scheme shall not exceed 10% of the total number of the issued Shares as at the Date of Adoption (“**Scheme Limit**”) without the approval of the Shareholders. At a special general meeting of the Company held on 27 May 2011, Shareholders resolved to refresh the Scheme Limit, thereby allowing the Company to grant further options for subscription of up to a total of 124,321,216 Shares, being 10% of the 1,243,212,165 Shares in issue at the date of passing the relevant resolution.

As at 31 January 2014 and the date of approval of this Report, the Company might grant further options under the Scheme to subscribe for a maximum of 91,870,551 Shares (representing about 7.39% of the issued Shares as at those dates) and the Company had a total of 32,450,665 underlying Shares comprised in options outstanding under the Scheme (representing approximately 2.61% of the issued Shares as at those dates).

During the period under review, no share options had been granted, exercised, cancelled or lapsed under the Scheme.

Category/Name of participants	Date of grant (dd/mm/yyyy) <i>(Note 1)</i>	Number of underlying Shares comprised in share options			Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) <i>(Note 2)</i>
		As at 1 August 2013	Lapsed during the period	As at 31 January 2014		
<b>Directors</b>						
Chew Fook Aun	05/06/2012	6,216,060	—	6,216,060	05/06/2012 - 04/06/2022	0.92
Lam Hau Yin, Lester	18/01/2013	12,432,121	—	12,432,121	18/01/2013 - 17/01/2023	1.612
Lam Kin Ngok, Peter (“ <b>Dr. Peter Lam</b> ”) <i>(Note 3)</i>	18/01/2013	1,243,212	—	1,243,212	18/01/2013 - 17/01/2023	1.612
Lui Siu Tsuen, Richard	18/01/2013	3,729,636	—	3,729,636	18/01/2013 - 17/01/2023	1.612
Total		23,621,029	—	23,621,029		
<b>Employees &amp; other eligible participants</b>						
In aggregate	18/01/2013	8,029,636	—	8,029,636	18/01/2013 - 17/01/2023	1.612
	26/07/2013	800,000	—	800,000	26/07/2013 - 25/07/2023	1.18
Total		8,829,636	—	8,829,636		
<b>Grand Total</b>		<b>32,450,665</b>	<b>—</b>	<b>32,450,665</b>		

Notes:

- The above share options were vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.
- Dr. Peter Lam resigned as an Executive Director on 14 February 2014.

## Share Option Schemes *(continued)*

### (2) *Media Asia Group Holdings Limited (“MAGHL”)*

On 18 December 2012, MAGHL, a company listed on the Growth Enterprise Market of the Stock Exchange (“**GEM**”) and a non-wholly-owned subsidiary of the Company since 9 June 2011, adopted a new share option scheme (“**2012 MAGHL Scheme**”) and terminated its share option scheme adopted on 19 November 2009 (“**2009 MAGHL Scheme**”). The adoption of the 2012 MAGHL Scheme and the termination of the 2009 MAGHL Scheme were also approved by the Shareholders at a special general meeting of the Company held on 18 December 2012 pursuant to the requirements of Rule 17.01(4) of the Listing Rules and Rule 23.01(4) of the Rules Governing the Listing of Securities on the GEM.

The 2012 MAGHL Scheme will remain in force for a period of 10 years commencing on its adoption date. The initial maximum number of shares of MAGHL (“**MAGHL Shares**”) issuable pursuant to the 2012 MAGHL Scheme is 1,314,025,761, being 10% of the total number of MAGHL Shares in issue on the date of approval of the 2012 MAGHL Scheme. When MAGHL’s Capital Reorganisation (as detailed in MAGHL’s circular dated 13 December 2013) became effective on 9 January 2014, the number of MAGHL Shares issuable under the 2012 MAGHL Scheme was adjusted to 65,701,288.

No share options had been granted, exercised, cancelled or lapsed under the 2012 MAGHL Scheme since its adoption on 18 December 2012.

All outstanding share options under the 2009 MAGHL Scheme had lapsed in the financial year ended 31 July 2013.

### (3) *Lai Fung Holdings Limited (“Lai Fung”)*

On 18 December 2012, Lai Fung, a non-wholly-owned subsidiary of the Company listed on the Main Board of the Stock Exchange, adopted a new share option scheme (“**2012 Lai Fung Scheme**”) and terminated its share option scheme adopted on 21 August 2003 (“**2003 Lai Fung Scheme**”). Upon the termination of the 2003 Lai Fung Scheme, no further share options will be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable. The adoption of the 2012 Lai Fung Scheme and the termination of the 2003 Lai Fung Scheme were also approved by the Shareholders at a special general meeting of the Company held on 18 December 2012 pursuant to the requirement of Rule 17.01(4) of the Listing Rules.

The 2012 Lai Fung Scheme will remain in force for a period of 10 years commencing on its adoption date. The initial maximum number of shares of Lai Fung (“**Lai Fung Shares**”) issuable pursuant to the 2012 Lai Fung Scheme is 1,609,591,295, being 10% of the total number of Lai Fung Shares in issue on the date of approval of the 2012 Lai Fung Scheme.

As at 31 January 2014 and the date of approval of this Report, Lai Fung might grant further options under the 2012 Lai Fung Scheme to subscribe for a maximum of 1,151,864,865 Lai Fung Shares (representing about 7.15% of the issued Lai Fung Shares as at those dates) and Lai Fung had a total of 538,205,994 underlying Lai Fung Shares comprised in options outstanding (representing about 3.34% of its issued shares as at those dates), of which 80,479,564 underlying Lai Fung Shares were comprised in a share option granted under the 2003 Lai Fung Scheme and 457,726,430 underlying Lai Fung Shares were comprised in share options granted under the 2012 Lai Fung Scheme.

## Share Option Schemes *(continued)*

### (3) *Lai Fung Holdings Limited (“Lai Fung”)* *(continued)*

The movement of the share options granted under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the six months ended 31 January 2014 is as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) <i>(Note 1)</i>	Number of underlying Lai Fung Shares comprised in share options			Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK\$) <i>(Note 2)</i>
		As at 1 August 2013	Lapsed during the period	As at 31 January 2014		
<b>Directors of Lai Fung</b>						
Chew Fook Aun ("Mr. Chew") <i>(Note 3)</i>	12/06/2012	80,479,564	—	80,479,564	12/06/2012 - 11/06/2020	0.133
Cheng Shin How	18/01/2013	32,191,825	—	32,191,825	18/01/2013 - 17/01/2023	0.228
Lam Hau Yin, Lester ("Mr. Lam") <i>(Note 4)</i>	18/01/2013	160,959,129	—	160,959,129	18/01/2013 - 17/01/2023	0.228
Lau Shu Yan, Julius	18/01/2013	48,287,738	—	48,287,738	18/01/2013 - 17/01/2023	0.228
Total		321,918,256	—	321,918,256		
<b>Employees &amp; other eligible participants</b>						
Lam Kin Ngok, Peter <i>(Note 5)</i>	18/01/2013	16,095,912	—	16,095,912	18/01/2013 - 17/01/2023	0.228
Employees & other eligible participants (In aggregate)	18/01/2013	193,191,826	(9,000,000)	184,191,826	18/01/2013 - 17/01/2023	0.228
	26/07/2013	16,000,000	—	16,000,000	26/07/2013 - 25/07/2023	0.190
Total		225,287,738	(9,000,000)	216,287,738		
<b>Grand Total</b>		<b>547,205,994</b>	<b>(9,000,000)</b>	<b>538,205,994</b>		

Notes:

- The above share options were vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in Lai Fung's share capital.
- Mr. Chew is the chairman and an executive director of Lai Fung.
- Mr. Lam is the chief executive officer and an executive director of Lai Fung.
- Dr. Peter Lam, a substantial shareholder of Lai Fung, was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012.

Save as disclosed above, no other share options had been granted, exercised, cancelled or lapsed under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the period under review.

## Directors' Interests

The following Directors and chief executive of the Company who held office on 31 January 2014 and their respective associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO (“Register of Directors and Chief Executive”); or (c) as notified to the Company and the Stock Exchange pursuant to the Securities Code; or (d) as otherwise known by the Directors:

### (I) Interests in the Company

Long positions in the Shares and underlying Shares						
Name of Directors	Capacity	Number of Shares		Share options	Total	Approximate percentage of total issued Shares <i>(Note 1)</i>
		Personal interests	Corporate interests	Personal interests		
Lam Kin Ngok, Peter <i>(Note 2)</i>	Beneficial owner/ Owner of controlled corporations	2,794,443	512,890,186 <i>(Note 2)</i>	1,243,212 <i>(Note 2)</i>	516,927,841	41.58%
Andrew Y. Yan (“Mr. Yan”)	Owner of controlled corporations	Nil	125,000,000 <i>(Note 3)</i>	Nil	125,000,000	10.05%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	12,432,121 <i>(Note 4)</i>	15,226,564	1.22%
Chew Fook Aun	Beneficial owner	Nil	Nil	6,216,060 <i>(Note 4)</i>	6,216,060	0.50%
Lui Siu Tsuen, Richard (“Mr. Lui”)	Beneficial owner	Nil	Nil	3,729,636 <i>(Note 4)</i>	3,729,636	0.30%

#### Notes:

- The total number of issued Shares as at 31 January 2014 (i.e. 1,243,212,165 Shares) has been used in the calculation of the approximate percentage.
- As at 31 January 2014, Dr. Peter Lam was deemed to be interested in 512,890,186 Shares (approximately 41.26% of the issued Shares) indirectly owned by Lai Sun Development Company Limited (“LSD”) by virtue of his personal and deemed controlling shareholding interests of approximately 40.05% in Lai Sun Garment (International) Limited (“LSG”). LSD was approximately 51.97% directly and indirectly owned by LSG. LSG was approximately 10.06% owned by Dr. Peter Lam and approximately 29.99% owned by Wisdom Limited, which was in turn over 99.99% beneficially owned by Dr. Peter Lam. Dr. Peter Lam resigned as an Executive Director on 14 February 2014.  
  
Details of the share option granted to Dr. Peter Lam under the share option scheme of the Company are shown in the section headed “Share Option Schemes” of this Report.
- Mr. Yan was deemed to be interested in 125,000,000 Shares owned by SAIF Partners IV LP, as the said limited partnership was indirectly controlled by Mr. Yan as a director and the sole shareholder of SAIF IV GP Capital Limited which was the sole general partner of SAIF IV GP LP which in turn was the sole general partner of SAIF Partners IV LP.
- Details of the share options granted to Mr. Lam, Mr. Chew and Mr. Lui under the share option scheme of the Company are shown in the section headed “Share Option Schemes” of this Report.

## (II) Interests in Associated Corporations

### (i) MAGHL

By virtue of his deemed controlling shareholding interests in the Company as described in Note 2 of paragraph (I) "Interests in the Company" above, Dr. Peter Lam (currently the chairman and an executive director of MAGHL) was deemed to be interested in the following shares and underlying shares of MAGHL which were held by Perfect Sky Holdings Limited ("**Perfect Sky**", a wholly-owned subsidiary of the Company):

Name of Director	Long positions in the ordinary shares of MAGHL (" <b>MAGHL Shares</b> ") and underlying MAGHL Shares			
	Number of MAGHL Shares	Number of underlying MAGHL Shares	Total	Approximate percentage of total issued MAGHL Shares <small>(Note 1)</small>
	Corporate interests	Corporate interests		
Lam Kin Ngok, Peter	482,521,275	559,750,000 <small>(Note 2)</small>	1,042,271,275	110.22%

Notes:

1. Due to capital reorganisation of MAGHL (details of which were set out in MAGHL's circular dated 13 December 2013) which became effective on 9 January 2014, the number of issued MAGHL Shares has been reduced from 13,383,577,647 to 669,178,882 from that date. The total number of issued MAGHL Shares as at 31 January 2014 (that is, 945,644,546 MAGHL Shares) has been used in the calculation of the approximate percentage.
2. This represents, in aggregate, the 284,750,000 underlying MAGHL Shares comprised in the first completion convertible notes issued to Perfect Sky by MAGHL on 9 June 2011 ("**First Completion Date**") and 275,000,000 underlying MAGHL Shares comprised in the second completion convertible notes issued to Perfect Sky by MAGHL on 9 June 2012, i.e. the first anniversary of the First Completion Date, pursuant to a subscription agreement dated 23 March 2011 and entered into amongst Perfect Sky and such parties for the subscription of certain shares in and convertible notes of MAGHL.



## Directors' Interests *(continued)*

### (II) Interests in Associated Corporations *(continued)*

#### (ii) Lai Fung

		Long positions in the ordinary shares of Lai Fung ("Lai Fung Shares") and underlying Lai Fung Shares					Approximate percentage of total issued Lai Fung Shares <i>(Note 1)</i>
Name of Directors	Capacity	Number of Lai Fung Shares		Lai Fung share options		Total	
		Personal interests	Corporate interests	Personal interests			
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	8,274,270,422 <i>(Note 2)</i>	16,095,912 <i>(Note 2)</i>	8,290,366,334	51.49%	
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	160,959,129 <i>(Note 3)</i>	160,959,129	1.00%	
Chew Fook Aun	Beneficial owner	Nil	Nil	80,479,564 <i>(Note 4)</i>	80,479,564	0.50%	

Notes:

- The total number of issued Lai Fung Shares as at 31 January 2014 (that is, 16,101,899,257 Lai Fung Shares) has been used in the calculation of the approximate percentage.
- As at 31 January 2014, by virtue of his deemed controlling shareholding interests in the Company as described in Note 2 of paragraph (I) "Interests in the Company" above, Dr. Peter Lam (who was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012) was deemed to be interested in 8,274,270,422 Lai Fung Shares (approximately 51.39% of the Lai Fung Shares in issue) indirectly held by the Company.  
  
*Details of the share option granted to Dr. Peter Lam under the share option scheme of Lai Fung are shown in the section headed "Share Option Schemes" of this Report.*
- Details of the share option granted to Mr. Lam (currently also the chief executive officer and an executive director of Lai Fung) under the share option scheme of Lai Fung are shown in the section headed "Share Option Schemes" of this Report.*
- Details of the share option granted to Mr. Chew (currently also the chairman and an executive director of Lai Fung) under the share option scheme of Lai Fung are shown in the section headed "Share Option Schemes" of this Report.*

In addition, by virtue of his deemed controlling shareholding interests in the Company as described in Note 2 of paragraph (I) "Interests in the Company" above, as at 31 January 2014, Dr. Peter Lam was also deemed to be interested in a principal amount of US\$1,025,000 in the 9.125% senior notes due 2014 issued by Lai Fung, which was beneficially owned by a wholly-owned subsidiary of the Company.

Save as disclosed above, as at 31 January 2014, none of the Directors and the chief executive of the Company and their respective associates was interested, or was deemed to be interested, in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

## Substantial Shareholders' and Other Persons' Interests

As at 31 January 2014, so far as it was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (two being Directors), who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

<b>Long positions in the Shares and underlying Shares</b>			
<b>Name</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of total issued Shares</b>
<b>Substantial Shareholders</b>			
Lai Sun Development Company Limited <sup>(Note 1)</sup>	Owner of controlled corporation	512,890,186	41.26% <sup>(Note 3)</sup>
Lai Sun Garment (International) Limited <sup>(Note 2)</sup>	Owner of controlled corporations	512,890,186	41.26% <sup>(Note 3)</sup>
Dr. Lam Kin Ngok, Peter	Beneficial owner/Owner of controlled corporations	516,927,841	41.58% <sup>(Note 3)</sup>
SAIF Partners IV LP	Beneficial owner	125,000,000	10.05% <sup>(Note 4)</sup>
SAIF IV GP LP	Owner of controlled corporation	125,000,000	10.05% <sup>(Note 4)</sup>
SAIF IV GP Capital Limited	Owner of controlled corporations	125,000,000	10.05% <sup>(Note 4)</sup>
Mr. Andrew Y. Yan	Owner of controlled corporations	125,000,000	10.05% <sup>(Note 4)</sup>
<b>Other Persons</b>			
Atlantis Capital Holdings Limited	Owner of controlled corporations	83,200,000	6.69% <sup>(Note 5)</sup>
Ms. Liu Yang	Owner of controlled corporations	83,200,000	6.69% <sup>(Note 5)</sup>

*Notes:*

- As at 31 January 2014, Dr. Peter Lam, Mr. Chew and Mr. Lam, all Executive Directors, were also executive directors of LSD. Madam U Po Chu ("**Madam U**"), a NED, was also a non-executive director of LSD.
- As at 31 January 2014, Dr. Peter Lam, Mr. Chew and Mr. Lam, all Executive Directors, and Madam U, a NED, were also executive directors of LSG.
- Dr. Peter Lam and LSG were deemed to be interested in the same 512,890,186 Shares held by LSD. Please refer to Note 2 of paragraph (l) in the "Directors' Interests" section above for further details.
- Mr. Yan, a NED, was deemed to be interested in the same 125,000,000 Shares owned by SAIF Partners IV LP, SAIF IV GP LP and SAIF IV GP Capital Limited. Please refer to Note 3 of paragraph (l) in the "Directors' Interests" section above for further details.
- Ms. Liu was deemed to be interested in the same 83,200,000 Shares controlled by Atlantis Capital Holdings Limited by virtue of her directorship/controlling interest in such company.

## Substantial Shareholders' and Other Persons' Interests *(continued)*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 January 2014, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

## Purchase, Sale or Redemption of Listed Securities

During the six months ended 31 January 2014, the Group did not redeem any of its shares listed and traded on the Stock Exchange nor did the Group purchase or sell any of such shares.

In addition, the Group did not redeem any of the 9.125% senior notes due 2014 which are listed and traded on the Singapore Exchange Securities Trading Limited nor the 6.875% senior notes due 2018 which are listed and traded on the Stock Exchange (collectively “Notes”, issued by Lai Fung). The Group did not purchase or sell any of such Notes during the six months ended 31 January 2014.

## Disclosure Pursuant to Paragraph 13.21 of Chapter 13 of the Listing Rules

Pursuant to two loan facility agreements both dated 28 March 2013 (as amended and restated), Lai Fung shall procure that Dr. Peter Lam, his family members and inter alia, LSG, LSD and the Company (collectively “Lam Family Holders”) (taken together) shall at all times throughout the terms of the facilities remain (directly or indirectly) the beneficial owners of, or beneficially interested in, the total voting power of the capital stock having the power to vote for the election of directors, managers or other voting members of the governing body of Lai Fung that is greater than that held by any other person that is not a Lam Family Holder.

As at 31 January 2014, the aggregate outstanding loan balances of these facilities amounted to approximately HK\$1,759,516,000 with the last instalment repayment falling due in March 2016.

## Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report for the year ended 31 July 2013 are set out as follows:

- (a) Dr. Peter Lam resigned as an Executive Director and ceased to be a member of the Executive Committee of the Company on 14 February 2014, but he remains as an executive of the Company. In addition, he has been appointed as a member of the Lantau Development Advisory Committee on an ad personam basis for a term of two years from 1 February 2014 to 31 January 2016.
- (b) Mr. Andrew Y. Yan, a NED, has been appointed as a director of China Digital TV Holding Co., Ltd (a company listed and traded on the New York Stock Exchange) with effect from 13 November 2013 and an independent non-executive director of CPMC Holdings Limited (a company listed and traded on the Main Board of the Stock Exchange (Stock Code: 906)) with effect from 17 March 2014.

## Update on Directors' Information *(continued)*

- (c) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Dr. Peter Lam and Messrs. Lui Siu Tsuen, Richard, Chew Fook Aun and Lam Hau Yin, Lester have been adjusted upward by 4.5% with effect from 1 January 2014. Directors' remuneration for the six months ended 31 January 2014 and 2013 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity- settled share option benefits HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Six months ended 31 January 2014</b>					
<i>Executive directors:</i>					
Lam Kin Ngok, Peter	60	6,916	—	—	6,976
Lui Siu Tsuen, Richard	60	1,791	—	6	1,857
Chew Fook Aun	—	4,465	—	15	4,480
Lam Hau Yin, Lester	—	887	—	8	895
	<b>120</b>	<b>14,059</b>	<b>—</b>	<b>29</b>	<b>14,208</b>
<i>Non-executive directors:</i>					
U Po Chu	—	2,186	—	—	2,186
Andrew Y. Yan	120	5	—	—	125
	<b>120</b>	<b>2,191</b>	<b>—</b>	<b>—</b>	<b>2,311</b>
<i>Independent non-executive directors:</i>					
Low Chee Keong	338	45	—	—	383
Alfred Donald Yap	120	40	—	—	160
Ng Lai Man, Carmen	170	45	—	—	215
Lo Kwok Kwei, David	120	40	—	—	160
	<b>748</b>	<b>170</b>	<b>—</b>	<b>—</b>	<b>918</b>
<b>Total</b>	<b>988</b>	<b>16,420</b>	<b>—</b>	<b>29</b>	<b>17,437</b>

## Update on Directors' Information *(continued)*

(c) *(continued)*

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity- settled share option benefits HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2013					
<i>Executive directors:</i>					
Lam Kin Ngok, Peter	60	5,000	1,507	—	6,567
Lui Siu Tsuen, Richard	60	1,885	1,779	7	3,731
Chew Fook Aun	—	4,273	—	15	4,288
Lam Hau Yin, Lester (appointed on 1 November 2012)	—	739	15,074	4	15,817
Cheung Sum, Sam (resigned on 1 September 2012)	—	1,009	—	2	1,011
	120	12,906	18,360	28	31,414
<i>Non-executive directors:</i>					
U Po Chu	—	2,172	—	—	2,172
Andrew Y. Yan	120	10	—	—	130
	120	2,182	—	—	2,302
<i>Independent non-executive directors:</i>					
Low Chee Keong	338	45	—	—	383
Alfred Donald Yap	120	45	—	—	165
Ng Lai Man, Carmen	170	45	—	—	215
Lo Kwok Kwei, David	120	40	—	—	160
	748	175	—	—	923
<b>Total</b>	<b>988</b>	<b>15,263</b>	<b>18,360</b>	<b>28</b>	<b>34,639</b>

## Directors, Employees and Remuneration Policies

As at 31 January 2014, the Group employed a total of around 1,970 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.

The Group is delighted to welcome Mr. Yip Chai Tuck who has joined the Board as an Executive Director with effect from 14 February 2014. Dr. Peter Lam resigned as an Executive Director on 14 February 2014 after having served the Board for over 17 years and the Group would like to thank him for his guidance and valuable contribution during his tenure of office.

## 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 the 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 business strategy.

For the six months ended 31 January 2014, the Company has met with a number of research analysts and investors, attended conferences as well as non-deal roadshows as follows:

Month	Event	Organiser	Location
August 2013	Investors luncheon	Bank of China International	Hong Kong
October 2013	Post full year results non-deal roadshow	UBS	Hong Kong
October 2013	Post full year results non-deal roadshow	UOB Kay Hian	Singapore
October 2013	Post full year results non-deal roadshow	DBS	New York/Los Angeles/ Denver/San Francisco
October 2013	Post full year results non-deal roadshow	UBS	Paris/London
November 2013	Post full year results non-deal roadshow	CIMB	Kuala Lumpur
November 2013	Post full year results non-deal roadshow	UOB Kay Hian	Taipei
December 2013	Post full year results non-deal roadshow	UBS	Sydney
January 2014	The Pulse of Asia Conference	DBS	Singapore
February 2014	Investors luncheon	China Merchants Securities	Hong Kong

The Company is keen on promoting good 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](mailto:ir@esun.com).

## Review of Interim Report

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 with the management the unaudited interim report (containing the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2014.

By Order of the Board

**Low Chee Keong**

*Chairman*

Hong Kong, 25 March 2014