



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 2015

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

Company Secretary

Wong Lai Chun

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

Share Registrar and Transfer Office in Bermuda

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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

Bank of China Limited
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

Listing Information

Shares

The issued shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

Stock Code/Board Lot

571/2,000 shares

Notes

CNY650,000,000 8.375% secured guaranteed notes due 2018 (Stock Code: 85978) issued by eSun International Finance Limited, a direct wholly-owned subsidiary of the Company, are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

Website

www.esun.com

Investor Relations

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RESULTS

The board of directors (“Directors” and “Board”, 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 2015 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2015

	Notes	Six months ended	
		31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
TURNOVER	3	1,292,050	1,220,405
Cost of sales		(717,376)	(767,569)
Gross profit		574,674	452,836
Other revenue	4	105,157	119,163
Selling and marketing expenses		(98,461)	(68,986)
Administrative expenses		(306,827)	(330,481)
Other operating gains		929	38,231
Other operating expenses		(190,065)	(172,546)
Fair value losses on cross currency swaps		(112,721)	—
Fair value gains on investment properties		257,354	597,147
PROFIT FROM OPERATING ACTIVITIES	5	230,040	635,364
Finance costs	6	(147,091)	(206,676)
Share of profits and losses of joint ventures		71,181	9,094
Share of profits and losses of associates		(94)	(505)
PROFIT BEFORE TAX		154,036	437,277
Income tax expense	7	(135,472)	(150,445)
PROFIT FOR THE PERIOD		18,564	286,832
Attributable to:			
Owners of the Company		(22,172)	113,547
Non-controlling interests		40,736	173,285
		18,564	286,832
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		(HK\$0.018)	HK\$0.091
Diluted		(HK\$0.018)	HK\$0.091

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2015

	Six months ended	
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	18,564	286,832
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		
Exchange realignment on translation of foreign operations	78,570	198,123
Reclassification adjustments relating to disposal of foreign operations during the period	(106)	(1,763)
Change in fair value of an available-for-sale investment	363	5,776
Share of other comprehensive income of joint ventures	5,876	14,315
Net gain on cash flow hedges	—	63,979
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX	84,703	280,430
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	103,267	567,262
Attributable to:		
Owners of the Company	22,378	262,257
Non-controlling interests	80,889	305,005
	103,267	567,262

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2015

	Notes	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,481,962	2,836,175
Properties under development		857,690	644,353
Investment properties		14,564,044	13,909,411
Film rights		31,642	37,360
Film products		81,957	80,298
Music catalogs		14,325	16,371
Goodwill		123,440	123,440
Investments in joint ventures		1,236,438	1,136,546
Investments in associates		29,399	32,842
Available-for-sale investments		152,634	154,553
Deposits, prepayments and other receivables		789,449	156,124
Pledged and restricted time deposits		167,970	204,957
Deferred tax assets		5,050	5,421
Total non-current assets		20,536,000	19,337,851
CURRENT ASSETS			
Properties under development		1,019,149	924,889
Completed properties for sale		1,183,878	1,354,049
Films under production		250,957	259,292
Inventories		39,838	22,073
Debtors	10	207,564	255,699
Deposits, prepayments and other receivables		392,368	314,831
Prepaid tax		44,264	44,765
Pledged and restricted time deposits and bank balances		1,006,361	559,009
Cash and cash equivalents		2,393,648	3,454,948
		6,538,027	7,189,555
Asset classified as held for sale	11	269,053	—
Total current assets		6,807,080	7,189,555
CURRENT LIABILITIES			
Creditors and accruals	12	1,037,025	1,013,580
Deposits received and deferred income		449,827	287,512
Tax payable		207,359	186,465
Finance lease payables		6	3
Interest-bearing bank loans, secured		944,381	708,382
Loan from a joint venture		167,993	—
Convertible notes		134,213	127,995
Total current liabilities		2,940,804	2,323,937
NET CURRENT ASSETS		3,866,276	4,865,618
TOTAL ASSETS LESS CURRENT LIABILITIES		24,402,276	24,203,469

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 January 2015

	Notes	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		24,402,276	24,203,469
NON-CURRENT LIABILITIES			
Long-term deposits received		88,439	92,564
Finance lease payables		—	8
Interest-bearing bank loans, secured		1,588,941	1,604,858
Other borrowings		243,380	240,229
Fixed rate senior notes	13	2,247,948	2,232,738
Guaranteed notes	14	784,555	794,589
Derivative financial instruments		137,883	25,162
Deferred tax liabilities		2,709,655	2,633,212
Total non-current liabilities		7,800,801	7,623,360
Net assets		16,601,475	16,580,109
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	621,606	621,606
Reserves		8,310,910	8,304,579
		8,932,516	8,926,185
Non-controlling interests		7,668,959	7,653,924
Total equity		16,601,475	16,580,109

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2015

	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY												Total equity HK\$'000	
	Issued capital HK\$'000	Share		Share option reserve HK\$'000	Investment		Hedge reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
		premium account HK\$'000	Contributed surplus HK\$'000		Share revaluation reserve HK\$'000	revaluation reserve HK\$'000								
At 1 August 2014 (Audited)	621,606	4,230,797	891,289	14,876	14,555	(2,225)	197,126	662,373	35,473	2,260,315	8,926,185	7,653,924	16,580,109	
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	(22,172)	(22,172)	40,736	18,564	
Other comprehensive income/(loss) for the period, net of tax:														
Exchange realignment on translation of foreign operations	-	-	-	-	-	-	41,202	-	-	-	41,202	37,368	78,570	
Reclassification adjustments relating to disposal of foreign operations during the period	-	-	-	-	-	-	(67)	-	-	-	(67)	(39)	(106)	
Change in fair value of an available-for-sale investment	-	-	-	-	363	-	-	-	-	-	363	-	363	
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	3,052	-	-	-	3,052	2,824	5,876	
Total comprehensive income/(loss) for the period	-	-	-	-	363	-	44,187	-	-	(22,172)	22,378	80,889	103,267	
Acquisition of additional interests in subsidiaries**	-	-	-	-	-	-	-	(5,424)	-	-	(5,424)	(57,382)	(62,806)	
Equity-settled share options arrangement	-	-	-	417	-	-	-	-	-	-	417	371	788	
Release of reserve upon lapse of share options of a subsidiary	-	-	-	-	-	-	-	-	-	138	138	(138)	-	
Shares issued by a subsidiary in lieu of cash dividend	-	-	-	-	-	-	-	(11,178)	-	-	(11,178)	15,561	4,383	
Transfer to statutory reserve	-	-	-	-	-	-	-	-	4,245	(4,245)	-	-	-	
Share of statutory reserve of joint ventures	-	-	-	-	-	-	-	-	10,673	(10,673)	-	-	-	
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(24,266)	(24,266)	
At 31 January 2015 (Unaudited)	621,606	4,230,797*	891,289*	15,293*	14,918*	(2,225)*	241,313*	645,771*	50,391*	2,223,363*	8,932,516	7,668,959	16,601,475	

* These reserve accounts comprise the consolidated reserves of HK\$8,310,910,000 (31 July 2014: HK\$8,304,579,000) in the consolidated statement of financial position.

** The amount arose from the acquisition by Lai Fung Holdings Limited ("**Lai Fung**" and its subsidiaries collectively known as "**Lai Fung Group**") of additional shareholding interests in its subsidiaries.

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

For the six months ended 31 January 2015

	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY											Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Hedge reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 August 2013 (Audited)	621,606	4,230,797	891,289	15,258	8,570	(29,516)	196,787	375,271	15,154	1,981,704	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
Transfer to statutory reserve	–	–	–	–	–	–	–	–	11,452	(11,452)	–	–	–
Share of statutory reserve of joint ventures	–	–	–	–	–	–	–	–	1,197	(1,197)	–	–	–
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(32,716)	(32,716)
At 31 January 2014 (Unaudited)	621,606	4,230,797	891,289	15,258	14,346	3,363	306,842	672,488	27,803	2,082,865	8,866,657	7,587,738	16,454,395

[#] The amount comprised (i) HK\$62,928,000 arising from the acquisition of additional shares of 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2015

	Six months ended	
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES	(489,731)	217,675
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to film rights	(644)	(6,836)
Increase in investment properties	(270,745)	(100,330)
Advances to joint ventures	(17,993)	(13,554)
Repayment from joint ventures	3,477	11,685
Capital contribution to a joint venture	(7,500)	—
Disposal of subsidiaries	(6,478)	21,462
Decrease/(increase) in pledged and restricted time deposits	(414,021)	27,856
Acquisition of subsidiaries	—	(103,010)
Deposit paid for acquisition of land use rights	—	(333,540)
Other investing cash flows	17,331	(46,888)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(696,573)	(543,155)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans, net of direct costs	247,628	—
Repayment of bank loans	(47,827)	(168,219)
Loan from a joint venture	167,993	—
Interest and bank financing charges paid	(167,718)	(206,574)
Acquisition of non-controlling interests	(55,326)	(471,051)
Dividend paid to non-controlling shareholders of subsidiaries	(19,883)	(31,497)
Net proceeds from share placement of a subsidiary	—	79,802
Other financing cash flows	(5)	(29)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	124,862	(797,568)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,061,442)	(1,123,048)
Cash and cash equivalents at beginning of period	3,454,948	4,832,685
Effect of foreign exchange rate changes, net	142	31,950
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,393,648	3,741,587
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	1,149,035	1,602,572
Non-pledged and non-restricted time deposits	1,244,613	2,139,015
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	2,393,648	3,741,587

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2015

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group ("**Financial Statements**") for the six months ended 31 January 2015 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 ("**Listing Rules**") 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 2014.

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. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

3. SEGMENT INFORMATION

Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated		
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	
Segment revenue:															
Sales to external customers	231,018	307,006	305,162	282,637	360,045	307,978	207,731	164,671	122,319	103,298	65,775	54,815	1,292,050	1,220,405	
Intersegment sales	—	—	1,875	—	312	—	3,429	—	972	—	462	—	7,050	—	
Other revenue	1,467	99	56,073	62,925	4,180	5,920	615	1,574	10,030	12,318	508	1,190	72,873	84,026	
Total	232,485	307,105	363,110	345,562	364,537	313,898	211,775	166,245	133,321	115,616	66,745	56,005	1,371,973	1,304,431	
Elimination of intersegment sales													(7,050)	—	
Total revenue														1,364,923	1,304,431
Segment results	29,838	(8,179)	380,942	718,715	36,963	44,743	12,621	(17,575)	(3,472)	(520)	(111,805)	(146,550)	345,087	590,634	
Unallocated interest and other revenue	—	—	—	—	—	—	—	—	—	—	—	—	32,284	35,137	
Fair value losses on cross currency swaps	—	—	—	—	—	—	—	—	—	—	—	—	(112,721)	—	
Impairment of asset classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	(34,934)	—	
Gain on disposal of subsidiaries	—	—	—	—	324	9,593	—	—	—	—	—	—	324	9,593	
Profit from operating activities													230,040	635,364	
Finance costs													(147,091)	(206,676)	
Share of profits and losses of joint ventures	71,416	15,410	—	—	1,721	(6,002)	(1,956)	(314)	—	—	—	—	71,181	9,094	
Share of profits and losses of associates	—	—	—	—	(270)	(329)	(2)	—	178	(176)	—	—	(94)	(505)	
Profit before tax													154,036	437,277	
Income tax expense													(135,472)	(150,445)	
Profit for the period													18,564	286,832	

Other segment information:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
Fair value gains on investment properties	—	—	257,354	597,147	—	—	—	—	—	—	—	—	257,354	597,147

3. SEGMENT INFORMATION (continued)

Segment assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Segment assets	3,877,748	2,994,925	16,773,443	16,447,832	326,057	342,156	906,350	920,348	297,586	309,591	3,308,530	3,927,507	25,489,714	24,942,359
Investments in joint ventures	1,178,498	1,100,591	—	—	39,461	28,289	18,479	7,666	—	—	—	—	1,236,438	1,136,546
Investments in associates	—	—	—	—	(25)	(337)	19,388	19,384	10,036	13,795	—	—	29,399	32,842
Unallocated assets													318,476	415,659
Asset classified as held for sale													269,053	—
Total assets													27,343,080	26,527,406
Segment liabilities	609,305	445,957	341,601	308,517	134,986	113,416	196,789	238,126	71,594	77,925	221,016	209,715	1,575,291	1,393,656
Unallocated liabilities													9,166,314	8,553,641
Total liabilities													10,741,605	9,947,297

4. OTHER REVENUE

	Six months ended	
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
Property management fee income	43,969	51,347
Bank interest income	27,985	17,730
Interest income from an amount due from a joint venture, net	—	145
Consultancy service income from a joint venture, net	—	1,078
Government grants	1,417	—
Others	31,786	48,863
Total	105,157	119,163

5. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
Cost of completed properties sold	168,782	281,979
Outgoings in respect of rental income	81,095	72,740
Cost of film rights, licence rights and film products	109,102	115,059
Cost of artiste management services, advertising agency services, and services for entertainment events provided	183,983	142,769
Cost of theatrical releasing and concessionary sales	49,749	41,833
Cost of inventories sold	124,665	113,189
Total cost of sales	717,376	767,569
Depreciation ^{##}	74,825	70,462
Impairment of other receivables, net ^{**}	—	19,593
Impairment of property, plant and equipment ^{**}	17,925	15,775
Impairment of asset classified as held for sale ^{**}	34,934	—
Fair value loss on options ^{**}	—	5,172
Amortisation of film rights [#]	6,362	12,555
Amortisation of film products [#]	56,664	55,060
Amortisation of music catalogs [#]	2,046	2,304
Amortisation of other intangible assets [#]	—	3,693
Provision for amounts due from joint ventures ^{**}	2,105	586
Gain on disposal of a joint venture [*]	—	(6,049)
Gain on disposal of subsidiaries [*]	(324)	(9,593)
Reversal of provision for advances to artiste [#]	(4,836)	(2,983)
Foreign exchange differences, net ^{**/*}	5,332	(10,187)

* 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\$62,085,000 (six months ended 31 January 2014: HK\$57,727,000) are included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement of which HK\$50,087,000 (six months ended 31 January 2014: HK\$49,030,000) are for serviced apartments and related leasehold improvements and HK\$11,998,000 (six months ended 31 January 2014: HK\$8,697,000) are related to cinema operation.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended	
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	60,002	67,321
Bank loans repayable beyond five years	6,610	—
Other borrowings wholly repayable within five years	2,847	2,847
2007 Notes (as defined and disclosed in note 13)	—	65,390
2013 Notes (as defined and disclosed in note 13)	71,324	71,844
First Completion Convertible Notes	—	10,167
Second Completion Convertible Notes	6,218	2,929
Guaranteed notes	34,425	—
Loan from a joint venture	3,035	—
Amortisation of:		
Bank loans	7,385	7,358
2007 Notes	—	4,186
2013 Notes	3,496	3,255
Guaranteed notes	2,735	—
Bank financing charges and direct costs	12,366	13,381
	210,443	248,678
Less: Capitalised in properties under development	(22,839)	(22,490)
Capitalised in investment properties under construction	(36,568)	(9,502)
Capitalised in construction in progress	(3,945)	(10,010)
	(63,352)	(42,002)
Total finance costs	147,091	206,676

7. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the periods ended 31 January 2015 and 31 January 2014. 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 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
Current		
— Hong Kong		
Charge for the period	2,669	3,438
— Elsewhere		
Charge for the period	366	859
— Mainland China		
Corporate income tax		
Charge for the period	41,538	32,795
Land appreciation tax		
Charge for the period	26,558	27,978
	71,131	65,070
Deferred tax	64,341	109,677
Tax indemnity	—	(24,302)
Total tax charge for the period	135,472	150,445

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 the 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 ended 31 January 2014, an amount of HK\$24,302,000 was receivable by the Lai Fung Group under the aforesaid indemnities.

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 2014: 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 arising from adjustment to the share of profit of Lai Fung based on dilution of its earnings per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the 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 has an anti-dilutive effect on the basic loss per share amount presented during the period ended 31 January 2015.

The conversion of the outstanding convertible notes issued by Media Asia Group Holdings Limited (together with its subsidiaries collectively known as “MAGHL Group”) has an anti-dilutive effect on the basic earnings/(loss) per share amounts presented during the periods ended 31 January 2015 and 31 January 2014.

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

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

	Six months ended	
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	(22,172)	113,547
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	(103)	(317)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	(22,275)	113,230
	Number of shares	
Shares		
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
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	1,243,212,165	1,244,074,478

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2015 (six months ended 31 January 2014: Nil).

10. DEBTORS

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

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

10. DEBTORS (continued)

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at 31 January 2015 and 31 July 2014 is as follows:

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Trade debtors:		
Neither past due nor impaired	124,101	154,564
1 – 90 days past due	67,007	81,583
Over 90 days past due	16,456	19,552
Total	207,564	255,699

11. ASSET CLASSIFIED AS HELD FOR SALE

On 23 November 1993, Grand Wealth Limited (“**Grand Wealth**”), an indirect wholly-owned subsidiary of Lai Fung, and Guangzhou Light Industry Real Estate Development Company (“**Guangzhou Light Industry**”) entered into a joint venture agreement (as supplemented, the “**JVA**”) to form a co-operative joint venture company, Guangzhou Grand Wealth Properties Limited in relation to a property development project in Guangzhou, the People’s Republic of China (“**PRC**”) known as Guangzhou Eastern Place.

In accordance with the original terms of the JVA, upon completion of Guangzhou Eastern Place Phase V, certain residential and office units of Guangzhou Eastern Place Phase V will be allocated and transferred to Guangzhou Light Industry.

On 15 January 2015, Grand Wealth and Guangzhou Light Industry entered into a new supplemental agreement (the “**Supplemental Agreement**”) to, among other things, amend the above arrangement whereby Grand Wealth and Guangzhou Light Industry conditionally agreed that in lieu of allocating certain office units of Guangzhou Eastern Place Phase V (the “**Original Property**”) to Guangzhou Light Industry as contemplated under the JVA, Grand Wealth would procure the transfer of Guangzhou Paramount Centre, a serviced apartment under development of the Lai Fung Group in Guangzhou, the PRC (the “**Substituted Property**”) to Guangzhou Light Industry.

The completion of the conditional swap of the Original Property and the Substituted Property between Grand Wealth and Guangzhou Light Industry on the terms and conditions of the Supplemental Agreement (the “**Transaction**”) is subject to, among others, the following conditions having been fulfilled:

- (1) the transfer of the Substituted Property to Guangzhou Light Industry having completed before the registration of completion of the construction work of office units of Guangzhou Eastern Place Phase V, failing that Guangzhou Light Industry is entitled to require the Original Property to be allocated and transferred to it; and
- (2) the shareholders of the Company having approved the Transaction.

The Transaction constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was subject to reporting, announcement and shareholders’ approval requirements. Further details of which are set out in a joint announcement of Lai Fung and the Company dated 15 January 2015, and in a circular of the Company dated 16 February 2015. The Supplemental Agreement and the Transaction were approved by the shareholders of the Company at a special general meeting held on 5 March 2015.

As at 31 January 2015, the Substituted Property was reclassified as asset classified as held for sale and its non-recurring fair value measurement is as follows:

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Asset classified as held for sale — property, plant and equipment	269,053	—

In accordance with HKFRS 5, asset classified as held for sale with a carrying amount of HK\$303,987,000 was written down to its fair value of HK\$317,292,000, less costs to sell of HK\$48,239,000, resulting in an impairment loss of HK\$34,934,000 which was included in “Other operating expenses” on the face of the condensed consolidated income statement for the period.

12. 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 2015 and 31 July 2014 is as follows:

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	177,142	171,533
31 — 60 days	15,503	8,356
61 — 90 days	1,117	1,071
Over 90 days	5,822	1,228
	199,584	182,188
Other creditors and accruals	837,441	831,392
Total	1,037,025	1,013,580

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 of 9.125% fixed rate senior notes (the “**2007 Notes**”), which matured on 4 April 2014 for bullet repayment. The 2007 Notes bore interest from 4 April 2007 and were payable semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 October 2007. The 2007 Notes were listed on the Singapore Exchange Securities Trading Limited. The 2007 Notes have been fully redeemed on the maturity date.

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

On 25 April 2013, Lai Fung issued RMB1,800,000,000 of 6.875% fixed rate senior notes (the “**2013 Notes**”), which 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.

14. GUARANTEED NOTES

RMB650,000,000 8.375% Secured Guaranteed Notes due 2018

On 24 June 2014, eSun International Finance Limited, a wholly-owned subsidiary of the Company, issued RMB650,000,000 (equivalent to approximately HK\$809,364,000) of 8.375% secured guaranteed notes, which will mature on 24 June 2018 for bullet repayment. The guaranteed notes bear interest from 25 June 2014 and are payable semi-annually in arrears on 24 June and 24 December of each year, commencing on 24 December 2014. The guaranteed notes are listed on the Stock Exchange.

15. SHARE CAPITAL

	31 January 2015		31 July 2014	
	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

16. SHARE OPTION SCHEMES

The Company

The Company adopted a share option scheme on 23 December 2005 and became effective on 5 January 2006 for the purpose of providing incentives to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants.

The table below discloses movement of the Company's share options held by the Group's directors, employees and other eligible participants during the period:

	Number of underlying shares comprised in share options
Outstanding as at 1 August 2014	31,650,665
Granted during the period	1,800,000
Outstanding as at 31 January 2015	33,450,665

The exercise price of the Company's share options granted during the period was HK\$0.728 per share. The closing price of the Company's shares immediately before 21 January 2015, the date of grant, was HK\$0.71 per share.

The fair value of the share options granted during the period was HK\$417,000 (six months ended 31 January 2014: Nil), which the Group recognised as a share option expense during the period.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	21 January 2015
Dividend yield (%)	—
Expected volatility (%)	68.365
Historical volatility (%)	68.365
Risk-free interest rate (%)	1.417
Expected life of options (years)	10
Closing share price (HK\$ per share)	0.71

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

16. SHARE OPTION SCHEMES (continued)

Lai Fung

On 18 December 2012, Lai Fung adopted a new share option scheme and terminated the share option scheme previously adopted on 21 August 2003. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme.

The table below disclosed movement of Lai Fung's share options held by Lai Fung's directors, employees and other eligible participants:

	Number of underlying Lai Fung shares comprised in Lai Fung share options
Outstanding as at 1 August 2014	538,205,994
Granted during the period	9,000,000
Lapsed during the period	(5,000,000)
Outstanding as at 31 January 2015	542,205,994

The exercise price of Lai Fung's share options granted during the period was HK\$0.16 per Lai Fung's share. The closing price of Lai Fung's shares immediately before 16 January 2015, the date of grant, was HK\$0.16 per Lai Fung's share.

The fair value of the share options granted by Lai Fung during the period was HK\$371,000 (six months ended 31 January 2014: Nil) of which the Lai Fung Group recognised as a share option expense of HK\$371,000 and HK\$169,000 (before and after capitalisation to properties under development/investment properties under construction, respectively) during the period.

The fair value of equity-settled share options granted by Lai Fung during the period was estimated as at the date of grant using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	16 January 2015
Dividend yield (%)	1.856
Expected volatility (%)	48.787
Historical volatility (%)	48.787
Risk-free interest rate (%)	1.357
Expected life of options (years)	10
Closing share price (HK\$ per Lai Fung's share)	0.16

The expected life of the options of Lai Fung is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

17. COMMITMENTS

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

	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Contracted but not provided for:		
Construction and compensation costs	452,861	546,828
Acquisition of items of property, plant and equipment	7,264	3,336
	460,125	550,164
Authorised, but not contracted for:		
Construction and resettlement costs	3,322,674	3,354,158
Acquisition of items of property, plant and equipment	154,749	2,511
	3,477,423	3,356,669

18. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair values:

Group

	Carrying amounts		Fair values	
	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Financial assets				
Available-for-sale investments	78,799	78,436	78,799	78,436
Financial liabilities				
Derivative financial instruments	137,883	25,162	137,883	25,162

Liabilities for which fair values are disclosed:

Group

	Carrying amounts		Fair values	
	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000	31 January 2015 (Unaudited) HK\$'000	31 July 2014 (Audited) HK\$'000
Financial liabilities				
Convertible notes	134,213	127,995	134,346	128,539
2013 Notes	2,247,948	2,232,738	2,144,858	2,199,063
Guaranteed notes	784,555	794,589	794,626	830,034
	3,166,716	3,155,322	3,073,830	3,157,636

Each year, the Group's management appoints external valuers to be responsible for the external valuations of the Group's derivative financial instruments (the "Valuers"). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management have discussions with the Valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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 available-for-sale investments are based on quoted prices in active markets;
- (ii) derivative financial instruments, being the cross currency swaps ("CCS"), 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;
- (iii) the fair values of the liability portion of the convertible notes are estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar instrument with consideration of MAGHL Group's own non-performance risk. The interest rate used to discount the future cash flows as at 31 January 2015 was 9.16% (31 July 2014: 9.16%);
- (iv) the fair values of fixed rate senior notes are based on quoted market prices; and
- (v) the fair values of guaranteed notes are based on quoted market prices.

18. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$279 to HK\$11.7 million	1
		Expected exposure at default — Lai Fung	HK\$86.5 million to HK\$125 million	2
		Credit spread — counterparty	26.82 basis point to 120.25 basis point	3
		Credit spread — Lai Fung	366.55 basis point to 670.39 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — Lai Fung credit risk	60%	6

Notes:

1. *The higher the expected exposure at default — counterparty, the lower the fair value of CCS*
2. *The higher the expected exposure at default — Lai Fung, the higher the fair value of CCS*
3. *The higher the credit spread — counterparty, the lower the fair value of CCS*
4. *The higher the credit spread — Lai Fung, the higher the fair value of CCS*
5. *The higher the loss given default ratio — counterparty, the lower the fair value of CCS*
6. *The higher the loss given default ratio — Lai Fung, the higher the fair value of CCS*

Other than the above financial assets and liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 January 2015 and 31 July 2014.

18. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair values:

Group

As at 31 January 2015

	Fair value measurement using			Total HK\$'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financial assets				
Available-for-sale investments	—	78,799	—	78,799
Financial liabilities				
Derivative financial instruments	—	—	137,883	137,883

As at 31 July 2014

	Fair value measurement using			Total HK\$'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Financial assets				
Available-for-sale investments	—	78,436	—	78,436
Financial liabilities				
Derivative financial instruments	—	—	25,162	25,162

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.

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 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
LSD and its subsidiaries, and/or Lai Sun Garment (International) Limited and its subsidiaries, major shareholder of the Company:			
Rental expense and building management fee paid or payable	(i)	5,757	4,744
Tax indemnity receivable	(ii)	—	24,302
Sharing of corporate salaries on a cost basis allocated from		24,517	16,762
Sharing of administrative expenses on a cost basis allocated from		4,607	8,703
Sharing of corporate salaries on a cost basis allocated to		3,786	2,764
Sharing of administrative expenses on a cost basis allocated to		245	595
Joint ventures:			
Consultancy and production service fee paid	(iii)	2,240	1,210
Consultancy service income	(iii)	—	1,107
Interest income received	(iv)	—	163
Advance of a loan received	(v)	167,993	—
Interest expenses paid or payable	(v)	3,035	—
Management fee and other service fees paid or payable to a related company	(vi)	5,310	5,175

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 related company is Guangzhou Beautiwin Real Estate Development Company Limited ("Guangzhou Beautiwin"), a joint venture of the Group. During the period, Guangzhou Beautiwin advanced a loan amounting to HK\$167,993,000 to the Group and the interest expenses were charged at a fixed interest rate at 4.2% per annum.
- (vi) 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.

19. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group

	Six months ended	
	31 January 2015 (Unaudited) HK\$'000	31 January 2014 (Unaudited) HK\$'000
Short-term employee benefits	11,797	17,408
Post-employment benefits	37	29
Total compensation paid to key management personnel	11,834	17,437

20. COMPARATIVE AMOUNTS

Certain comparative amounts in the segment information have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2015 (six months ended 31 January 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Media and Entertainment/Film Production and Distribution/Cinema Operation

The Mainland China entertainment market continues to grow at an unprecedented pace. The Group continues to expand its media and entertainment businesses in Mainland China, maximising income from its film, TV, music, live entertainment, artiste management and cinema in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry and achieved good progress for the six months ended 31 January 2015.

- Films — continued drive to increase its original production of films which appeal to Chinese language audiences and foresees a solid distribution pipeline in the year to come with a slate of films currently in development and production. Emphasis will be put on focusing on increasing production capabilities and deriving more fee related income from the production.
- Live Entertainment — successfully produced and promoted a large number of major concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. 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 TV drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China as well as a way to provide exposure and training for the Group's stable of artistes. The Group will focus on developing scripts of early episodes of different series as a way to secure investors' and television stations' interests early therefore to secure distribution and co-development opportunities. Moreover, the Group is also looking to move 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.
- Artiste Management — expanded its 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 bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China.

Business Review and Outlook *(continued)*

Media and Entertainment/Film Production and Distribution/Cinema Operation (continued)

The popularity of Korean artistes and related entertainment products becomes a worldwide phenomenon. The Group has taken a number of strategic moves to seize the opportunities. In September 2014, Media Asia Group Holdings Limited (“**MAGHL**”, and together with its subsidiaries, “**MAGHL Group**”) entered into an agreement with SM Entertainment Group (“**SM**”), the market leader in music and artiste management businesses in Korea, and the Fubon Group, a leading financial and communications conglomerate in Taiwan, to set up a media and entertainment investment fund to invest in film and TV projects with the main focus on Mainland China and the global Chinese language audience. The fund will provide strong financial support for the production of projects under development by the Group’s Film and TV Divisions led by Mr. Gordon Chan, a famed Director and Producer, and Mr. Tommy Leung, ex-TVB Head of Drama Production who joined the Group last year respectively. The Group believes that a strong artiste roster will complement its media and entertainment businesses and has extended the alliance with SM to act as the exclusive management agent of Zhang Li Yin, f(x) and EXO in Mainland China, in addition to Super Junior.

In summary, the Group believes that its integrated media platform comprising film, TV, music, artiste and events management, live entertainment and cinema 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 global economies remain on a delicate recovery path, despite continuous support from central banks around the world. Major economies such as the United States, the Euro Zone and Japan continue to struggle against a backdrop of geopolitical uncertainties around the world such as those in the Middle East and between Russia and Ukraine.

The Chinese economy delivered 7.4% Gross Domestic Product (“**GDP**”) growth for 2014 despite the challenging economic environments globally. The Chinese Government has since revised the 2015 GDP growth target to around 7.0%. It further emphasised the need to focus on quality and sustainability in economic development with a view to upgrade China’s economy to a medium-high-level of development while maintaining China’s economic growth at a medium-high speed. It was indicated at China’s recent annual parliamentary session that this would be achieved through implementing a combination of proactive fiscal policy and prudent monetary policy to balance steady growth and ongoing economic restructuring. This has been seen through the cuts in the benchmark interest rates and reduction in reserve requirement ratio for banks as well as some relaxation in the Home Purchase Restrictions in certain cities in Mainland China during the period under review. The property sector is an important economic pillar and continues to be shaped significantly by government policies. The Chinese Government’s approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike.

The regional focus of Lai Fung Holdings Limited (“**Lai Fung**”, and together with its subsidiaries, “**Lai Fung Group**”), a non-wholly-owned subsidiary of the Company, coupled with the rental-led strategy that the Lai Fung Group adopted since 2012 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.

The control measures implemented by the Chinese Government slowed sales across the sector and affected different participants to different degrees. Lai Fung Group is affected without exception but to a lesser extent as it is blessed with a quality rental portfolio. Nevertheless, Lai Fung Group experienced a steady increase in average selling prices in some of its projects for sale, which indicated the strength and depth of the underlying demand. The management believes that it is important to prepare Lai Fung Group for the challenges and opportunities ahead.

Business Review and Outlook *(continued)*

Mainland China Property Market *(continued)*

Lai Fung Group was successful in the auction for Phase I of the Creative Culture City project in Hengqin (“**Phase I CCC**”) in September 2013 which it will co-develop with the Company, with 80% held by Lai Fung Group and 20% held by the Company. Phase I CCC has total gross floor area (“**GFA**”) of approximately 2.8 million square feet and a minimum investment requirement of approximately RMB3.0 billion (equivalent to approximately HK\$3.8 billion), of which approximately RMB523.3 million (equivalent to approximately HK\$661.0 million) is land cost as per the land grant contract entered into between Lai Fung Group and The Land and Resources Bureau of Zhuhai on 27 September 2013. The master layout plan for Phase I CCC has been approved in January 2015 and construction work is expected to commence in the second half of this year.

The expected GFA breakdown by usage is set out below:

Usage	Approximate GFA Square feet
Cultural themed hotel	597,300
Cultural workshop	452,300
Cultural commercial area	540,700
Performance halls	387,500
Office	559,900
Cultural studios	244,700
Ancillary facilities and others	20,000
Total	2,802,400

The proposed transaction with 廣州市輕工房地產開發公司 (Guangzhou Light Industry Real Estate Development Company*) (“**Guangzhou Light Industry**”) as announced jointly by the Company and Lai Fung on 15 January 2015 was approved by the shareholders of the Company on 5 March 2015 and it is expected to complete before the end of 2015. This would enable Lai Fung Group to consolidate its ownership of the office units in Guangzhou Eastern Place Phase V completely and provide additional flexibility and strategic value to Lai Fung Group. The acquisition of the remaining 5% interest in Shanghai May Flower Plaza completed in January 2015 demonstrated Lai Fung Group’s commitment in consolidating interests in quality rental assets.

Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of Shanghai Hong Kong Plaza has been completed. New tenants have commenced operations during the period under review which is expected to improve the overall rental contribution from this property.

Lai Fung Group 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 7.1 million square feet through developing the existing projects in the next few years. The remaining residential units in Guangzhou Dolce Vita Phases I and III, Guangzhou King’s Park and Guangzhou Eastern Place V are expected to contribute to the income statement in the current and coming financial years. The Lai Fung Group has submitted an application to return the site located on Guan Lu Road in Yuexiu District in Guangzhou to the Guangzhou government and is now discussing with the authorities on this issue. As at 31 January 2015, Lai Fung Group has a landbank of 10.2 million square feet.

The Group’s consolidated cash position of HK\$3,568.0 million (HK\$1,276.1 million excluding Lai Fung Group and MAGHL Group) with a net debt to equity ratio of 28.5% as at 31 January 2015 provides the Group with 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.

* For identification purposes only

Overview of Interim Results

For the six months ended 31 January 2015, the Group recorded a turnover of HK\$1,292.1 million, representing an increase of 5.9% from HK\$1,220.4 million during the same period last year. The gross profit increased by approximately 26.9% to HK\$574.7 million (2014: HK\$452.8 million).

For the six months ended 31 January 2015, net loss attributable to owners of the Company was approximately HK\$22.2 million (2014: net profit of HK\$113.5 million). Basic loss per share was HK\$0.018 (2014: basic earnings per share: HK\$0.091). The significant decrease is primarily due to: (a) a significantly lower revaluation gain arising in the revaluation of the investment properties of Lai Fung Group for the period ended 31 January 2015 as compared to the same period last year; and (b) the fair value losses, mainly as a result of worse than expected outlook on Renminbi depreciation, arising on cross currency swaps which were entered into in relation to RMB1.8 billion senior notes issued by Lai Fung in 2013. The effect of the fair value losses on the consolidated income statement of the Group will either be reversed or offset by the exchange gain arising from the RMB1.8 billion senior notes upon the expiry of the cross currency swap contracts.

Net loss attributable to owners of the Company for the period excluding the effect of property revaluations was approximately HK\$121.3 million (2014: net loss of HK\$110.1 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK\$0.098 per share.

Excluding the effect of property revaluations and fair value losses on cross currency swaps, net loss attributable to owners of the Company for the period ended 31 January 2015 decreased to approximately HK\$63.4 million as compared to the same period last year. Net loss per share attributable to owners of the Company excluding the effect of property revaluations and fair value losses on cross currency swaps decreased from HK\$0.089 to HK\$0.051 per share, correspondingly.

Profit/(loss) attributable to owners of the Company	Six months ended 31 January	
	2015 HK\$'million	2014 HK\$'million
Reported	(22.2)	113.5
Adjustment in respect of Investment properties		
Revaluation of properties	(132.2)	(299.2)
Deferred tax on investment properties	33.1	74.8
Non-controlling interests' share of revaluation movements less deferred tax	—	0.8
Net loss after tax excluding revaluation gains of investment properties	(121.3)	(110.1)
Net loss after tax excluding revaluation gains of investment properties and fair value losses on cross currency swaps	(63.4)	(110.1)

Equity attributable to owners of the Company as at 31 January 2015 amounted to HK\$8,932.5 million, up from HK\$8,926.2 million as at 31 July 2014. Net asset value per share attributable to owners of the Company increased to HK\$7.185 per share as at 31 January 2015 from HK\$7.180 per share as at 31 July 2014.

Overview of Interim Results *(continued)*

Media and Entertainment

For the six months ended 31 January 2015, this segment recorded a turnover of HK\$360.0 million (2014: HK\$308.0 million) and segment result decreased from a profit of HK\$44.7 million to a profit of HK\$37.0 million.

Live Entertainment

For the six months ended 31 January 2015, the Group organised and invested in 39 (2014: 59) shows by popular local, Asian and internationally renowned artistes, including EXO, SM Town, Super Junior, Show Lo, Sammi Cheng, Miriam Yeung, Grasshopper, Justin Lo and C AllStar.

Music Production, Distribution and Publishing

For the six months ended 31 January 2015, the Group released 45 (2014: 53) albums, including titles by Super Junior, Henry@SJM, Sammi Cheng, Miriam Yeung, C AllStar and RubberBand.

The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

The Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing television drama production and film production business. The Group had more than 42 artistes under its management for the six months ended 31 January 2015.

Film and TV Program Production and Distribution

For the six months ended 31 January 2015, this segment recorded a turnover of HK\$207.7 million (2014: HK\$164.7 million). Segment results improved from a loss of HK\$17.6 million to a profit of HK\$12.6 million.

For the six months ended 31 January 2015, the Group released 3 films, namely *Break Up 100*, *Don't Go Breaking My Heart II* and *Miss Granny (20, Once Again)* and distributed 13 films and 83 videos during the period under review. High profile titles include *Fury*, *Paddington*, *Teenage Mutant Ninja Turtles*, *Transformers: Age of Extinction*, *Captain America 2* and *Frozen Sing-along*.

The Group has made investments in production of 4 TV drama series in Mainland China which are expected to generate return to the Group in the coming financial year.

Cinema Operation

For the six months ended 31 January 2015, this segment recorded a turnover of HK\$122.3 million (2014: HK\$103.3 million). 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. The Group currently has a total of 10 cinemas with 60 screens and 8,314 seats. There are 22 screens with 2,856 seats in Mainland China and 38 screens with 5,458 seats in Hong Kong, respectively. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses.

Overview of Interim Results *(continued)*

Cinema Operation *(continued)*

Details on the number of screens and seats of each cinema are as follows:

Cinema	Attributable Interest to the Group (%)	No. of Screens ^(Note)	No. of Seats ^(Note)
Mainland China			
Guangzhou May Flower Cinema City	100	7	767
Zhongshan May Flower Cinema City	100	5	931
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
	Subtotal	22	2,856
Hong Kong			
MCL Metro Cinema	85	7	957
MCL Telford Cinema	85	6	819
STAR Cinema	85	6	622
MCL Kornhill Cinema	85	5	836
MCL JP Cinema	85	2	658
The Grand Cinema	25.5	12	1,566
	Subtotal	38	5,458
	Total	60	8,314

Note: On 100% basis

Overview of Interim Results *(continued)*

Property Investment

The following details are extracted from Lai Fung's interim reports for the six months ended 31 January 2015 and 31 January 2014.

Rental Income

For the six months ended 31 January 2015, Lai Fung Group's rental operations recorded a turnover of HK\$307.1 million (2014: HK\$283.2 million), representing a 8.4% increase over the same period last year. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January		Approximate percentage change (%)	Period end occupancy (%)
	2015 HK\$'million	2014 HK\$'million		
Shanghai				
Shanghai Hong Kong Plaza	202.7	192.2	5.5	Retail: 99.2 Office: 96.3 Serviced Apartments: 86.2
Shanghai May Flower Plaza	28.2	17.4	62.1	Retail: 85.8 Hotel: 47.4
Shanghai Regents Park	6.8	7.0	-2.9	100.0
Shanghai Northgate Plaza I	5.2	5.4	-3.7	87.6
Guangzhou				
Guangzhou May Flower Plaza	52.4	52.5	-0.2	98.2
Guangzhou West Point	8.5	8.3	2.4	98.3
Zhongshan				
Zhongshan Palm Spring	3.3	0.4	725.0	Retail: 57.0* Serviced Apartments: 51.7
Total	307.1	283.2	8.4	

* Excluding self-use area

Rental income performed steadily as a whole with high occupancy in all the major properties. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of Shanghai Hong Kong Plaza has been completed. New tenants have commenced operations during the period under review which is expected to improve overall rental contribution. The serviced apartments in Zhongshan Palm Spring, STARR Resort Residence Zhongshan and the hotel in Shanghai May Flower Plaza, STARR Hotel Shanghai, commenced operations in August 2013 and November 2013, respectively and operated against a background of challenging conditions.

A portion of Zhongshan Palm Spring Rainbow Mall, amounting to approximately 36.5% 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.

Overview of Interim Results *(continued)*

Property Investment *(continued)*

Rental Income *(continued)*

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

	Six months ended 31 January 2015			Six months ended 31 January 2014		
	Lai Fung Group interest	Turnover HK\$'million	Approximate attributable GFA Square feet	Lai Fung Group interest	Turnover HK\$'million	Approximate attributable GFA Square feet
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		88.6	468,434		84.6	468,434
Office		47.7	360,687		42.5	360,687
Serviced Apartments (room revenue and F&B)		62.7	354,239		61.7	353,180
Car-parking Spaces		3.7	N/A		3.4	N/A
		202.7	1,183,360		192.2	1,182,301
Shanghai May Flower Plaza	100%			95%		
Retail		13.8	320,314		16.7	304,298
Hotel (room revenue and F&B)		13.7	143,846		0.2	136,653
Car-parking Spaces		0.7	N/A		0.5	N/A
		28.2	464,160		17.4	440,951
Shanghai Regents Park	95%			95%		
Retail		5.5	77,959		5.9	77,959
Car-parking Spaces		1.3	N/A		1.1	N/A
		6.8	77,959		7.0	77,959
Shanghai Northgate Plaza I	99%			97%		
Retail		—	190,425		—	186,578
Office		4.9	128,931		5.0	126,326
Car-parking Spaces		0.3	N/A		0.4	N/A
		5.2	319,356		5.4	312,904
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		45.0	357,424		45.3	357,424
Office		5.5	79,431		5.3	79,431
Car-parking Spaces		1.9	N/A		1.9	N/A
		52.4	436,855		52.5	436,855
Guangzhou West Point	100%			100%		
Retail		8.5	171,968		8.3	172,718
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail		0.8	61,942		—	56,048
Serviced Apartments (room revenue)		2.5	98,556		0.4	98,556
		3.3	160,498		0.4	154,604
Total		307.1	2,814,156		283.2	2,778,292

Overview of Interim Results *(continued)*

Property Development

The following details are extracted from Lai Fung's interim reports for the six months ended 31 January 2015 and 31 January 2014.

Recognised Sales

For the six months ended 31 January 2015, Lai Fung Group's property development operations recorded a turnover of HK\$231.0 million (2014: HK\$307.0 million) from sale of properties, representing a 24.8% 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 was primarily driven by the sales performance of Shanghai May Flower Plaza and Guangzhou King's Park of which approximately 18,646 and 17,826 square feet of GFA were sold, respectively, achieving sales revenue of HK\$88.5 million and HK\$91.5 million, respectively.

For the six months ended 31 January 2015, average selling price recognised as a whole (excluding Guangzhou Dolce Vita) increased to approximately HK\$3,520.6 per square foot (2014: HK\$3,099.7 per square foot). The increase is due to a higher proportion of units at Shanghai May Flower Plaza and Guangzhou King's Park being sold and recognised during the period under review at higher average selling prices.

Breakdown of turnover for the six months ended 31 January 2015 from property sales is as follows:

Recognised Basis	Approximate GFA Square feet	Average Selling Price# HK\$/square foot	Turnover* HK\$'million
Shanghai May Flower Plaza			
Residential Units	17,455	5,158.0	84.9
Office Apartment Units	1,191	3,216.1	3.6
Guangzhou King's Park			
Residential Units	17,826	5,443.4	91.5
Zhongshan Palm Spring			
Residential High-rise Units	1,055	919.0	0.9
Residential House Units	29,045	1,463.5	40.1
Subtotal	66,572	3,520.6	221.0
Guangzhou West Point			
Car-parking Spaces			10.0
Total			231.0
Recognised Sales from Joint Venture Project			
Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	182,252	2,238.2	384.7
Retail Units** (47.5% basis)	12,015	7,348.1	83.3
Subtotal	194,267	2,554.3	468.0
Car-parking Spaces** (47.5% basis)			56.4
Total			524.4

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 2015, the recognised sales (after business tax) attributable to the full project is HK\$985.2 million (excluding car-parking spaces) and approximately 408,984 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK\$118.7 million.

Overview of Interim Results *(continued)*

Property Development *(continued)*

Contracted Sales

As at 31 January 2015, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK\$418.2 million from sale of properties (31 July 2014: HK\$229.6 million) with an average selling price of HK\$3,683.5 per square foot. The total contracted but not yet recognised sales of Lai Fung Group as at 31 January 2015 including Guangzhou Dolce Vita amounted to HK\$971.2 million.

Sales momentum for the remaining units at Shanghai May Flower Plaza, Guangzhou King's Park and Zhongshan Palm Spring was encouraging and achieved a blended average selling price of HK\$5,111.5 per square foot, HK\$5,076.4 per square foot and HK\$1,421.1 per square foot, respectively. Sales of the remainder of residential units and retail units of Guangzhou Dolce Vita were strong and average selling price increased to HK\$2,651.9 per square foot (2014: HK\$2,566.0 per square foot).

Breakdown of contracted but not yet recognised sales as at 31 January 2015 is as follows:

Contracted Basis	Approximate GFA Square feet	Average Selling Price [#] HK\$/square foot	Turnover [#] HK\$'million
Shanghai May Flower Plaza			
Residential Units	31,713	5,111.5	162.1
Guangzhou King's Park			
Residential Units	7,072	5,076.4	35.9
Guangzhou Eastern Place			
Residential Units	23,940	6,182.1	148.0
Zhongshan Palm Spring			
Residential High-rise Units	2,030	936.0	1.9
Residential House Units	48,777	1,441.3	70.3
Subtotal	113,532	3,683.5	418.2
Contracted Sales from Joint Venture Project			
Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	207,838	2,628.0	546.2
Retail Units** (47.5% basis)	695	9,784.2	6.8
Subtotal	208,533	2,651.9	553.0
Car-parking Spaces** (47.5% basis)			1.1
Subtotal			554.1
Total (excluding car-parking spaces)	322,065	3,015.5	971.2

[#] Before business tax

^{**} 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 2015, the contracted but not yet recognised sales attributable to the full project is HK\$1,164.2 million (excluding car-parking spaces) and approximately 439,016 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK\$2.3 million.

Liquidity, Financial Resources, Charge on Assets and Gearing

Cash and Bank Balances

As at 31 January 2015, cash and bank balances held by the Group amounted to HK\$3,568.0 million (31 July 2014: HK\$4,218.9 million) of which around 30% was denominated in Hong Kong dollar (“**HKD**”) and United States dollar (“**USD**”) currencies, and over 70% was denominated in Renminbi (“**RMB**”). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 January 2015 was HK\$1,276.1 million (31 July 2014: HK\$1,328.9 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 January 2015, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$6,111.4 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 January 2015, the Group has guaranteed notes (“**Guaranteed Notes**”) of HK\$784.6 million which are denominated in RMB. The Guaranteed Notes are secured by the share charge in respect of the ordinary shares of Lai Fung and MAGHL and the interest reserve accounts, and have the benefit of a keepwell and security shortfall support deed and a deed of equity interest purchase undertaking by Lai Sun Development Company Limited, the controlling shareholder of the Company. The Guaranteed Notes bear interest of 8.375% per annum payable semi-annually in arrears on 24 June and 24 December of each year, with a maturity date of 24 June 2018 for bullet repayment. In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK\$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group’s recorded interest accruals were HK\$71.4 million for the said unsecured other borrowings as at 31 January 2015. 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 2015.

MAGHL

As at 31 January 2015, MAGHL has unsecured and unguaranteed 3-year zero coupon Second Completion Convertible Notes with an aggregate outstanding principal amount of approximately HK\$182.9 million, comprising approximately HK\$44.3 million and approximately HK\$138.6 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 purpose, after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the Second Completion Convertible Notes as recorded in the Group was HK\$134.2 million as at 31 January 2015 after adjusting for (i) accrued interest and (ii) intra-group elimination.

Lai Fung

As at 31 January 2015, Lai Fung Group had total borrowings in the amount of HK\$5,171.1 million comprising bank loans of HK\$2,533.3 million, fixed rate senior notes of HK\$2,247.9 million, loan from a subsidiary of the Company of HK\$162.9 million, loan from a joint venture of HK\$168.0 million and other borrowing of HK\$59.0 million. The maturity profile of Lai Fung Group’s borrowings of HK\$5,171.1 million is well spread with HK\$1,112.4 million repayable within 1 year, HK\$1,663.1 million repayable in the second year and HK\$2,336.3 million repayable in the third to fifth years, and HK\$59.3 million repayable beyond the fifth year.

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

Borrowings (continued)

Lai Fung (continued)

Approximately 47% and 49% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of Lai Fung Group's borrowings were interest free.

Apart from the fixed rate senior notes, Lai Fung Group's bank and other borrowings of HK\$2,923.2 million were 49% denominated in RMB, 34% in HKD and 17% in USD.

Lai Fung Group's fixed rate senior notes of HK\$2,247.9 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 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 2013 Notes have been effectively converted into USD denominated loans.

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\$8,485.0 million, completed properties for sale with a total carrying amount of approximately HK\$116.4 million, properties under development with a total carrying amount of approximately HK\$1,527.7 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK\$1,610.0 million, properties with a total carrying amount of approximately HK\$121.1 million and time deposits and bank balances of approximately HK\$812.3 million (including HK\$235.2 million deposited into an interest reserve account).

In addition, as at 31 January 2015, 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\$48.7 million as at 31 January 2015. Such bank loan facility had not been utilised by the Group as at 31 January 2015. As at 31 January 2015, unsecured general banking facilities in the amount of HK\$99.0 million were granted by other banks to the Group. The said unsecured general banking facilities are subject to annual review by the banks for renewal and the Group had utilised letter of credit and letter of guarantee facilities for an amount of HK\$15.8 million as at 31 January 2015. As such, the Group (other than Lai Fung) has the undrawn facilities of HK\$143.2 million. The undrawn facilities of Lai Fung Group was HK\$1,908.0 million as at 31 January 2015.

As at 31 January 2015, the consolidated net assets attributable to the owners of the Company amounted to HK\$8,932.5 million. The gearing ratio, being net debt (total borrowings of HK\$6,111.4 million less pledged bank balances and time deposits of HK\$1,174.3 million and cash and cash equivalents of HK\$2,393.6 million) to net assets attributable to the owners of the Company was approximately 28.5%.

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 for its present requirements to finance its existing operations and projects underway.

Contingent Liabilities

There has been no material change in contingent liabilities of the Group since 31 July 2014.

PARTICULAR OF MAJOR PROPERTIES

Completed Properties held for Rental

Property name	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 spaces & ancillary facilities)	
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	51.30%	The property is held for a term of 50 years commencing on 16 September 1992	240,307	185,032	425,339	180
May Flower Plaza ^(Note)	Sujiaxiang, Zhabei District	51.30%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	164,321	—	164,321	—
Northgate Plaza I	99 Tian Mu Road West, Zhabei District	50.79%	The property is held for a term of 50 years commencing on 15 June 1993	97,688	66,142	163,830	52
Regents Park	88 Huichuan Road, Changning District	48.74%	The property is held for a term of 70 years commencing on 4 May 1996	39,993	—	39,993	—
Subtotal of major completed properties held for rental in Shanghai:				542,309	251,174	793,483	232
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	51.30%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	183,359	40,748	224,107	70
West Point	Zhongshan Qi Road, Liwan District	51.30%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	88,220	—	88,220	—
Subtotal of major completed properties held for rental in Guangzhou:				271,579	40,748	312,327	70
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	51.30%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	31,776	—	31,776	—
Subtotal of major completed properties held for rental in Zhongshan:				31,776	—	31,776	—
Total of major completed properties held for rental:				845,664	291,922	1,137,586	302

Note: In January 2015, the Lai Fung Group bought out 5% minority interest in Shanghai May Flower Plaza, increasing its interest in this project to 100%.

PARTICULAR OF MAJOR PROPERTIES *(continued)*

Completed Hotel Properties and Serviced Apartments

Property name	Location	Group interest	Tenure	No. of rooms	Approximate attributable gross floor area (square feet)	No. of car-parking spaces attributable to the Group
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District, Shanghai	51.30%	The property is held for a term of 50 years commencing on 16 September 1992	299	181,725	—
STARR Hotel Shanghai ^(Note)	Sujiaxiang, Zhabei District, Shanghai	51.30%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	73,793	—
Subtotal of major completed hotel properties and serviced apartments in Shanghai:				538	255,518	—
Zhongshan						
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District, Zhongshan	51.30%	The property is held for a term expiring on 23 October 2073	90	50,559	—
Subtotal of major completed hotel properties and serviced apartments in Zhongshan:				90	50,559	—
Total of major completed hotel properties and serviced apartments:				628	306,077	—

Note: In January 2015, the Lai Fung Group bought out 5% minority interest in STARR Hotel Shanghai, increasing its interest in this project to 100%.

PARTICULAR OF MAJOR PROPERTIES *(continued)*

Properties Under Development

Property name	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)					Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Serviced apartments	Residential			
Guangzhou												
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	24.37%	Construction work in progress	Phase 2: Q4 2016 Phase 4: Q2 2015 Phase 5: Q1 2016	3,217,769 <i>(Note 2)</i>	4,721	–	–	480,511	485,232	392	
Paramount Centre	Da Sha Tou Road, Yuxiu District	51.30%	Construction work in progress	Q3 2015	23,788	2,874	39,230	–	–	42,104	24	
Eastern Place Phase V	787 Dongfeng East Road, Yuxiu District	51.30%	Construction work in progress	Q4 2015	186,142	53,276	277,754	–	163,841	494,871	290	
Haizhu Plaza	Chang Di Main Road, Yuxiu District	51.30%	Resettlement in progress	2017-2018 <i>(Note 3)</i>	90,708	47,158	262,071 <i>(Note 4)</i>	–	–	309,229	153	
Guan Lu Road Project	Guan Lu Road, Yuxiu District	51.30%	Development under planning	<i>(Note 5)</i>	26,178	1,436	–	–	48,013	49,449	32	
Subtotal of major properties under development in Guangzhou:						109,465	579,055	–	692,365	1,380,885	891	
Zhongshan												
Palm Spring	Caihong Planning Area, Western District	51.30%	Construction work in progress	Phase 1b: Q4 2016 Phase 2: Q1 2018 Phase 3: Q4 2020 Phase 4: Q2 2024	2,547,298 <i>(Note 2)</i>	223,600	–	–	2,374,520	2,598,120	1,239	
Subtotal of major properties under development in Zhongshan:						223,600	–	–	2,374,520	2,598,120	1,239	
Shanghai												
Northgate Plaza II	Tian Mu Road West, Zhabei District	50.79%	Development under planning	2017-2018 <i>(Note 6)</i>	44,293	31,674	100,325	–	–	131,999	85	
Subtotal of major properties under development in Shanghai:						31,674	100,325	–	–	131,999	85	
Zhuhai												
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	61.04%	Development under planning	2018	1,401,184	566,581	491,091	640,694	–	1,698,366	–	
Subtotal of major properties under development in Zhuhai:						566,581	491,091	640,694	–	1,698,366	–	
Total of major properties under development:						931,320	1,170,471	640,694	3,066,885	5,809,370	2,215	

Notes:

1. On project basis
2. Including portions of the projects that have been completed for sale/lease
3. In the process of negotiating the buildable area for the site with the city government
4. Office/office apartments
5. Lai Fung has submitted an application to return the site to the Guangzhou government and is now discussing with the authorities on this issue.
6. In the process of discussing a comprehensive redevelopment proposal with the district government

PARTICULAR OF MAJOR PROPERTIES *(continued)*

Completed Properties Held for Sale

Property name	Location	Group interest	Approximate attributable gross floor area (square feet)				Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Serviced apartments	Residential			
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	51.30%	61,132	—	123,178	184,310	—	
Subtotal of major completed properties held for sale in Zhongshan:			61,132	—	123,178	184,310	—	
Shanghai								
May Flower Plaza ^(Note)	Sujiaxiang, Zhabei District	51.30%	—	6,739	23,433	30,172	235	
Regents Park, Phase II	88 Huichuan Road, Changning District	48.74%	—	—	—	—	198	
Subtotal of major completed properties held for sale in Shanghai:			—	6,739	23,433	30,172	433	
Guangzhou								
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	24.37%	—	—	72,695	72,695	21	
King's Park	Donghua Dong Road, Yuexiu District	51.30%	1,712	—	32,215	33,927	29	
Eastern Place	787 Dongfeng East Road, Yuexiu District	51.30%	—	—	457	457	1	
West Point	Zhongshan Qi Road, Liwan District	51.30%	—	—	—	—	66	
Subtotal of major completed properties held for sale in Guangzhou:			1,712	—	105,367	107,079	117	
Total of major completed properties held for sale:			62,844	6,739	251,978	321,561	550	

Note: In January 2015, the Lai Fung Group bought out 5% minority interest in Shanghai May Flower Plaza, increasing its interest in this project to 100%.

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 on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**” and “**Listing Rules**”, respectively) throughout the six months ended 31 January 2015 save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. 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.

Board

The Board oversees the overall management of the Company’s business and affairs. The Board’s primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of its Shareholders as a whole while taking into account the interests of other stakeholders.

The Board has delegated the day-to-day management of the Company’s business to the management and the Executive Committee, and focuses its attention on matters affecting the Company’s long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Company and its subsidiaries (“**Group**”) as well as overall policies and guidelines.

The Board currently comprises ten members, of whom four are Executive Directors, two are NEDs and four are INEDs. The current composition of the Board, two out of its ten members being women, is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills.

Corporate Governance *(continued)*

Board (continued)

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

All Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

Chairman and Chief Executive Officer

During the six months ended 31 January 2015 and up to the date of this Report, Mr. Low Chee Keong (an INED) was the Chairman of the Board and Mr. Lui Siu Tsuen, Richard (an Executive Director) was the Chief Executive Officer. This segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

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 2015.

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 ("**SGM**") 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 2015 and the date of this Report, the Company might grant further options under the Scheme to subscribe for a maximum of 90,870,551 Shares (representing about 7.31% of the issued Shares as at those dates) and the Company had a total of 33,450,665 underlying Shares comprised in options outstanding under the Scheme (representing approximately 2.69% of the issued Shares as at those dates).

Share Option Schemes (continued)

(1) The Company (continued)

The movements of share options granted under the Scheme during the six months ended 31 January 2015 are set out below:

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 2014	Granted during the period	As at 31 January 2015		
Directors						
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
Lui Siu Tsuen, Richard	18/01/2013	3,729,636	—	3,729,636	18/01/2013 - 17/01/2023	1.612
Subtotal		22,377,817	—	22,377,817		
Employees and other eligible participants						
Lam Kin Ngok, Peter ("Dr. Peter Lam") <i>(Note 3)</i>	18/01/2013	1,243,212	—	1,243,212	18/01/2013 - 17/01/2023	1.612
Employees (in aggregate)	18/01/2013	8,029,636	—	8,029,636	18/01/2013 - 17/01/2023	1.612
	21/01/2015 <i>(Note 4)</i>	—	1,800,000	1,800,000	21/01/2015 - 20/01/2025	0.728
Subtotal		9,272,848	1,800,000	11,072,848		
Total		31,650,665	1,800,000	33,450,665		

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, a substantial shareholder of the Company (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), was an Executive Director from 15 October 1996 to 13 February 2014.
- The closing price of each Share immediately before the date on which the share options were granted (i.e. 21 January 2015) was HK\$0.71. Further details of the grant are set out in Note 16 to the Financial Statements.

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the Scheme during the six months ended 31 January 2015.

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**”), under which no further share options will be granted. The adoption of the 2012 MAGHL Scheme and the termination of the 2009 MAGHL Scheme were also approved by the Shareholders at a SGM held on 18 December 2012.

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 (representing approximately 4.9% of its issued share capital as at 31 January 2015 and the date of this Report).

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

No share options have been granted under the 2012 MAGHL Scheme since its adoption on 18 December 2012.

(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 SGM held on 18 December 2012.

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 2015, Lai Fung might grant further options under the 2012 Lai Fung Scheme to subscribe for a maximum of 1,147,864,865 Lai Fung Shares (representing about 7.12% of its issued shares as at that date) and Lai Fung has a total of 542,205,994 underlying Lai Fung Shares comprised in options outstanding (representing about 3.36% of its issued shares as at that date), of which 80,479,564 underlying Lai Fung Shares were comprised in a share option granted under the 2003 Lai Fung Scheme and 461,726,430 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 movements of the share options granted under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the six months ended 31 January 2015 are 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					Lapsed during the period	As at 31 January 2015	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share HK\$ <i>(Note 2)</i>
		As at 1 August 2014	Transfer to other category during the period	Transfer from other category during the period	Granted during the period					
Directors of Lai Fung										
Chew Fook Aun	12/06/2012	80,479,564	—	—	—	—	80,479,564	12/06/2012 - 11/06/2020	0.133	
Lam Hau Yin, Lester	18/01/2013	160,959,129	—	—	—	—	160,959,129	18/01/2013 - 17/01/2023	0.228	
Lau Shu Yan, Julius <i>(resigned on 17 January 2015)</i>	18/01/2013	48,287,738	(48,287,738)	—	—	—	—	18/01/2013 - 17/01/2023	0.228	
Cheng Shin How	18/01/2013	32,191,825	—	—	—	—	32,191,825	18/01/2013 - 17/01/2023	0.228	
Lee Tze Yan, Ernest <i>(appointed on 17 January 2015)</i>	18/01/2013	—	—	32,000,000	—	—	32,000,000	18/01/2013 - 17/01/2023	0.228	
Subtotal		321,918,256	(48,287,738)	32,000,000	—	—	305,630,518			
Employees and other eligible participants (in aggregate)										
Batch 1	18/01/2013	200,287,738 <i>(Note 3)</i>	(32,000,000)	48,287,738	—	(3,000,000)	213,575,476	18/01/2013 - 17/01/2023	0.228	
Batch 2	26/07/2013	16,000,000	—	—	—	(2,000,000)	14,000,000	26/07/2013 - 25/07/2023	0.190	
Batch 3	16/01/2015 <i>(Note 4)</i>	—	—	—	9,000,000	—	9,000,000	16/01/2015 - 15/01/2025	0.160	
Subtotal		216,287,738	(32,000,000)	48,287,738	9,000,000	(5,000,000)	236,575,476			
Total		538,205,994	(80,287,738)	80,287,738	9,000,000	(5,000,000)	542,205,994			

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.
- Dr. Peter Lam, a substantial shareholder of Lai Fung (within the meaning of Part XV of the SFO), was granted a share option to subscribe for a total of 16,095,912 Lai Fung Shares on 18 January 2013.
- The closing price of each Lai Fung Share immediately before the date on which the share options were granted (i.e. 16 January 2015) was HK\$0.16. Further details of the grant are set out in Note 16 to the Financial Statements.

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the six months ended 31 January 2015.

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 January 2015 and their respective close 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 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

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

Notes:

1. The total number of issued Shares as at 31 January 2015 (1,243,212,165 Shares) has been used in the calculation of the approximate percentage.
2. Mr. Andrew Yan, a NED, 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. Andrew 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.
3. Details of the share options granted to Mr. Lester Lam and Mr. FA Chew (both Executive Directors) and Mr. Richard Lui (an Executive Director and the Chief Executive Officer) under the share option scheme of the Company are shown in the section headed “Share Option Schemes” of this Report.

Directors' Interests *(continued)*

(II) Interests in Associated Corporation – Lai Fung

Name of Directors	Capacity	Long positions in Lai Fung Shares and underlying Lai Fung Shares					Approximate percentage of total issued Lai Fung Shares <i>(Note 1)</i>
		Number of Lai Fung Shares		Lai Fung share options	Total		
		Personal interests	Corporate interests	Personal interests			
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	160,959,129 <i>(Note 2)</i>	160,959,129	1.00%	
Chew Fook Aun	Beneficial owner	Nil	Nil	80,479,564 <i>(Note 3)</i>	80,479,564	0.50%	

Notes:

1. The total number of issued Lai Fung Shares as at 31 January 2015 (16,129,674,469 Lai Fung Shares) has been used in the calculation of the approximate percentage.
2. Details of the share option granted to Mr. Lester Lam, an Executive Director (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.
3. Details of the share option granted to Mr. FA Chew, an Executive Director (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.

Save as disclosed above, as at 31 January 2015, none of the Directors and the chief executive of the Company and their respective close 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 2015, 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 (one being a Director), 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:

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

Name	Capacity	Long positions in the Shares and underlying Shares	
		Number of Shares and underlying Shares held	Approximate percentage of total issued Shares <i>(Note 1)</i>
Substantial Shareholders			
Lai Sun Development Company Limited (" LSD ") <i>(Note 2)</i>	Owner of controlled corporation	521,204,186	41.92% <i>(Note 4)</i>
Lai Sun Garment (International) Limited (" LSG ") <i>(Note 3)</i>	Owner of controlled corporations	521,204,186	41.92% <i>(Note 4)</i>
Dr. Lam Kin Ngok, Peter	Beneficial owner and owner of controlled corporations	525,241,841	42.25% <i>(Note 4)</i>
SAIF Partners IV LP	Beneficial owner	125,000,000	10.05% <i>(Note 5)</i>
SAIF IV GP LP	Owner of controlled corporation	125,000,000	10.05% <i>(Note 5)</i>
SAIF IV GP Capital Limited	Owner of controlled corporations	125,000,000	10.05% <i>(Note 5)</i>
Mr. Andrew Y. Yan	Owner of controlled corporations	125,000,000	10.05% <i>(Note 5)</i>
Other Persons			
Atlantis Capital Holdings Limited	Owner of controlled corporations	74,200,000	5.97% <i>(Note 6)</i>
Ms. Liu Yang	Owner of controlled corporations	74,200,000	5.97% <i>(Note 6)</i>

Notes:

- The total number of issued Shares as at 31 January 2015 (1,243,212,165 Shares) has been used in the calculation of the approximate percentage.
- As at 31 January 2015, Mr. FA Chew and Mr. Lester Lam, both 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 2015, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, and Madam U, a NED, were also executive directors of LSG. Mr. Yip Chai Tuck ("**Mr. CT Yip**"), an Executive Director, was also the Chief Executive Officer of LSG.
- Dr. Peter Lam (an Executive Director from 15 October 1996 to 13 February 2014) and LSG were deemed to be interested in the same 521,204,186 Shares held by LSD. As at 31 January 2015, Dr. Peter Lam was deemed to be interested in 521,204,186 Shares (approximately 41.92% of the issued Shares) indirectly owned by LSD by virtue of his personal and deemed controlling shareholding interests of approximately 42.53% (excluding share option) in LSG. LSD was approximately 51.88% directly and indirectly owned by LSG. LSG was approximately 12.62% (excluding share option) owned by Dr. Peter Lam and approximately 29.91% owned by Wisdoman Limited, which was in turn 100% beneficially owned by Dr. Peter Lam.

Dr. Peter Lam also holds 2,794,443 Shares as beneficial owner and he was granted an option by the Company on 18 January 2013 to subscribe for 1,243,212 Shares (details of which are shown in the section headed "Share Option Schemes" of this Report).
- Mr. Andrew 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 2 of paragraph (l) in the "Directors' Interests" section above for further details.
- Ms. Liu was deemed to be interested in the same 74,200,000 Shares controlled by Atlantis Capital Holdings Limited by virtue of her directorship/controlling interest in such company.

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) which/who, as at 31 January 2015, 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 2015, 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 6.875% senior notes due 2018 issued by Lai Fung (Stock Code: 85920) nor the 8.375% secured guaranteed notes due 2018 issued by eSun International Finance Limited (a direct wholly-owned subsidiary of the Company) (Stock Code: 85978), both are listed and traded on the Stock Exchange (collectively, “Notes”). The Group did not purchase or sell any of such Notes during the six months ended 31 January 2015.

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 alias, 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 2015, the aggregate outstanding loan balances of these facilities amounted to approximately HK\$1,978,475,000 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 2014 are set out as follows:

- (a) Mr. FA Chew, an Executive Director, ceased to be a member of the corruption prevention advisory committee of the Independent Commission Against Corruption (“ICAC”) on 1 January 2015 and has been appointed as a member of the operations review committee of the ICAC with effect from 1 January 2015; he also ceased to be a member of the standing committee on company law reform of the Companies Registry on 1 February 2015.
- (b) Mr. Andrew Yan, a NED, is no longer acted as a director of Acorn International, Inc. (a company listed and traded on the New York Stock Exchange) with effect from 31 December 2014.
- (c) Dr. Ng Lai Man, Carmen, an INED, has been appointed as an independent non-executive director of Global International Credit Group Limited (a company listed and traded on the Main Board of the Stock Exchange (Stock Code: 1669)) with effect from 22 November 2014.

Update on Directors' Information *(continued)*

- (d) The Group usually makes annual adjustment to basic salaries and pays discretionary bonuses in January. The basic salaries of Messrs. Richard Lui, FA Chew, Lester Lam and CT Yip, all Executive Directors, have been adjusted upward with effect from 1 January 2015 (within the range from 4% to 4.5%). Directors' remuneration for the six months ended 31 January 2015 and 2014 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2015				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	60	1,872	7	1,939*
Chew Fook Aun	–	4,666	18	4,684**
Lam Hau Yin, Lester	–	843	9	852^
Yip Chai Tuck	–	1,173	3	1,176^^
	60	8,554	37	8,651
<i>Non-executive Directors:</i>				
U Po Chu	–	2,185	–	2,185^
Andrew Y. Yan	120	10	–	130
	120	2,195	–	2,315
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	338	30	–	368
Lo Kwok Kwei, David	120	25	–	145
Ng Lai Man, Carmen	170	35	–	205
Alfred Donald Yap	120	30	–	150
	748	120	–	868
Total	928	10,869	37	11,834

* The amounts included salaries and pension scheme contributions of HK\$313,000 paid by Lai Fung and fees of HK\$60,000 paid by MAGHL.

** The amounts included salaries and pension scheme contributions of HK\$2,342,000 paid by Lai Fung.

^ The amounts were paid by Lai Fung.

^^ The amounts included salaries and pension scheme contributions of HK\$588,000 paid by MAGHL.

Update on Directors' Information *(continued)*

(d) *(continued)*

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2014				
<i>Executive Directors:</i>				
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^
Lam Kin Ngok, Peter (resigned on 14 February 2014)	60	6,916	—	6,976^^
	120	14,059	29	14,208
<i>Non-executive Directors:</i>				
U Po Chu	—	2,186	—	2,186^
Andrew Y. Yan	120	5	—	125
	120	2,191	—	2,311
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	338	45	—	383
Lo Kwok Kwei, David	120	40	—	160
Ng Lai Man, Carmen	170	45	—	215
Alfred Donald Yap	120	40	—	160
	748	170	—	918
Total	988	16,420	29	17,437

* The amounts included salaries and pension scheme contributions of HK\$300,000 paid by Lai Fung and fees of HK\$60,000 paid by MAGHL.

** The amounts included salaries and pension scheme contributions of HK\$2,240,000 paid by Lai Fung.

^ The amounts were paid by Lai Fung.

^^ The amounts included salaries of HK\$1,383,000 paid by Lai Fung and fees of HK\$60,000 paid by MAGHL.

Employees and Remuneration Policies

As at 31 January 2015, the Group employed a total of around 1,940 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Investor Relations

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our Executive Directors and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

During the six months ended 31 January 2015, the Company has met with a number of research analysts and investors, attended conferences and non-deal roadshows as follows:

Month	Event	Organiser	Location
August 2014	Investors luncheon	RHB-OSK Securities	Hong Kong
October 2014	Post full year results non-deal roadshow	BNP	Hong Kong
October 2014	Post full year results non-deal roadshow	DBS	New York/Boston/ Washington DC/ Denver/Los Angeles/ San Francisco
October 2014	Post full year results non-deal roadshow	Daiwa	Paris/Zurich/London
November 2014	Post full year results non-deal roadshow	BNP	Singapore
November 2014	Post full year results non-deal roadshow	DBS	Sydney
December 2014	Post full year results non-deal roadshow	BNP	Shanghai
December 2014	Great China Emerging Market Trends Forum 2015* (2015年大中華暨新興產業趨勢論壇)	SinoPac Securities	Taipei
January 2015	BNP Paribas Asia Pacific Property & Financial Conference	BNP	Hong Kong
January 2015	The Fifth Daiwa Hong Kong Corporate Summit	Daiwa	Hong Kong

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

Review of Interim 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 (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2015.

By Order of the Board

Low Chee Keong

Chairman

Hong Kong, 25 March 2015

* For identification purposes only