



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 2017

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
Oversea-Chinese Banking Corporation Limited
United Overseas Bank 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

Website

www.esun.com

Investor Relations

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RESULTS

The board of directors (“Board” and “Directors”, respectively) of eSun Holdings Limited (“Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 31 January 2017 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2017

	Notes	Six months ended 31 January	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
TURNOVER	3	1,164,452	1,411,754
Cost of sales		(558,259)	(790,397)
Gross profit		606,193	621,357
Other revenue	4	97,345	90,319
Selling and marketing expenses		(102,950)	(62,959)
Administrative expenses		(315,962)	(307,938)
Other operating gains		12,240	10,072
Other operating expenses		(206,992)	(200,117)
Fair value gains on investment properties		172,663	220,841
PROFIT FROM OPERATING ACTIVITIES	5	262,537	371,575
Finance costs	6	(95,535)	(125,359)
Share of profits and losses of joint ventures		161,189	50,141
Share of profits and losses of associates		1,928	(849)
PROFIT BEFORE TAX		330,119	295,508
Income tax expense	7	(210,980)	(178,866)
PROFIT FOR THE PERIOD		119,139	116,642
Attributable to:			
Owners of the Company		27,644	33,345
Non-controlling interests		91,495	83,297
		119,139	116,642
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK\$0.022	HK\$0.027
Diluted		HK\$0.022	HK\$0.027

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2017

	Note	Six months ended 31 January	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD		119,139	116,642
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange realignment on translation of foreign operations		(568,282)	(937,018)
Change in fair value of an available-for-sale investment		8,771	(24,905)
Share of other comprehensive loss of joint ventures		(38,884)	(68,108)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period	13	(101,887)	(119,047)
Reclassification adjustments for exchange gain included in the condensed consolidated income statement		69,653	119,348
		(32,234)	301
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		(630,629)	(1,029,730)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(511,490)	(913,088)
Attributable to:			
Owners of the Company		(296,686)	(517,531)
Non-controlling interests		(214,804)	(395,557)
		(511,490)	(913,088)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2017

Notes	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	2,814,896	2,768,546
Properties under development	1,353,108	1,188,387
Investment properties	15,507,002	15,065,759
Film rights	21,667	23,682
Film products	134,051	123,768
Music catalogs	12,962	14,918
Goodwill	123,440	123,440
Other intangible assets	22,298	28,605
Investments in joint ventures	1,255,614	1,161,752
Investments in associates	24,653	26,894
Available-for-sale investments	144,725	138,592
Deposit for acquisition of an investment property	—	228,620
Deposits, prepayments and other receivables	106,778	95,285
Deferred tax assets	6,020	6,101
Total non-current assets	21,527,214	20,994,349
CURRENT ASSETS		
Properties under development	874,524	802,635
Completed properties for sale	551,931	625,994
Films under production	454,282	450,849
Inventories	37,266	33,766
Debtors	10 253,328	384,508
Deposits, prepayments and other receivables	463,787	450,119
Prepaid tax	35,245	36,223
Pledged and restricted time deposits and bank balances	718,608	1,066,494
Cash and cash equivalents	2,588,201	3,299,148
	5,977,172	7,149,736
Asset classified as held for sale	249,622	257,666
Total current assets	6,226,794	7,407,402
CURRENT LIABILITIES		
Creditors and accruals	11 1,129,123	1,328,410
Deposits received and deferred income	762,087	765,052
Tax payable	388,639	420,214
Interest-bearing bank loans, secured	386,390	311,548
Loans from a joint venture	188,193	350,328
Total current liabilities	2,854,432	3,175,552
NET CURRENT ASSETS	3,372,362	4,231,850
TOTAL ASSETS LESS CURRENT LIABILITIES	24,899,576	25,226,199

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 January 2017

Notes	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	24,899,576	25,226,199
NON-CURRENT LIABILITIES		
Long-term deposits received	132,954	124,389
Interest-bearing bank loans, secured	2,824,127	3,089,201
Other borrowings	248,543	247,510
Convertible notes	174,193	166,170
Fixed rate senior notes	2,027,122	2,092,741
Loans from a joint venture	634,481	222,430
Derivative financial instruments	319,880	210,068
Deferred tax liabilities	2,810,342	2,808,906
Total non-current liabilities	9,171,642	8,961,415
Net assets	15,727,934	16,264,784
EQUITY		
Equity attributable to owners of the Company		
Issued capital	621,606	621,606
Reserves	7,639,905	7,977,652
	8,261,511	8,599,258
Non-controlling interests	7,466,423	7,665,526
Total equity	15,727,934	16,264,784

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2017

	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 2016 (Audited)	621,606	4,230,797	891,289	15,293	25,052	21,813	(480,796)	616,112	70,732	2,587,360	8,599,258		
Profit for the period	-	-	-	-	-	-	-	-	-	27,644	27,644	91,495	119,139	
Other comprehensive income/(loss) for the period, net of tax:														
Exchange realignment on translation of foreign operations	-	-	-	-	-	-	(296,628)	-	-	-	(296,628)	(271,654)	(568,282)	
Change in fair value of an available-for-sale investment	-	-	-	-	8,771	-	-	-	-	-	8,771	-	8,771	
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	(20,033)	-	-	-	(20,033)	(18,851)	(38,884)	
Net loss on cash flow hedges	-	-	-	-	-	(16,440)	-	-	-	-	(16,440)	(15,794)	(32,234)	
Total comprehensive income/(loss) for the period	-	-	-	-	8,771	(16,440)	(316,661)	-	-	27,644	(296,686)	(214,804)	(511,490)	
Acquisition of additional interests in a subsidiary [#]	-	-	-	-	-	-	-	(2,434)	-	-	(2,434)	(9,863)	(12,297)	
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,522	1,522	
Shares issued by a subsidiary under share-based payments	-	-	-	-	-	-	-	(7)	-	-	(7)	687	680	
Shares issued by a subsidiary in lieu of cash dividend	-	-	-	-	-	-	-	(25,710)	-	-	(25,710)	35,088	9,378	
Shares issued by a subsidiary upon exercise of share options	-	-	-	-	-	-	-	(12,997)	-	-	(12,997)	16,987	3,990	
Release of reserve upon lapse of share options of a subsidiary	-	-	-	-	-	-	-	-	-	87	87	(87)	-	
Transfer to statutory reserve	-	-	-	-	-	-	-	-	3,255	(3,255)	-	-	-	
Share of statutory reserve of joint ventures	-	-	-	-	-	-	-	-	12,720	(12,720)	-	-	-	
Dividend paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(28,633)	(28,633)	
At 31 January 2017 (Unaudited)	621,606	4,230,797*	891,289*	15,293*	33,823*	5,373*	(797,457)*	574,964*	86,707*	2,599,116*	8,261,511	7,466,423	15,727,934	

* These reserve accounts comprise the consolidated reserves of HK\$7,639,905,000 (31 July 2016: HK\$7,977,652,000) in the condensed consolidated statement of financial position.

The amount arose from the acquisition of additional interests in Media Asia Group Holdings Limited ("MAGHL", together with its subsidiaries collectively known as "MAGHL Group") during the six months ended 31 January 2017.

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

For the six months ended 31 January 2017

	ATTRIBUTABLE TO OWNERS OF THE COMPANY											Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Share option reserve	Investment revaluation reserve	Hedge reserve	Exchange reserve	Other reserve	Statutory reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 August 2015 (Audited)	621,606	4,230,797	891,289	15,293	42,683	(2,225)	108,742	679,315	64,690	2,512,490	9,164,680	7,977,835	17,142,515
Profit for the period	–	–	–	–	–	–	–	–	–	33,345	33,345	83,297	116,642
Other comprehensive income/(loss) for the period, net of tax:													
Exchange realignment on translation of foreign operations	–	–	–	–	–	–	(490,701)	–	–	–	(490,701)	(446,317)	(937,018)
Change in fair value of an available-for-sale investment	–	–	–	–	(24,905)	–	–	–	–	–	(24,905)	–	(24,905)
Share of other comprehensive loss of joint ventures	–	–	–	–	–	–	(35,424)	–	–	–	(35,424)	(32,684)	(68,108)
Net gain on cash flow hedges	–	–	–	–	–	154	–	–	–	–	154	147	301
Total comprehensive income/(loss) for the period	–	–	–	–	(24,905)	154	(526,125)	–	–	33,345	(517,531)	(395,557)	(913,088)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	15,749	15,749
Conversion of convertible notes of a subsidiary	–	–	–	–	–	–	–	1,722	–	–	1,722	13,502	15,224
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	2,999	2,999
Release of reserve upon lapse of share options of a subsidiary	–	–	–	–	–	–	–	–	–	87	87	(87)	–
Shares issued by a subsidiary in lieu of cash dividend	–	–	–	–	–	–	–	(27,817)	–	–	(27,817)	35,789	7,972
Share of statutory reserve of joint ventures	–	–	–	–	–	–	–	–	2,247	(2,247)	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(25,923)	(25,923)
At 31 January 2016 (Unaudited)	621,606	4,230,797	891,289	15,293	17,778	(2,071)	(417,383)	653,220	66,937	2,543,675	8,621,141	7,624,307	16,245,448

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2017

	Six months ended	
	31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES	(295,325)	432,319
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of investment properties	(463,370)	(308,529)
Purchases of items of property, plant and equipment	(158,870)	(60,055)
Advances to joint ventures	(6,601)	(327)
Repayment from joint ventures	12,685	54,766
Acquisition of subsidiaries	—	(6,636)
Decrease in pledged and restricted time deposits	313,856	348,967
Increase in deposit for acquisition of an investment property	—	(230,400)
Other investing cash flows	20,133	31,524
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(282,167)	(170,690)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans, net of direct costs	318,830	288,528
Repayment of bank loans	(490,020)	(539,596)
Interest and bank financing charges paid	(169,457)	(190,640)
Proceeds from issue of shares of a subsidiary	3,990	—
Acquisition of additional interests in a subsidiary	(12,297)	—
Loans from a joint venture	420,489	—
Repayment of a loan from a joint venture	(154,078)	—
Capital contribution from a non-controlling shareholder of a subsidiary	1,522	2,999
Dividend paid to non-controlling shareholders of subsidiaries	(19,255)	(17,951)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(100,276)	(456,660)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(677,768)	(195,031)
Cash and cash equivalents at beginning of period	3,299,148	3,151,111
Effect of foreign exchange rate changes, net	(33,179)	(185,087)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,588,201	2,770,993
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	2,146,506	1,977,281
Non-pledged and non-restricted time deposits	441,695	793,712
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	2,588,201	2,770,993

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group ("**Financial Statements**") for the six months ended 31 January 2017 have not been audited by the Company's independent auditors but have been reviewed by the Company's Audit Committee.

The unaudited Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and the 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 2016.

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:

	Six months ended 31 January (Unaudited)													
	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Segment revenue:														
Sales to external customers	133,192	523,411	342,758	307,431	239,234	247,816	220,209	123,176	189,544	155,419	39,515	54,501	1,164,452	1,411,754
Intersegment sales	–	–	3,072	2,710	1,830	10,244	4,204	5,030	985	575	1,200	1,253	11,291	19,812
Other revenue	1,132	351	58,688	50,998	5,994	2,825	123	188	12,755	9,561	1,790	502	80,482	64,425
Total	134,324	523,762	404,518	361,139	247,058	260,885	224,536	128,394	203,284	165,555	42,505	56,256	1,256,225	1,495,991
Elimination of intersegment sales													(11,291)	(19,812)
Total revenue													1,244,934	1,476,179
Segment results	17,277	120,405	331,498	358,484	19,865	35,681	15,382	(7,875)	(21,129)	(2,039)	(109,294)	(136,407)	253,599	368,249
Unallocated interest and other revenue	–	–	–	–	–	–	–	–	–	–	–	–	16,863	25,894
Ineffective portion of the effective hedge recognised in profit or loss	–	–	–	–	–	–	–	–	–	–	–	–	(7,925)	(22,568)
Profit from operating activities													262,537	371,575
Finance costs	–	–	–	–	–	–	–	–	–	–	–	–	(95,535)	(125,359)
Share of profits and losses of joint ventures	161,957	43,110	–	–	(386)	2,490	(382)	4,541	–	–	–	–	161,189	50,141
Share of profits and losses of associates	–	–	–	–	(33)	(33)	(2)	(2)	1,963	(814)	–	–	1,928	(849)
Profit before tax													330,119	295,508
Income tax expense													(210,980)	(178,866)
Profit for the period													119,139	116,642

Other segment information:

	Six months ended 31 January (Unaudited)													
	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Fair value gains on investment properties	–	–	172,663	220,841	–	–	–	–	–	–	–	–	172,663	220,841

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 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016	31 January 2017	31 July 2016
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	2,852,700	2,828,299	18,033,229	17,766,757	384,469	499,848	1,231,173	1,196,039	520,398	473,398	2,909,781	3,923,995	25,931,750	26,688,336
Investments in joint ventures	1,212,446	1,113,516	–	–	16,454	20,579	26,714	27,657	–	–	–	–	1,255,614	1,161,752
Investments in associates	–	–	–	–	–	–	19,343	19,350	5,310	7,544	–	–	24,653	26,894
Unallocated assets	–	–	–	–	–	–	–	–	–	–	–	–	292,369	267,103
Asset classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	249,622	257,666
Total assets													27,754,008	28,401,751
Segment liabilities	739,666	830,687	521,863	539,917	116,286	185,859	281,680	288,119	144,516	156,770	220,153	216,499	2,024,164	2,217,851
Unallocated liabilities	–	–	–	–	–	–	–	–	–	–	–	–	10,001,910	9,919,116
Total liabilities													12,026,074	12,136,967

4. OTHER REVENUE

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Property management fee income	52,725	47,022
Bank interest income	13,327	22,640
Government grants	1,462	784
Others	29,831	19,873
Total	97,345	90,319

5. PROFIT FROM OPERATING ACTIVITIES

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

	Note	Six months ended 31 January	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of completed properties sold		75,322	360,937
Outgoings in respect of rental income		77,433	75,453
Cost of film rights, licence rights and film products		137,781	77,373
Cost of artiste management services, advertising services, and services for entertainment events provided		108,177	131,846
Cost of theatrical releasing and concessionary sales		72,236	61,809
Cost of inventories sold		87,310	82,979
Total cost of sales		558,259	790,397
Depreciation ^{##}		77,034	71,406
Write-down/(reversal of write-down) of completed properties for sale to net realisable value ^{**/*}		618	(148)
Amortisation of film rights [#]		2,015	1,569
Amortisation of film products [#]		94,596	33,142
Amortisation of music catalogs [#]		1,956	2,295
Amortisation of other intangible assets [#]		6,307	—
Compensation received on return of land use right to the local authority [*]		(6,813)	—
Reversal of provision for doubtful debts [*]		—	(4,059)
Reversal of provision for advances and other receivables [*]		(17)	(2,956)
Provision for amounts due from joint ventures ^{**}		—	100
Reversal of provision for amounts due from joint ventures [*]		(2,729)	—
Ineffective portion of the effective hedge recognised in profit or loss ^{**}	13	7,925	22,568
Foreign exchange differences, net ^{**}		11,221	31,444

* 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\$67,175,000 (six months ended 31 January 2016: HK\$60,216,000) are included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement of which HK\$47,899,000 (six months ended 31 January 2016: HK\$48,686,000) are for serviced apartments and related leasehold improvements and HK\$19,276,000 (six months ended 31 January 2016: HK\$11,530,000) are related to cinema operation.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on:		
Bank loans	71,501	71,030
Other borrowings	2,840	2,847
TFN Convertible Notes	5,215	4,741
Specific Mandate Convertible Notes	2,808	2,621
Guaranteed notes	—	32,879
2013 Notes (as defined and disclosed in note 12)	70,958	70,944
Loans from a joint venture	11,592	7,485
Amortisation of:		
Bank loans	12,872	6,407
2013 Notes	4,034	3,744
Guaranteed notes	—	2,612
Bank financing charges and direct costs	6,364	9,410
Other finance costs	274	—
	188,458	214,720
Less: Capitalised in properties under development	(51,497)	(45,863)
Capitalised in investment properties under construction	(29,190)	(36,661)
Capitalised in construction in progress	(12,236)	(6,837)
	(92,923)	(89,361)
Total finance costs	95,535	125,359

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 31 January 2017 and 31 January 2016. 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current		
– Hong Kong		
Charge for the period	718	2,054
Underprovision/(overprovision) in prior periods	169	(59)
	887	1,995
– Elsewhere		
Charge for the period	138	868
– Mainland China		
Corporate income tax		
Charge for the period	11,793	51,504
Underprovision in prior periods	35	–
Land appreciation tax		
Charge for the period	110,217	72,472
	122,045	123,976
	123,070	126,839
Deferred tax	87,910	52,027
Total tax charge for the period	210,980	178,866

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to owners of the Company and ordinary shares of 1,243,212,165 (six months ended 31 January 2016: 1,243,212,165) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company, adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of profit of Lai Fung Holdings Limited (“Lai Fung”, together with its subsidiaries collectively known as “Lai Fung Group”) based on dilution of its earnings per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and weighted average number of ordinary shares assumed to have been issued at no consideration as if all the Company’s outstanding share options have been considered.

The exercise of share options of the Company had an anti-dilutive effect on the basic earnings per share amount presented during the period ended 31 January 2016.

The conversion of the outstanding convertible notes issued by MAGHL has an anti-dilutive effect on the basic earnings per share amounts presented during the periods ended 31 January 2017 and 31 January 2016.

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

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

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	27,644	33,345
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*	(112)	(9)
Earnings for the purpose of diluted earnings per share	27,532	33,336

* Balance represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK\$112,000 (six months ended 31 January 2016: HK\$9,000) assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the period.

	Number of shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,243,212,165	1,243,212,165
Effect of dilution — weighted average number of ordinary shares: Share options	16,965	—
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	1,243,229,130	1,243,212,165

9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2017 (six months ended 31 January 2016: Nil).

10. DEBTORS

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

10. DEBTORS (continued)

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

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at 31 January 2017 and 31 July 2016 is as follows:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Trade debtors:		
Neither past due nor impaired	172,531	269,146
1 – 90 days past due	64,353	98,464
Over 90 days past due	16,444	16,898
Total	253,328	384,508

11. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased/payment due date, as at 31 January 2017 and 31 July 2016 is as follows:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	63,711	113,644
31 – 60 days	14,331	21,203
61 – 90 days	10,326	6,025
Over 90 days	3,297	3,431
Other creditors and accruals	91,665	144,303
Total	1,037,458	1,184,107

12. FIXED RATE SENIOR NOTES

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 repayable 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.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Financial liabilities — Cross currency swap agreements (the “CCS”)	319,880	210,068

The carrying amounts of the CCS are the same as their fair values.

The CCS are designated as hedging instruments in respect of the 2013 Notes and the CCS balances vary with the changes in foreign exchange forward rates.

The effectiveness of the cash flow hedges is assessed semi-annually by the Group.

As at 31 January 2017 and 31 January 2016, the cash flow hedges of the 2013 Notes are assessed to be highly effective and the movements in the financial liabilities arising from the CCS during the periods are as follows:

	Note	Six months ended 31 January	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Carrying amount at beginning of the period		210,068	111,654
Fair value losses charged to the hedge reserve		101,887	119,047
Ineffective portion of the effective hedge recognised in profit or loss	5	7,925	22,568
Carrying amount at end of the period		319,880	253,269

14. COMMITMENTS

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

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Contracted but not provided for:		
Construction and development costs	1,370,119	439,578
Acquisition of an investment property	—	187,053
Acquisition of items of property, plant and equipment	53,789	32,128
	1,423,908	658,759

15. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair values:

	Carrying amounts		Fair values	
	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Financial assets				
Available-for-sale investments	97,704	88,933	97,704	88,933
Financial liabilities				
Derivative financial instruments	319,880	210,068	319,880	210,068

Liabilities for which fair values are disclosed:

	Carrying amounts		Fair values	
	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Financial liabilities				
Convertible notes	174,193	166,170	170,380	166,492
Fixed rate senior notes	2,027,122	2,092,741	1,991,859	2,097,984
	2,201,315	2,258,911	2,162,239	2,264,476

Each year, the Group's management appoints external valuers to be responsible for the external valuations of the Group's derivative financial instruments (the "Financial Instrument Valuers"). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the Financial Instrument 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 from the fund manager;
- (ii) derivative financial instruments, being the 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 rates used to discount the future cash flows of the TFN Convertible Notes and the Specific Mandate Convertible Notes as at 31 January 2017 were 9.5% (31 July 2016: 9.5%) and 9.9% (31 July 2016: 9.9%), respectively; and
- (iv) the fair values of fixed rate senior notes are based on quoted market prices.

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

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

As at 31 January 2017	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\$0.00 to HK\$0.36 million	1
		Expected exposure at default — Lai Fung	HK\$167.43 million to HK\$169.23 million	2
		Credit spread — counterparty	10.51 basis point to 188.41 basis point	3
		Credit spread — Lai Fung	372.07 basis point to 661.43 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — Lai Fung credit risk	60%	6
As at 31 July 2016	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\$0.00 to HK\$4.97 million	1
		Expected exposure at default — Lai Fung	HK\$114.77 million to HK\$121.22 million	2
		Credit spread — counterparty	10.91 basis point to 230 basis point	3
		Credit spread — Lai Fung	377.37 basis point to 715.13 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — Lai Fung's 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 2017 and 31 July 2016.

15. 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:

As at 31 January 2017	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Financial assets				
Available-for-sale investments	—	97,704	—	97,704
Financial liabilities				
Derivative financial instruments	—	—	319,880	319,880
As at 31 July 2016	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	Total (Audited) HK\$'000
Financial assets				
Available-for-sale investments	—	88,933	—	88,933
Financial liabilities				
Derivative financial instruments	—	—	210,068	210,068

During the period ended 31 January 2017 and the year ended 31 July 2016, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

16. 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	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Lai Sun Development Company Limited and its subsidiaries, and/or Lai Sun Garment (International) Limited and its subsidiaries, major shareholders of the Company:			
Rental expense and building management fee paid or payable	(i)	6,488	5,711
Rental income and management fee income received or receivable	(ii)	32	35
Sharing of corporate salaries on a cost basis allocated from		25,599	26,344
Sharing of administrative expenses on a cost basis allocated from		2,186	3,150
Sharing of corporate salaries on a cost basis allocated to		4,352	3,873
Sharing of administrative expenses on a cost basis allocated to		270	464
Joint ventures:			
Consultancy and production fee paid	(iii)	1,290	2,310
Interest income	(iv)	341	301
Interest expenses	(v)	11,592	7,485
Management and other service fees paid or payable to a related company	(vi)	4,786	5,156

Notes:

- (i) The rental expense and building management fee were charged with reference to market rates.
- (ii) The terms of the rental income and management fee income were determined based on the agreements entered into between the Group and the related companies.
- (iii) The consultancy and production fee was charged on bases mutually agreed by the respective parties.
- (iv) The interest income was charged in accordance with contractual terms with respective parties (six months ended 31 January 2016: with reference to the People's Bank of China's base interest rate per annum).
- (v) The related company is a joint venture of the Group, Guangzhou Beautiwin Real Estate Development Company Limited ("Guangzhou Beautiwin"). The terms of the loans are determined based on the agreements entered into between the Group and Guangzhou Beautiwin. During the period ended 31 January 2017, the interest expenses were charged at fixed interest rates at 3.045% – 4.20% per annum (six months ended 31 January 2016: 3.92% – 4.20% per annum) for loans advanced from Guangzhou Beautiwin to the Group.
- (vi) The management 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.

16. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short-term employee benefits	20,218	21,196
Post-employment benefits	52	52
Total compensation paid to key management personnel	20,270	21,248

17. EVENTS AFTER THE REPORTING PERIOD

- (a) Pursuant to a placing agreement entered into between the Company and Get Nice Securities Limited (an independent third party as placing agent) on 20 January 2017, the Company allotted and issued, on 9 February 2017, an aggregate of 248,642,433 new ordinary shares at the placing price of HK\$0.620 per placing share to not less than six independent placees (the “**Placing**”) under the general mandate which was approved by the Company’s shareholders on 16 December 2016. The gross proceeds and net proceeds (after deducting the placing commission and other expenses) from the Placing amounted to approximately HK\$154,200,000 and HK\$150,900,000 respectively, which will be used by the Company as general working capital.

Further details of the Placing are set out in the Company’s announcements dated 20 January 2017 and 9 February 2017.

- (b) On 21 March 2017, an indirect wholly-owned subsidiary of the Company, Nice Sound Limited, entered into a share purchase agreement with Alibaba Investment Limited (“**Alibaba**”) and Pony Media Holdings Inc. (“**Pony Media**”) in relation to the disposal of 1,480,994 Series C Preferred shares in Pony Media to Alibaba, at a gross cash consideration of US\$14,902,230 (equivalent to approximately HK\$115,746,000) which is subject to certain tax adjustments and deductions and a tax escrow arrangement (the “**Disposal**”). The Group expects to recognise in its consolidated income statement an estimated gain on the Disposal of approximately HK\$98,227,000 before other transaction costs.

Further details of the Disposal are set out in the Company’s announcement dated 21 March 2017.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2017 (six months ended 31 January 2016: 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, optimising income from its film, TV, live entertainment, artiste management, music and cinema in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry.

- Film — continued drive to increase its original production of films which appeal to Chinese language audiences and emphasis will be put on increasing production capabilities and deriving more fee related income from the production.

During the period under review, crime thriller *Trivisa* won the awards for best original screenplay and best editing at the 53rd Golden Horse Film Awards in Taiwan and received seven nominations for the 36th Hong Kong Film Awards. *Three* also received two nominations for the 36th Hong Kong Film Awards. The Group is excited by the upcoming releases: a romantic comedy *Love Off The Cuff* directed by Pang Ho-cheung and starring Miriam Yeung and Shawn Yue and a costume action film *God of War* directed by Gordon Chan and starring Sammo Hung and Vincent Zhao. Other titles in post-production include a costume action film *Legend of the Naga Pearls* produced by Gordon Chan and casting Wang Talu and Zhang Tianai, as well as a John Woo action-thriller *Manhunt* featuring Zhang Han Yu and Fukuyama Masaharu.

- 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. A 36 episode drama series *Infernal Affairs*, an adaption of the acclaimed movie, has commenced broadcasting in iQiyi platform since December 2016. The Cantonese version will be shown in TVB soon. The Group is in the discussion with various Chinese partners for new project development, including *Soul Mate* adapted from a popular writer Anni Baobei.
- Live Entertainment — successfully produced and promoted a large number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The recent *EXO Planet #3 Tour 2017 Hong Kong* and *Ivana & Hins in Concert 2017* have achieved good reputation and publicity. The Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of Yoga Lin, Liza Wang and C AllStar. 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.
- Artiste Management — expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes. During the period under review, we have entered into management agreements with a number of fresh talents in Hong Kong and Taiwan and they have already participated in our various film and TV program productions. With 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 more stars and develop new talents.

Business Review and Outlook *(continued)*

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

- 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. During the period under review, the exclusive distribution licenses of our music products with Taobao China Software Co. Ltd. and Warner Music continue to provide stable income to the Group.
- 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. The MCL Kornhill Cinema in Taikoo Shing, Hong Kong is now temporally closed for renovation and expected to be re-opened in April 2017 being the first cinema in Hong Kong installed with a MX4D theatre providing the most advanced 4D movie experience. The MX4D theatre seats will move in sync with the movie action and special EFX generators in the cinema, allowing audiences to “feel” the movie's motion, jolts, pokes, wind, water, and even scents. Our new cinema in Green Code in Fanling, Hong Kong was opened on 21 January 2017. The Group also secured two cinema projects in Suzhou and Wuxi in Mainland China, which are expected to commence businesses in the coming financial years. We are excited by the outlook for cinemas in Hong Kong and Mainland China and we will continue to seek out opportunities to expand our footprint.

In summary, the Group believes that its integrated media platform comprising film, TV, live entertainment, artiste and events management, music 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

Major economies around the world continue to tread cautiously during the period under review. The conclusion of the US presidential election and the passing of the initial shock from Brexit seem to have renewed optimism as suggested by the capital markets. However, it is far from clear how such optimism will be sustained by the fundamentals. The new US president and his officials are still attempting to establish themselves whilst the exit terms for Brexit remain unclear. The impending leadership elections in Europe and the protracted conflicts in the Middle East still cast a shadow on the global growth outlook.

Notwithstanding the seemingly turbulent environment, the PRC Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. Whilst it is clear that some of the sectors, such as exports, continued to contract as a result of lackluster global economic performance. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption. The property sector has been a beneficiary of this as observed in various recent land auctions and transaction values recently. We have benefited the same in recent years which has been reflected in the results, before they were mitigated by a depreciating Renminbi during the corresponding periods. We believe the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The PRC 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 and rental-led strategy of Lai Fung Holdings Limited (“**Lai Fung**”, and together with its subsidiaries, “**Lai Fung Group**”), a non-wholly-owned subsidiary of the Company, has demonstrated resilience in recent years. The rental portfolio of approximately 3.2 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. Lai Fung Tower in Guangzhou was completed in June 2016 and has been added to the rental portfolio of Lai Fung Group. Up to the date of this interim report, excluding the office area that is subject to the asset swap transaction as jointly announced by Lai Fung and the Company on 15 January 2015, approximately 99.0% of the gross floor area (“**GFA**”) of the office space has been leased or has offers to lease and the commercial podium has been fully leased.

Business Review and Outlook *(continued)*

Mainland China Property Market *(continued)*

During the six months ended 31 January 2017, Lai Fung Group performed steadily but suffered from currency translation against a depreciating Renminbi on a reported basis. The sale of residential units in Guangzhou Dolce Vita, Guangzhou Eastern Place Phase V and Zhongshan Palm Spring underpinned this set of results.

Lai Fung Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.2 million square feet to approximately 6.8 million square feet through developing the existing projects on hand over the next few years. The acquisition of the 6th to 11th floors of Hui Gong Building that is physically connected to Northgate Plaza I in Shanghai, together with the right to use 20 car-parking spaces in the basement ("**Hui Gong Building**") was completed in September 2016. This will facilitate the redevelopment plan of Northgate Plaza I and the adjacent Northgate Plaza II and enhance the overall value of the combined development once they are redeveloped. Lai Fung Group is currently finalising the redevelopment proposal with professional consultants and local authorities. Northgate Plaza I has been vacated and demolition has commenced. It is expected that the demolition will be completed before the end of this financial year. Lai Fung Group expects to obtain the building approval from local authorities in the second half of 2017 and construction works will commence afterwards.

The remaining residential units in Guangzhou Dolce Vita, Guangzhou Eastern Place Phase V and Zhongshan Palm Spring are expected to contribute to the income statement of Lai Fung Group in the coming financial years. Lai Fung Group will continue its prudent and flexible approach in growing its landbank.

The Group's consolidated cash position of HK\$3,306.8 million (HK\$284.5 million excluding Lai Fung Group and Media Asia Group Holdings Limited ("**MAGHL**") together with its subsidiaries ("**MAGHL Group**")) (31 July 2016: HK\$4,365.6 million (HK\$303.0 million excluding Lai Fung Group and MAGHL Group)) with a net debt to equity ratio of 38.4% as at 31 January 2017 (31 July 2016: 24.6%) provides the Group with full confidence and the means to review opportunities more actively. Post the period end, the Company completed a placing of shares on 9 February 2017 and raised a total of HK\$150.9 million net proceeds after expenses for general working capital purposes. The Group will continue its prudent and flexible approach in managing its financial position.

On 21 March 2017, the Company announced the sale of the Group's entire interest in 1,480,994 Series C Preferred shares in Pony Media Holdings Inc. to Alibaba Investment Limited at a consideration of approximately US\$14.9 million (equivalent to approximately HK\$115.7 million), subject to certain tax adjustments and deductions and a tax escrow arrangement. The Group expects to recognise an estimated gain on this disposal in the consolidated income statement of approximately HK\$98.2 million before other transaction costs.

Overview of Interim Results

For the six months ended 31 January 2017, the Group recorded a turnover of HK\$1,164.5 million, representing a decrease of 17.5% from HK\$1,411.8 million for the same period of last year. The decrease is primarily due to less turnover from sale of properties of Lai Fung for the six months ended 31 January 2017 as compared to the same period of last year. The gross profit decreased slightly by approximately 2.4% to HK\$606.2 million (2016: HK\$621.4 million).

For the six months ended 31 January 2017, net profit attributable to owners of the Company was approximately HK\$27.6 million (2016: HK\$33.3 million). Basic earnings per share was HK\$0.022 (2016: HK\$0.027). Net loss attributable to owners of the Company for the period excluding the effect of property revaluations was approximately HK\$37.3 million (2016: net loss of HK\$51.0 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK\$0.030 per share.

Overview of Interim Results *(continued)*

Excluding the effect of property revaluations and ineffective portion of the effective hedge recognised in profit or loss, net loss attributable to owners of the Company for the six months ended 31 January 2017 decreased to HK\$33.3 million as compared to the same period of last year. Net loss per share attributable to owners of the Company excluding the effect of property revaluations and ineffective portion of the effective hedge recognised in profit or loss decreased from HK\$0.032 to HK\$0.027 per share, correspondingly.

Profit/(loss) attributable to owners of the Company	Six months ended 31 January	
	2017 HK\$'million	2016 HK\$'million
Reported	27.6	33.3
Adjustments in respect of investment properties		
Revaluation of properties	(88.3)	(113.3)
Deferred tax on investment properties	22.1	28.3
Non-controlling interests' share of revaluation movements less deferred tax	1.3	0.7
Net loss after tax excluding revaluation gains of investment properties	(37.3)	(51.0)
Adjustment in respect of ineffective portion of the effective hedge recognised in profit or loss	4.0	11.6
Net loss after tax excluding adjustments in respect of investment properties and ineffective portion of the effective hedge recognised in profit or loss	(33.3)	(39.4)

Equity attributable to owners of the Company as at 31 January 2017 amounted to HK\$8,261.5 million (31 July 2016: HK\$8,599.3 million). Net asset value per share attributable to owners of the Company decreased to HK\$6.645 per share as at 31 January 2017 from HK\$6.917 per share as at 31 July 2016. The decrease in net asset value is primarily due to the depreciation of Renminbi partially offset by net profit earned during the period under review.

Media and Entertainment

For the six months ended 31 January 2017, this segment recorded a turnover of HK\$239.2 million (2016: HK\$247.8 million) and segment results decreased from a profit of HK\$35.7 million to a profit of HK\$19.9 million.

Live Entertainment

The Group remains highly active on the live entertainment front. During the six months ended 31 January 2017, the Group organised and invested in 68 (2016: 68) shows by popular local, Asian and internationally renowned artistes, including Chan Po Chu and Mui Suet See, Sammi Cheng, Grasshopper, Kelly Chen, Rene Liu, Tsai Chin, Ronald Cheng, Della and May Day.

Music Production, Distribution and Publishing

For the six months ended 31 January 2017, the Group released 11 (2016: 28) albums, including titles by Sammi Cheng, Jan Lamb, Tang Siu Hau and Leslie Cheung. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Overview of Interim Results *(continued)*

Media and Entertainment *(continued)*

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 is actively looking for new talent in Mainland China and co-operation with Asian artistes.

Film and TV Program Production and Distribution

For the six months ended 31 January 2017, this segment recorded a turnover of HK\$220.2 million (2016: HK\$123.2 million) and segment results of a profit of HK\$15.4 million (2016: a loss of HK\$7.9 million).

During the period under review, the Group released theatrically 1 film (2016: 4), namely *Line Walker* and distributed 11 (2016: 20) films and 253 (2016: 149) videos with high profile titles including *Doraemon: New Nobita and the Birth of Japan*, *Nine Lives*, *Jack Reacher: Never Go Back*, *xx: Reactivated*, *Captain America: Civil War*, *Finding Dory* and *The Secret Life of Pets*. The Group has made investments in the production of 7 (2016: 7) TV drama series in Mainland China which are expected to generate return to the Group in the coming financial years.

Cinema Operation

For the six months ended 31 January 2017, this segment recorded a turnover of HK\$189.5 million (2016: HK\$155.4 million). As at 31 January 2017, the Group operates four cinemas in Mainland China and nine cinemas in Hong Kong as well as one joint venture cinema in Hong Kong. The Group also secured two cinema projects in Suzhou and Wuxi in Mainland China, which are expected to commence businesses in the financial years ending 31 July 2018 and 31 July 2019, 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 as at 31 January 2017 are as follows:

Cinema	Attributable interest to the Group (%)	No. of screens <i>(Note)</i>	No. of seats <i>(Note)</i>
Mainland China			
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
Subtotal		22	2,669
Hong Kong			
Festival Grand Cinema	85	8	1,196
MCL Metro City Cinema	85	7	957
MCL Telford Cinema	85	6	819
STAR Cinema	85	6	622
MCL Kornhill Cinema	85	5	706
MCL South Horizons Cinema	85	3	555
MCL Green Code Cinema (opened on 21 January 2017)	85	3	285
Grand Windsor Cinema	85	3	246
MCL JP Cinema	85	2	658
The Grand Cinema	25.5	12	1,566
Subtotal		55	7,610
Total		77	10,279

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 2017 and 31 January 2016.

Rental Income

For the six months ended 31 January 2017, Lai Fung Group's rental operations recorded a turnover of HK\$345.8 million (2016: HK\$310.1 million), representing an 11.5% increase over the same period of last year. The increase is primarily due to the contributions from Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V completed in June 2016. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January			Six months ended 31 January			Period end occupancy (%)
	2017	2016	Approximate	2017	2016	Approximate	
	HK\$'million @0.8762	HK\$'million @0.8285	change (%)	RMB'million	RMB'million	change (%)	
Shanghai							
Shanghai Hong Kong Plaza	201.3	197.6	1.9	176.4	163.7	7.8	Retail: 98.2 Office: 96.6 Serviced Apartments: 67.4
Shanghai May Flower Plaza	37.8	34.7	8.9	33.1	28.7	15.3	Retail: 99.6 Hotel: 66.5
Shanghai Regents Park	7.0	6.6	6.1	6.1	5.5	10.9	100.0
Shanghai Northgate Plaza I*	—	4.1	-100.0	—	3.4	-100.0	0.0
Guangzhou							
Guangzhou May Flower Plaza	55.8	54.6	2.2	48.9	45.2	8.2	98.0
Guangzhou Lai Fung Tower	30.3	—	N/A	26.5	—	N/A	Retail: 100.0 Office: 81.8**
Guangzhou West Point	9.1	8.7	4.6	8.0	7.2	11.1	97.8
Zhongshan							
Zhongshan Palm Spring	4.5	3.8	18.4	4.0	3.2	25.0	Retail: 84.8*** Serviced Apartments: 41.3
Total	345.8	310.1	11.5	303.0	256.9	17.9	

* All tenants have been vacated for project redevelopment and demolition is in progress.

** Excluding the office area that is subject to the asset swap transaction as jointly announced by Lai Fung and the Company on 15 January 2015

*** Excluding self-use area

Rental income performed steadily as a whole with almost full occupancy in all the major properties. Rental income growth was partially offset by depreciation of Renminbi during the period under review.

Overview of Interim Results *(continued)*

Property Investment (continued)

Rental Income (continued)

Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed and added to the rental portfolio of Lai Fung Group in June 2016 and has started to contribute to the rental income of Lai Fung Group. Up to the date of this interim report, excluding the office area that is subject to the asset swap transaction as jointly announced by Lai Fung and the Company on 15 January 2015, approximately 99.0% of the GFA of the office space has been leased or has offers to lease and the commercial podium has been fully leased.

Lai Fung Group is currently finalising the proposal for redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the 6th to 11th floors of Hui Gong Building acquired by Lai Fung Group in September 2016 with professional consultants and local authorities. Northgate Plaza I has been vacated and demolition has commenced. It is expected that the demolition will be completed before the end of this financial year. Lai Fung Group expects to obtain the building approval from local authorities in the second half of 2017 and construction works will commence afterwards.

Excluding self-use area of approximately 53,200 square feet, a portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 87.7% 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.

Property Development

The following details are extracted from Lai Fung's interim reports for the six months ended 31 January 2017 and 31 January 2016.

Recognised Sales

For the six months ended 31 January 2017, Lai Fung Group's property development operations recorded a turnover of HK\$133.2 million (2016: HK\$523.5 million) from sale of properties, representing a 74.6% decrease in sales revenue over the same period of last year.

Total recognised sales was primarily driven by the sales performance of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 13,340 and 29,254 square feet of GFA were sold, respectively, achieving sales revenue of HK\$82.1 million and HK\$42.4 million, respectively.

For the six months ended 31 January 2017, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK\$3,075 per square foot (2016: HK\$3,598 per square foot) against a depreciated Renminbi. Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK\$2,416 per square foot (2016: HK\$3,100 per square foot). This is recognised as a component of "Share of profits of joint ventures" in the condensed consolidated income statement.

Overview of Interim Results *(continued)*

Property Development *(continued)*

Recognised Sales *(continued)*

Breakdown of turnover for the six months ended 31 January 2017 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA Square feet	Average selling price [#] HK\$/square foot	Turnover [*]	
				HK\$'million @0.8762	RMB'million
Guangzhou Eastern Place Residential Units — Phase V	12	13,340	6,465	82.1	71.9
Zhongshan Palm Spring Residential House Units	10	29,254	1,529	42.4	37.2
Subtotal	22	42,594	3,075	124.5	109.1
Guangzhou King's Park Car-parking Spaces	12			8.0	7.0
Guangzhou West Point Car-parking Space	1			0.7	0.6
Total				133.2	116.7
Recognised sales from joint venture project					
Guangzhou Dolce Vita Residential Units ^{**} (47.5% basis)	314	409,722	2,390	926.5	811.8
Retail Units ^{**} (47.5% basis)	2	2,521	6,532	15.6	13.7
Subtotal	316	412,243	2,416	942.1	825.5
Car-parking Spaces ^{**} (47.5% basis)	292			98.8	86.6
Total				1,040.9	912.1

[#] Before business tax and value-added tax inclusive

^{*} After business tax and value-added tax exclusive

^{**} Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the six months ended 31 January 2017, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK\$1,983.4 million (excluding car-parking spaces) and approximately 867,880 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales (after business tax and value-added tax exclusive) from car-parking spaces attributable to the full project is HK\$208.0 million.

Overview of Interim Results *(continued)*

Property Development *(continued)*

Recognised Sales *(continued)*

Breakdown of turnover for the six months ended 31 January 2016 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA Square feet	Average selling price [#] HK\$/square foot	Turnover [*]	
				HK\$'million @0.8285	RMB'million
Shanghai May Flower Plaza					
Residential Units	6	5,083	5,170	24.8	20.5
Office Apartment Units	18	11,994	3,704	41.9	34.7
Guangzhou Eastern Place					
Residential Units — Phase V	61	57,943	5,892	322.0	266.8
Guangzhou King's Park					
Residential Units	5	9,569	4,789	43.2	35.8
Zhongshan Palm Spring					
Residential High-rise Units	8	9,160	707	6.1	5.1
Residential House Units	22	60,482	1,498	85.5	70.8
Total	120	154,231	3,598	523.5	433.7
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units ^{**} (47.5% basis)	53	118,954	3,081	345.8	286.5
Retail Units ^{**} (47.5% basis)	1	798	5,971	4.5	3.7
Subtotal	54	119,752	3,100	350.3	290.2
Car-parking Spaces ^{**} (47.5% basis)	45			13.2	10.9
Total				363.5	301.1

[#] Before business tax

^{*} After business tax

^{**} Guangzhou Dolce Vita is a joint venture project with CapitalLand China in which each of Lai Fung Group and CapitalLand China has an effective 47.5% interest. For the six months ended 31 January 2016, the recognised sales (after business tax) attributable to the full project is HK\$737.4 million (excluding car-parking spaces) and approximately 252,111 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK\$27.8 million.

Overview of Interim Results *(continued)*

Property Development *(continued)*

Contracted Sales

As at 31 January 2017, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK\$558.9 million and HK\$20.6 million from sales of residential units in Zhongshan Palm Spring and Guangzhou Eastern Place Phase V, respectively and HK\$1.9 million from sales of 3 car-parking spaces in Guangzhou King's Park. Sales of the remainder of the completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK\$805 per square foot. Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 January 2017 amounted to RMB509.4 million (31 July 2016: RMB484.4 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 January 2017 including Guangzhou Dolce Vita and car-parking spaces amounted to HK\$1,601.7 million (31 July 2016: HK\$2,249.1 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 January 2017 amounted to RMB1,403.4 million (31 July 2016: RMB1,881.8 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2017 is as follows:

Contracted basis	No. of units	Approximate GFA Square feet	Average selling price [#] HK\$/square foot	Turnover [#] HK\$'million
Guangzhou Eastern Place Residential Units — Phase V	3	3,114	6,615	20.6
Zhongshan Palm Spring Residential High-rise Units	547	680,443	786	534.8
Residential House Units	5	14,142	1,704	24.1
Subtotal	555	697,699	831	579.5
Guangzhou King's Park Car-parking Spaces	3			1.9
Subtotal				581.4
Contracted sales from joint venture project				
Guangzhou Dolce Vita Residential Units** (47.5% basis)	228	369,967	2,736	1,012.2
Car-parking Spaces**(47.5% basis)	22			8.1
Subtotal				1,020.3
Total (excluding car-parking spaces)	783	1,067,666	1,491	1,591.7

[#] Before business tax and value-added tax inclusive

^{**} 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 2017, the contracted but not yet recognised sales attributable to the full project is HK\$2,130.9 million (excluding car-parking spaces) and approximately 778,878 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\$17.0 million.

Liquidity, Financial Resources, Charge on Assets and Gearing

Cash and Bank Balances

As at 31 January 2017, cash and bank balances held by the Group amounted to HK\$3,306.8 million (31 July 2016: HK\$4,365.6 million) of which around 25.2% was denominated in Hong Kong dollar (“**HKD**”) and United States dollar (“**USD**”) currencies, and around 74.2% was denominated in Renminbi (“**RMB**”). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 January 2017 was HK\$284.5 million (31 July 2016: HK\$303.0 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 2017, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$6,483.1 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 2017, the Group had bank loans of HK\$468.0 million. The maturity profile of the Group’s bank loans is spread with HK\$368.6 million repayable within 1 year, HK\$22.4 million repayable in the second year and HK\$77.0 million repayable in the third to fifth years. All bank loans are on floating rate basis and are denominated in HKD.

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\$82.7 million for the said unsecured other borrowings as at 31 January 2017. 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 2017.

MAGHL

As at 31 January 2017, MAGHL has unsecured and unguaranteed 3-year zero coupon TFN Convertible Notes with an aggregate outstanding principal amount of approximately HK\$130.0 million issued to a subscriber. As at 31 January 2017, MAGHL has unsecured and unguaranteed 3-year zero coupon Specific Mandate Convertible Notes with an aggregate outstanding principal amount of HK\$166.8 million, comprising approximately HK\$100.0 million and approximately HK\$66.8 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 TFN Convertible Notes and the Specific Mandate Convertible Notes, they will be redeemed by MAGHL on the maturity dates of 13 May 2018 and 3 July 2018, respectively, at the principal amount outstanding. For accounting purpose, after deducting the equity portion of the convertible notes from the principal amount, the carrying amount of the TFN Convertible Notes as recorded in the Group was HK\$115.8 million and the resultant carrying amount of the Specific Mandate Convertible Notes as recorded in the Group was HK\$58.4 million as at 31 January 2017 after adjusting for (i) accrued interest and (ii) intra-group elimination.

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

Borrowings (continued)

Lai Fung

As at 31 January 2017, Lai Fung Group had total borrowings in the amount of HK\$5,858.8 million comprising bank loans of HK\$2,742.5 million, fixed rate senior notes of HK\$2,027.1 million, loans from a subsidiary of the Company of HK\$213.6 million, loans from a joint venture of HK\$822.7 million and other borrowing of HK\$52.9 million. The maturity profile of Lai Fung Group's borrowings of HK\$5,858.8 million is well spread with HK\$206.0 million repayable within 1 year, HK\$2,356.5 million repayable in the second year, HK\$3,175.3 million repayable in the third to fifth years and HK\$121.0 million repayable beyond the fifth year.

Approximately 48% and 47% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 5% of Lai Fung Group's borrowings were interest free.

Apart from the fixed rate senior notes, Lai Fung Group's other borrowings of HK\$3,831.7 million were 49% denominated in RMB, 39% in HKD and 12% in USD.

Lai Fung Group's fixed rate senior notes of HK\$2,027.1 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 and banking facility of the Group, including investment properties with a total carrying amount of approximately HK\$9,222.9 million, completed properties for sale with a total carrying amount of approximately HK\$53.8 million, properties under development with a total carrying amount of approximately HK\$505.6 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK\$1,404.0 million, properties and construction in progress with a total carrying amount of approximately HK\$616.4 million and time deposits and bank balances of approximately HK\$260.8 million.

In addition, as at 31 January 2017, a revolving loan facility in the amount of HK\$600.0 million was granted by a bank to the Group. The said loan facility is secured by the charge over securities accounts and share mortgage of the ordinary shares of Lai Fung and certain ordinary shares of MAGHL held by the Company. The Group has utilised the said loan facility for an amount of HK\$350.0 million as at 31 January 2017. As at 31 January 2017, guaranteed general banking facilities in the amount of HK\$214.0 million were granted by other banks to the Group. The said guaranteed general banking facilities (other than a term loan) are subject to annual review by the banks for renewal and the Group had utilised letter of credit and letter of guarantee facilities, term loan and revolving loans for a total amount of HK\$135.9 million as at 31 January 2017. As such, the Group (other than Lai Fung) has the undrawn facilities of HK\$328.1 million as at 31 January 2017. The undrawn facilities of Lai Fung Group was HK\$3,636.4 million as at 31 January 2017.

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

Charge on Assets and Gearing (continued)

As at 31 January 2017, the consolidated net assets attributable to the owners of the Company amounted to HK\$8,261.5 million (31 July 2016: HK\$8,599.3 million). The gearing ratio, being net debt (total borrowings of HK\$6,483.1 million less pledged bank balances and time deposits of HK\$718.6 million and cash and cash equivalents of HK\$2,588.2 million) to net assets attributable to the owners of the Company was approximately 38.4%.

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

Contingent Liabilities

There has been no material change in contingent liabilities of the Group since 31 July 2016.

PARTICULARS 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	50.81%	The property is held for a term of 50 years commencing on 16 September 1992	238,011	183,265	421,276	178
May Flower Plaza	Sujiaxiang, Jing'an District	50.81%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	162,752	—	162,752	—
Regents Park	88 Huichuan Road, Changning District	48.27%	The property is held for a term of 70 years commencing on 4 May 1996	39,611	—	39,611	—
Subtotal of major completed properties held for rental in Shanghai:				440,374	183,265	623,639	178
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	50.81%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	181,607	40,359	221,966	69
West Point	Zhongshan Qi Road, Liwan District	50.81%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	87,377	—	87,377	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	50.81%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	51,166	266,988	318,154	106
Subtotal of major completed properties held for rental in Guangzhou:				320,150	307,347	627,497	175
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	50.81%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	56,970	—	56,970	—
Subtotal of major completed properties held for rental in Zhongshan:				56,970	—	56,970	—
Total of major completed properties held for rental:				817,494	490,612	1,308,106	353

PARTICULARS 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	50.81%	The property is held for a term of 50 years commencing on 16 September 1992	300	180,511	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	50.81%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	73,088	—
Subtotal of major hotel properties and serviced apartments in Shanghai:				539	253,599	—
Zhongshan						
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District	50.81%	The property is held for a term expiring on 23 October 2073	90	50,076	—
Subtotal of major hotel properties and serviced apartments in Zhongshan:				90	50,076	—
Total of major hotel properties and serviced apartments:				629	303,675	—

PARTICULARS 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)					No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Guangzhou											
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	24.13%	Construction work in progress	Q4 2017	3,217,769 <i>(Note 2)</i>	4,662	–	–	–	4,662	11
Haizhu Plaza	Chang Di Main Road, Yuexiu District	50.81%	Resettlement in progress	H1 2021 <i>(Note 3)</i>	90,708	46,707	259,568 <i>(Note 4)</i>	–	–	306,275	152
Subtotal of major properties under development in Guangzhou:						51,369	259,568	–	–	310,937	163
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	50.81%	Construction work in progress	Phase I: Q2 2017 Phase II: Q3 2017 Phase III: Q3 2020 Phase IV: Q1 2022	2,547,298 <i>(Note 2)</i>	90,428	–	–	1,589,537	1,679,965	1,227
Subtotal of major properties under development in Zhongshan:						90,428	–	–	1,589,537	1,679,965	1,227
Shanghai											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	50.81%	Development under planning	Q1 2021 <i>(Note 5)</i>	107,223	50,968	305,432	–	–	356,400	281
Wuli Bridge project	Wulijiao Road, 104 Jie Fang, Huangpu District	50.81%	Development under planning	Q4 2018	74,112	–	–	–	42,991	42,991	49
Subtotal of major properties under development in Shanghai:						50,968	305,432	–	42,991	399,391	330
Hengqin											
Novotown	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	60.65%	Construction work in progress	Q4 2018	1,401,184	593,201	480,955	618,522	–	1,692,678	1,266
Subtotal of major properties under development in Hengqin:						593,201	480,955	618,522	–	1,692,678	1,266
Total of major properties under development:						785,966	1,045,955	618,522	1,632,528	4,082,971	2,986

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. In the process of discussing a comprehensive redevelopment proposal with the district government

PARTICULARS 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	Residential	Office			
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	50.81%	35,050	11,479	—	46,529	—	
Subtotal of major completed properties held for sale in Zhongshan:			35,050	11,479	—	46,529	—	
Shanghai								
May Flower Plaza	Sujiaxiang, Jing'an District	50.81%	—	—	—	—	233	
Regents Park Phase II	88 Huichuan Road, Changning District	48.27%	—	—	—	—	196	
Subtotal of major completed properties held for sale in Shanghai:			—	—	—	—	429	
Guangzhou								
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	50.81%	—	7,875	—	7,875	75	
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	24.13%	338	210,126	—	210,464	67	
Paramount Centre	Nos. 407 and 409 Yan Jiang Dong Road, Yuexiu District	50.81%	2,846	—	38,855	41,701	23	
King's Park	Donghua Dong Road, Yuexiu District	50.81%	1,696	—	—	1,696	11	
Eastern Place	787 Dongfeng East Road, Yuexiu District	50.81%	—	—	—	—	1	
West Point	Zhongshan Qi Road, Liwan District	50.81%	—	—	—	—	65	
Subtotal of major completed properties held for sale in Guangzhou:			4,880	218,001	38,855	261,736	242	
Total of major completed properties held for sale:			39,930	229,480	38,855	308,265	671	

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively) throughout the six months ended 31 January 2017 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 set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**Executive Directors**”). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

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 the 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 businesses 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 the remaining 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

During the six months ended 31 January 2017 and up to the date of this Report, Mr. Low Chee Keong (an INED) is the Chairman of the Board and Mr. Lui Siu Tsuen, Richard (an Executive Director) is the Chief Executive Officer of the Company. 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 businesses. 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 2017.

Share Option Schemes

(1) The Company

On 11 December 2015, the Company adopted a new share option scheme ("**2015 Scheme**") and terminated its share option scheme adopted on 23 December 2005 ("**2005 Scheme**"). Upon the termination of the 2005 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 2015 Scheme which became effective on 23 December 2015 remains in force for a period of 10 years commencing on its adoption date. The details of the 2015 Scheme are set out in the circular of the Company dated 12 November 2015. The maximum number of the Company's shares ("**Shares**") issuable pursuant to the 2015 Scheme is 124,321,216, being 10% of the total issued Shares on the date of approval of the 2015 Scheme.

As at 31 January 2017 and the date of this Report, no share options have been granted under the 2015 Scheme since its adoption and the Company had a total of 33,450,665 underlying Shares comprised in options outstanding under the 2005 Scheme (representing approximately 2.24% of the total issued Shares as at the date of this Report (i.e. 1,491,854,598)).

Share Option Schemes (continued)

(1) The Company (continued)

The movements of the share options granted under the 2005 Scheme during the six months ended 31 January 2017 are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) (Note 1)	Number of underlying Shares comprised in share options				Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) (Note 2)
		As at 1 August 2016	Granted during the period	Lapsed during the period	As at 31 January 2017		
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") (Note 3)	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	1,800,000	—	—	1,800,000	21/01/2015 – 20/01/2025	0.728
Subtotal		11,072,848	—	—	11,072,848		
Total		33,450,665	—	—	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.

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2005 Scheme and the 2015 Scheme during the six months ended 31 January 2017.

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 special general meeting of the Company (“**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.

In compliance with Chapter 23 of the Rules Governing the Listing of Securities on the GEM (“**GEM Listing Rules**”), MAGHL’s shareholders passed a resolution at its annual general meeting held on 11 December 2015 to refresh scheme limit under the 2012 MAGHL Scheme, allowing MAGHL to grant options to subscribe for up to a total of 213,605,682 MAGHL’s shares (“**Refreshment**”), representing 10% of its total issued shares as at the date of passing the relevant resolution. The Refreshment was also approved by the Shareholders at an annual general meeting of the Company held on 11 December 2015 pursuant to the requirements of Rule 17.01(4) of the Listing Rules and Rule 23.01(4) of the GEM Listing Rules.

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 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 issued Lai Fung Shares on the date of approval of the 2012 Lai Fung Scheme.

As at 31 January 2017 and the date of this Report, Lai Fung had a total of 503,205,994 underlying Lai Fung Shares comprised in options outstanding (representing about 3.09% of total issued Lai Fung Shares as at those dates), of which a share option comprising 50,479,564 underlying Lai Fung Shares was granted under the 2003 Lai Fung Scheme and share options comprising 452,726,430 underlying Lai Fung Shares were 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 2017 are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) (Note 1)	Number of underlying Lai Fung Shares comprised in share options				As at 31 January 2017	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK\$) (Note 2)
		As at 1 August 2016	Granted during the period	Exercised during the period	Lapsed during the period			
Directors of Lai Fung								
Chew Fook Aun	12/06/2012	80,479,564	–	(30,000,000) (Note 3)	–	50,479,564	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
Cheng Shin How	18/01/2013	32,191,825	–	–	–	32,191,825	18/01/2013 – 17/01/2023	0.228
Lee Tze Yan, Ernest	18/01/2013	32,000,000	–	–	–	32,000,000	18/01/2013 – 17/01/2023	0.228
Subtotal		305,630,518	–	(30,000,000)	–	275,630,518		
Employees and other eligible participants (in aggregate)								
Batch 1	18/01/2013	210,575,476 (Note 4)	–	–	(3,000,000)	207,575,476	18/01/2013 – 17/01/2023	0.228
Batch 2	26/07/2013	11,000,000	–	–	–	11,000,000	26/07/2013 – 25/07/2023	0.190
Batch 3	16/01/2015	9,000,000	–	–	–	9,000,000	16/01/2015 – 15/01/2025	0.160
Subtotal		230,575,476	–	–	(3,000,000)	227,575,476		
Total		536,205,994	–	(30,000,000)	(3,000,000)	503,205,994		

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.
- During the six months ended 31 January 2017, 30,000,000 Lai Fung Shares were issued in respect of a share option exercised under the 2003 Lai Fung Scheme at an exercise price of HK\$0.133 each. The weighted average closing price of the Lai Fung Shares immediately before the dates of exercises of the share option of Lai Fung during the period was HK\$0.170 per Lai Fung Share.
- 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.

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 2017.

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 January 2017 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 Part XV 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 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 <i>(Note 1)</i>
		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 <i>(Note 2)</i>	Nil	125,000,000	10.05%
Lam Hau Yin, Lester ("Mr. Lester Lam")	Beneficial owner	2,794,443	Nil	12,432,121 <i>(Note 3)</i>	15,226,564	1.22%
Chew Fook Aun ("Mr. FA Chew")	Beneficial owner	Nil	Nil	6,216,060 <i>(Note 3)</i>	6,216,060	0.50%
Lui Siu Tsuen, Richard ("Mr. Richard Lui")	Beneficial owner	Nil	Nil	3,729,636 <i>(Note 3)</i>	3,729,636	0.30%

Notes:

1. The total number of issued Shares as at 31 January 2017 (1,243,212,165 Shares) has been used in the calculation of the approximate percentage. As at the date of this Report, the total number of issued Shares has increased to 1,491,854,598.
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 2005 Scheme 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	0.99%	
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	30,000,000 <i>(Note 3)</i>	50,479,564 <i>(Note 4)</i>	80,479,564	0.49%	

Notes:

1. The total number of issued Lai Fung Shares as at 31 January 2017 (16,285,086,736 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 2012 Lai Fung Scheme are shown in the section headed "Share Option Schemes" of this Report.
3. Mr. FA Chew, an Executive Director (currently also the chairman and an executive director of Lai Fung), was deemed to be interested in the 30,000,000 Lai Fung Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.
4. Details of the share option granted to Mr. FA Chew under the 2003 Lai Fung Scheme are shown in the section headed "Share Option Schemes" of this Report.

Save as disclosed above, as at 31 January 2017, 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' Interests

As at 31 January 2017, 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 an existing 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 by the Company pursuant to 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' 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>

Notes:

- The total number of issued Shares as at 31 January 2017 (1,243,212,165 Shares) has been used in the calculation of the approximate percentage. As at the date of this Report, the total number of issued Shares has increased to 1,491,854,598.
- As at 31 January 2017, 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 2017, 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 2017, Dr. Peter Lam was deemed to be interested in 521,204,186 Shares (approximately 41.92% of the total issued Shares) indirectly owned by LSD by virtue of his personal and deemed controlling shareholding interests of approximately 41.97% (excluding share option) in LSG. LSD was approximately 61.75% directly and indirectly owned by LSG. LSG was approximately 12.52% (excluding share option) owned by Dr. Peter Lam and approximately 29.45% owned by Wisdoman Limited, which was in turn 100% beneficially owned by Dr. Peter Lam. LSD indirectly held 551,040,186 Shares (approximately 36.94% of the total issued Shares) as at the date of this Report.

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 (I) in the "Directors' Interests" section above for further details. The shareholding interest of SAIF Partners IV LP in the Company decreased from 10.05% to approximately 8.38% immediately after the allotment and issue of placing shares by the Company on 9 February 2017.

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 2017, 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 the Company's Listed Securities

During the six months ended 31 January 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

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

On 23 May 2016, the Company entered into an 18-month HK\$600 million revolving loan facility agreement. Pursuant to this facility agreement, the Company has undertaken to ensure that from the date of the facility agreement for so long as any liability is outstanding or the commitment is in force, LSD legally and beneficially owns at least 40% (subsequently amended to 34%) of the issued share capital of the Company.

As at 31 January 2017, the outstanding loan balance of this facility amounted to HK\$350 million.

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 2016 are set out as follows:

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 within the range from 3% to 4% with effect from 1 January 2017. Directors' remuneration for the six months ended 31 January 2017 and 2016 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 2017				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	60	2,031	7	2,098 [*]
Chew Fook Aun	—	4,794	18	4,812 ^{**}
Lam Hau Yin, Lester	—	853	9	862 [^]
Yip Chai Tuck	—	1,344	18	1,362 ^{^^}
	60	9,022	52	9,134
<i>Non-executive Directors:</i>				
U Po Chu	—	2,138	—	2,138 [^]
Andrew Y. Yan	145	5	—	150
	145	2,143	—	2,288
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	363	25	—	388
Lo Kwok Kwei, David	145	20	—	165
Ng Lai Man, Carmen	195	20	—	215
Alfred Donald Yap	145	25	—	170
	848	90	—	938
Total	1,053	11,255	52	12,360

* The amounts included salaries and pension scheme contributions of HK\$340,000 paid by Lai Fung and fees of HK\$60,000 paid by MAGHL.

** The amounts included salaries and pension scheme contributions of HK\$2,406,000 paid by Lai Fung.

^ The amounts were paid by Lai Fung.

^^ The amounts included salaries and pension scheme contributions of HK\$681,000 paid by MAGHL.

Update on Directors' Information *(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 2016				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	60	1,955	7	2,022 [*]
Chew Fook Aun	—	4,305	18	4,323 ^{**}
Lam Hau Yin, Lester	—	880	9	889 [^]
Yip Chai Tuck	—	1,219	18	1,237 ^{^^}
	60	8,359	52	8,471
<i>Non-executive Directors:</i>				
U Po Chu	—	2,164	—	2,164 [^]
Andrew Y. Yan	120	5	—	125
	120	2,169	—	2,289
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	338	35	—	373
Lo Kwok Kwei, David	120	35	—	155
Ng Lai Man, Carmen	170	35	—	205
Alfred Donald Yap	120	25	—	145
	748	130	—	878
Total	928	10,658	52	11,638

* The amounts included salaries and pension scheme contributions of HK\$327,000 paid by Lai Fung and fees of HK\$60,000 paid by MAGHL.

** The amounts included salaries and pension scheme contributions of HK\$2,162,000 paid by Lai Fung.

^ The amounts were paid by Lai Fung.

^^ The amounts included salaries and pension scheme contributions of HK\$618,000 paid by MAGHL.

Employees and Remuneration Policies

As at 31 January 2017, the Group employed a total of around 2,060 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 2017, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

Month	Event	Organiser	Location
October 2016	Post results non-deal roadshow	DBS	Hong Kong
November 2016	Post results non-deal roadshow	DBS	Singapore
November 2016	Post results non-deal roadshow	Daiwa	New York /Philadelphia / Los Angeles /San Francisco
November 2016	Post results non-deal roadshow	Daiwa	London /Amsterdam / Zurich

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 the interim report (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2017, the accounting principles and practices adopted by the Company as well as internal control and financial reporting matters.

By Order of the Board

Low Chee Keong

Chairman

Hong Kong, 23 March 2017