



**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 2018

## 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 Auditor

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  
Shanghai Pudong Development Bank Co., Ltd.  
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](http://www.esun.com)

### Investor Relations

Tel: (852) 2853 6116  
Fax: (852) 2853 6651  
E-mail: [ir@esun.com](mailto:ir@esun.com)

## 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 2018 together with the comparative figures of the last corresponding period as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2018

	Notes	Six months ended 31 January	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>TURNOVER</b>	3	<b>1,184,881</b>	1,164,452
Cost of sales		<b>(737,370)</b>	(558,259)
Gross profit		<b>447,511</b>	606,193
Other revenue	4	<b>113,050</b>	97,345
Selling and marketing expenses		<b>(106,649)</b>	(102,950)
Administrative expenses		<b>(352,494)</b>	(315,962)
Other operating gains		<b>49,430</b>	12,240
Other operating expenses		<b>(239,240)</b>	(206,992)
Fair value gains on investment properties		<b>349,748</b>	172,663
PROFIT FROM OPERATING ACTIVITIES	5	<b>261,356</b>	262,537
Finance costs	6	<b>(115,065)</b>	(95,535)
Share of profits and losses of joint ventures		<b>80,409</b>	161,189
Share of profits and losses of associates		<b>632</b>	1,928
PROFIT BEFORE TAX		<b>227,332</b>	330,119
Income tax expense	7	<b>(175,936)</b>	(210,980)
<b>PROFIT FOR THE PERIOD</b>		<b>51,396</b>	119,139
Attributable to:			
Owners of the Company		<b>(14,295)</b>	27,644
Non-controlling interests		<b>65,691</b>	91,495
		<b>51,396</b>	119,139
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	8		
Basic		<b>(HK\$0.010)</b>	HK\$0.022
Diluted		<b>(HK\$0.010)</b>	HK\$0.022

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2018

	Note	Six months ended 31 January	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>PROFIT FOR THE PERIOD</b>		<b>51,396</b>	119,139
<b>OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX</b>			
Exchange realignment on translation of foreign operations		<b>1,189,741</b>	(568,282)
Release of exchange reserve upon disposal of subsidiaries		<b>(880)</b>	—
Change in fair value of an available-for-sale investment		<b>30,680</b>	8,771
Share of other comprehensive income/(loss) of joint ventures		<b>100,545</b>	(38,884)
Share of other comprehensive income of associates		<b>23</b>	—
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period	14	<b>159,924</b>	(101,887)
Reclassification adjustments for exchange gain/(loss) included in the condensed consolidated income statement		<b>(134,959)</b>	69,653
		<b>24,965</b>	(32,234)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>1,345,074</b>	(630,629)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>1,396,470</b>	(511,490)
Attributable to:			
Owners of the Company		<b>697,856</b>	(296,686)
Non-controlling interests		<b>698,614</b>	(214,804)
		<b>1,396,470</b>	(511,490)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2018

Notes	<b>31 January 2018 (Unaudited) HK\$'000</b>	31 July 2017 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>3,442,416</b>	3,041,562
Properties under development	<b>1,664,131</b>	1,346,220
Investment properties	<b>19,064,096</b>	16,903,419
Film rights	<b>19,284</b>	20,960
Film products	<b>133,205</b>	125,921
Music catalogs	<b>9,314</b>	11,438
Goodwill	<b>82,440</b>	82,440
Other intangible assets	<b>10,152</b>	16,557
Investments in joint ventures	<b>1,619,335</b>	1,438,287
Investments in associates	<b>26,123</b>	28,587
Available-for-sale investments	<b>144,036</b>	123,435
Deposits, prepayments and other receivables	<b>169,415</b>	124,362
Deferred tax assets	<b>5,829</b>	6,050
<b>Total non-current assets</b>	<b>26,389,776</b>	23,269,238
<b>CURRENT ASSETS</b>		
Properties under development	<b>329,056</b>	215,303
Completed properties for sale	<b>966,939</b>	993,460
Films under production	<b>453,361</b>	463,105
Inventories	<b>23,497</b>	35,111
Debtors	<b>270,873</b>	212,675
Deposits, prepayments and other receivables	<b>451,011</b>	427,715
Prepaid tax	<b>35,922</b>	43,033
Pledged and restricted time deposits and bank balances	<b>1,007,016</b>	571,142
Cash and cash equivalents	<b>4,703,363</b>	2,733,435
<b>Asset classified as held for sale</b>	<b>8,241,038</b>	5,694,979
	<b>—</b>	278,531
<b>Total current assets</b>	<b>8,241,038</b>	5,973,510
<b>CURRENT LIABILITIES</b>		
Creditors and accruals	<b>2,013,135</b>	1,551,782
Deposits received and deferred income	<b>417,753</b>	362,831
Tax payable	<b>138,796</b>	128,554
Interest-bearing bank loans, secured	<b>362,967</b>	261,392
Convertible notes	<b>191,150</b>	182,346
Fixed rate senior notes	<b>2,219,658</b>	2,080,366
Derivative financial instruments	<b>46,378</b>	208,223
Loans from a joint venture	<b>205,196</b>	192,731
<b>Total current liabilities</b>	<b>5,595,033</b>	4,968,225
<b>NET CURRENT ASSETS</b>	<b>2,646,005</b>	1,005,285
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>29,035,781</b>	24,274,523

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

31 January 2018

Notes	<b>31 January 2018 (Unaudited) HK\$'000</b>	31 July 2017 (Audited) HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>29,035,781</b>	24,274,523
<b>NON-CURRENT LIABILITIES</b>		
Long-term deposits received	<b>150,346</b>	138,875
Interest-bearing bank loans, secured	<b>3,197,199</b>	2,906,097
Other borrowings	<b>258,967</b>	252,618
Guaranteed notes	13 <b>2,712,910</b>	—
Loans from a joint venture	<b>691,804</b>	649,779
Derivative financial instruments	14 <b>1,921</b>	—
Deferred tax liabilities	<b>3,413,699</b>	3,104,284
Total non-current liabilities	<b>10,426,846</b>	7,051,653
Net assets	<b>18,608,935</b>	17,222,870
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>745,927</b>	745,927
Reserves	<b>9,034,785</b>	8,372,273
	<b>9,780,712</b>	9,118,200
<b>Non-controlling interests</b>	<b>8,828,223</b>	8,104,670
Total equity	<b>18,608,935</b>	17,222,870

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2018

	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		
At 1 August 2017 (Audited)	745,927	4,257,351	891,289	15,293	17,176	5,373	(561,572)	574,951	115,261	3,057,151	9,118,200	8,104,670	17,222,870
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	(14,295)	(14,295)	65,691	51,396
Other comprehensive income/(loss) for the period, net of tax:													
Exchange realignment on translation of foreign operations	-	-	-	-	-	-	618,814	-	-	-	618,814	570,927	1,189,741
Release of exchange reserve upon disposal of subsidiaries	-	-	-	-	-	-	(880)	-	-	-	(880)	-	(880)
Change in fair value of an available-for-sale investment	-	-	-	-	30,680	-	-	-	-	-	30,680	-	30,680
Share of other comprehensive income of joint ventures	-	-	-	-	-	-	50,849	-	-	-	50,849	49,696	100,545
Share of other comprehensive income of associates	-	-	-	-	-	-	12	-	-	-	12	11	23
Net gain on cash flow hedges	-	-	-	-	-	12,676	-	-	-	-	12,676	12,289	24,965
Total comprehensive income/(loss) for the period	-	-	-	-	30,680	12,676	668,795	-	-	(14,295)	697,856	698,614	1,396,470
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	2,362	2,362
Shares issued by a subsidiary in lieu of cash dividend	-	-	-	-	-	-	-	(29,262)	-	-	(29,262)	43,395	14,133
Shares issued by a subsidiary upon exercise of share options	-	-	-	-	-	-	-	(6,406)	-	-	(6,406)	8,914	2,508
Release of reserve upon lapse of share option	-	-	-	(477)	-	-	-	-	-	563	86	(86)	-
Equity-settled share option arrangements	-	-	-	238	-	-	-	-	-	-	238	2,441	2,679
Transfer to statutory reserve	-	-	-	-	-	-	-	-	11,818	(11,818)	-	-	-
Share of statutory reserve of joint ventures	-	-	-	-	-	-	-	-	12,467	(12,467)	-	-	-
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(32,087)	(32,087)
<b>At 31 January 2018 (Unaudited)</b>	<b>745,927</b>	<b>4,257,351*</b>	<b>891,289*</b>	<b>15,054*</b>	<b>47,856*</b>	<b>18,049*</b>	<b>107,223*</b>	<b>539,283*</b>	<b>139,546*</b>	<b>3,019,134*</b>	<b>9,780,712</b>	<b>8,828,223</b>	<b>18,608,935</b>

\* These reserve accounts comprise the consolidated reserves of HK\$9,034,785,000 (31 July 2017: HK\$8,372,273,000) in the condensed consolidated statement of financial position.

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

For the six months ended 31 January 2018

	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 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	7,665,526	16,264,784
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)	–	–	–
Dividends 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



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2018

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES	<b>89,638</b>	(295,325)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of investment properties	<b>(291,975)</b>	(463,370)
Purchases of items of property, plant and equipment	<b>(287,055)</b>	(158,870)
Advances to joint ventures	<b>(2,830)</b>	(6,601)
Repayment from joint ventures	<b>1,273</b>	12,685
Disposal of subsidiaries	<b>(3,395)</b>	—
Decrease/(increase) in pledged and restricted time deposits and bank balances	<b>(435,874)</b>	313,856
Other investing cash flows	<b>(22,864)</b>	20,133
NET CASH FLOWS USED IN INVESTING ACTIVITIES	<b>(1,042,720)</b>	(282,167)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans, net of direct costs	<b>663,745</b>	318,830
Repayment of bank loans	<b>(356,057)</b>	(490,020)
Loans from a joint venture	—	420,489
Repayment of a loan from a joint venture	—	(154,078)
Proceeds from issue of guaranteed notes, net of issue expenses	<b>2,712,758</b>	—
Proceeds from issue of shares of a subsidiary	<b>2,508</b>	3,990
Interest and bank financing charges paid	<b>(179,671)</b>	(169,457)
Capital contribution from a non-controlling shareholder of a subsidiary	<b>2,362</b>	1,522
Acquisition of additional interests in a subsidiary	—	(12,297)
Dividend paid to non-controlling shareholders of subsidiaries	<b>(17,954)</b>	(19,255)
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<b>2,827,691</b>	(100,276)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>1,874,609</b>	(677,768)
Cash and cash equivalents at beginning of period	<b>2,733,435</b>	3,299,148
Effect of foreign exchange rate changes, net	<b>95,319</b>	(33,179)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>4,703,363</b>	2,588,201
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	<b>1,850,675</b>	2,146,506
Non-pledged and non-restricted time deposits	<b>2,852,688</b>	441,695
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	<b>4,703,363</b>	2,588,201

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2018

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group (“**Financial Statements**”) for the six months ended 31 January 2018 have not been audited by the Company’s independent auditor but have been reviewed by the Company’s Audit Committee.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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 2017 (“**2017 Financial Statements**”).

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 financial performance 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Segment revenue:														
Sales to external customers	129,883	133,192	376,483	342,768	237,090	239,234	199,157	220,209	189,509	189,544	52,759	39,515	1,184,881	1,164,452
Intersegment sales	–	–	3,044	3,072	–	1,830	7,693	4,204	1,008	985	1,524	1,200	13,269	11,291
Other revenue	1,387	1,132	63,679	58,688	4,425	5,994	404	123	15,590	12,755	11,412	1,790	96,897	80,482
<b>Total</b>	<b>131,270</b>	<b>134,324</b>	<b>443,206</b>	<b>404,518</b>	<b>241,515</b>	<b>247,058</b>	<b>207,254</b>	<b>224,536</b>	<b>206,107</b>	<b>203,284</b>	<b>65,695</b>	<b>42,505</b>	<b>1,295,047</b>	<b>1,256,225</b>
Elimination of intersegment sales													(13,269)	(11,291)
<b>Total revenue</b>													<b>1,281,778</b>	<b>1,244,934</b>
Segment results	21,720	17,277	550,791	331,498	25,315	19,865	(181,304)	15,382	(36,635)	(21,129)	(134,684)	(109,294)	245,203	253,599
Unallocated interest and other revenue	–	–	–	–	–	–	–	–	–	–	–	–	16,153	16,863
Ineffective portion of the effective hedge recognised in profit or loss	–	–	–	–	–	–	–	–	–	–	–	–	–	(7,925)
Profit from operating activities													261,356	262,537
Finance costs	–	–	–	–	–	–	–	–	–	–	–	–	(115,065)	(95,535)
Share of profits and losses of joint ventures	81,703	161,957	–	–	2,914	(386)	(4,208)	(382)	–	–	–	–	80,409	161,189
Share of profits and losses of associates	–	–	(101)	–	(30)	(33)	(1)	(2)	764	1,963	–	–	632	1,928
Profit before tax													227,332	330,119
Income tax expense													(175,936)	(210,980)
<b>Profit for the period</b>													<b>51,396</b>	<b>119,139</b>

### 3. SEGMENT INFORMATION (continued)

#### 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Fair value gains on investment properties	–	–	349,748	172,663	–	–	–	–	–	–	–	–	349,748	172,663

#### Segment assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
	Segment assets	2,997,546	2,597,274	22,198,851	19,632,948	387,119	361,246	1,185,047	1,176,719	624,233	547,038	5,254,894	2,905,618	32,647,690
Investments in joint ventures	1,609,114	1,424,918	–	–	13,377	12,807	(3,408)	562	–	–	252	–	1,619,335	1,438,287
Investments in associates	–	–	805	343	–	–	19,343	19,343	5,975	8,901	–	–	26,123	28,587
Unallocated assets	–	–	–	–	–	–	–	–	–	–	–	–	337,666	276,500
Asset classified as held for sale	–	–	–	–	–	–	–	–	–	–	–	–	–	278,531
Total assets													34,630,814	29,242,748
Segment liabilities	561,872	439,278	983,547	767,421	179,874	155,663	471,869	328,844	157,622	169,120	226,450	193,162	2,581,234	2,053,488
Unallocated liabilities	–	–	–	–	–	–	–	–	–	–	–	–	13,440,645	9,966,390
Total liabilities													16,021,879	12,019,878

### 4. OTHER REVENUE

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Property management fee income	56,118	52,725
Bank interest income	11,487	13,327
Government grants	3,092	1,462
Others	42,353	29,831
Total	113,050	97,345

## 5. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	Six months ended 31 January	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Cost of completed properties sold		85,399	75,322
Outgoings in respect of rental income		84,692	77,433
Cost of film rights, licence rights and film products		305,589	137,781
Cost of artiste management services, advertising services, and services for entertainment events provided		108,363	108,177
Cost of theatrical releasing and concessionary sales		67,284	72,236
Cost of inventories sold		86,043	87,310
<b>Total cost of sales</b>		<b>737,370</b>	558,259
Depreciation <sup>^</sup>		87,000	77,034
Write-down/(reversal of write-down) of completed properties for sale to net realisable value <sup>**/*</sup>		(692)	618
Impairment of investment properties under construction at cost <sup>**</sup>		38,002	—
Amortisation of film rights <sup>#</sup>		1,676	2,015
Amortisation of film products <sup>#</sup>		261,529	94,596
Amortisation of music catalogs <sup>#</sup>		2,124	1,956
Amortisation of other intangible assets <sup>#</sup>		6,405	6,307
Compensation received on return of land use right to the local authority <sup>*</sup>		—	(6,813)
Reversal of provision for advances and other receivables <sup>*</sup>		(116)	(17)
Provision for amounts due from joint ventures <sup>**</sup>		1,463	—
Reversal of provision for amounts due from joint ventures <sup>*</sup>		—	(2,729)
Gain on disposal of subsidiaries <sup>*</sup>		(2,487)	—
Gain on swap of properties <sup>*</sup>	15	(41,379)	—
Ineffective portion of the effective hedge recognised in profit or loss <sup>**</sup>	14	—	7,925
Foreign exchange differences, net <sup>##</sup>		(4,215)	11,221

\* 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.

## Foreign exchange gains and losses, net are included in "Other operating gains" and "Other operating expenses" respectively, on the face of the unaudited condensed consolidated income statement.

<sup>^</sup> Depreciation charge of HK\$73,690,000 (six months ended 31 January 2017: HK\$67,175,000) is included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement, of which HK\$48,654,000 (six months ended 31 January 2017: HK\$47,899,000) is for serviced apartments and related leasehold improvements and HK\$25,036,000 (six months ended 31 January 2017: HK\$19,276,000) is related to cinema operation.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interest on:		
Bank loans	81,966	71,501
Other borrowings	2,847	2,840
TFN Convertible Notes	5,712	5,215
Specific Mandate Convertible Notes	3,092	2,808
Fixed rate senior notes	71,415	70,958
Guaranteed notes	5,237	—
Loans from a joint venture	15,272	11,592
Amortisation of:		
Bank loans	12,384	12,872
Fixed rate senior notes	4,333	4,034
Guaranteed notes	152	—
Bank financing charges and direct costs	6,759	6,364
Other finance costs	289	274
	<b>209,458</b>	188,458
Less: Capitalised in properties under development	<b>(36,655)</b>	(51,497)
Capitalised in investment properties under construction	<b>(38,421)</b>	(29,190)
Capitalised in construction in progress	<b>(19,317)</b>	(12,236)
	<b>(94,393)</b>	(92,923)
Total finance costs	<b>115,065</b>	95,535

## 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 2018 and 31 January 2017. 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current		
– Hong Kong		
Charge for the period	690	718
Underprovision/(overprovision) in prior periods	(935)	169
	(245)	887
– Elsewhere		
Charge for the period	135	138
– Mainland China		
Corporate income tax		
Charge for the period	36,121	11,793
Underprovision/(overprovision) in prior periods	(1,128)	35
Land appreciation tax		
Charge for the period	18,554	110,217
	53,547	122,045
	53,437	123,070
Deferred tax	122,499	87,910
Total tax charge for the period	175,936	210,980

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (six months ended 31 January 2017: 1,243,212,165) in issue during the period.

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

The exercise of share options of the Company has an anti-dilutive effect on the basic loss per share amount presented during the period ended 31 January 2018.

The conversion of the outstanding convertible notes issued by Media Asia Group Holdings Limited (“MAGHL”, together with its subsidiaries collectively known as “MAGHL Group”) has an anti-dilutive effect on the basic earnings/(loss) per share amounts presented during the periods ended 31 January 2018 and 31 January 2017.

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

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

	Six months ended	
	31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	(14,295)	27,644
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*	(676)	(112)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	(14,971)	27,532

\* Balance represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK\$676,000 (six months ended 31 January 2017: HK\$112,000) 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	
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,491,854,598	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/(loss) per share calculation	1,491,854,598	1,243,229,130

## 9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2018 (six months ended 31 January 2017: 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 2018 and 31 July 2017 is as follows:

	<b>31 January 2018 (Unaudited) HK\$'000</b>	31 July 2017 (Audited) HK\$'000
Trade debtors:		
Neither past due nor impaired	<b>176,100</b>	129,498
1 – 90 days past due	<b>64,558</b>	65,677
Over 90 days past due	<b>30,215</b>	17,500
Total	<b>270,873</b>	212,675

## 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 2018 and 31 July 2017, is as follows:

	<b>31 January 2018 (Unaudited) HK\$'000</b>	31 July 2017 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	<b>394,710</b>	250,357
31 – 60 days	<b>20,263</b>	16,830
61 – 90 days	<b>3,502</b>	11,953
Over 90 days	<b>4,102</b>	2,840
Other creditors and accruals	<b>422,577</b>	281,980
Total	<b>1,590,558</b>	1,269,802
	<b>2,013,135</b>	1,551,782

## 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, which will mature on 25 April 2018 for bullet repayment. The fixed rate senior notes bear interest from 25 April 2013 and are payable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013. The fixed rate senior notes are listed on the Stock Exchange.



### 13. GUARANTEED NOTES

#### USD350,000,000 5.65% Guaranteed Notes due 2023

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

The guaranteed notes are guaranteed by Lai Fung and have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from Lai Sun Development Company Limited, a substantial shareholder of the Company.

### 14. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>31 January 2018 (Unaudited) HK\$'000</b>	31 July 2017 (Audited) HK\$'000
Financial liabilities — Cross currency swap agreements (the <b>"CCSs"</b> )		
— For fixed rate senior notes (the <b>"CCS — Fixed Rate Senior Notes"</b> )	<b>46,378</b>	208,223
— For guaranteed notes (the <b>"CCS — Guaranteed Notes"</b> )	<b>1,921</b>	—
Carrying amount as at end of the reporting period	<b>48,299</b>	208,223
Amount classified as current liabilities	<b>(46,378)</b>	(208,223)
Non-current portion	<b>1,921</b>	—

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

During the period, Lai Fung Group has entered into the CCS — Guaranteed Notes with financial institutions with an aggregate nominal amount of US\$350,000,000 in connection with the guaranteed notes as detailed in note 13 to the Financial Statements.

Pursuant to the terms of the CCS — Guaranteed Notes, Lai Fung Group receives an amount semi-annually calculated based on a fixed rate of 5.65% per annum on the aggregate notional amount of US\$350,000,000 during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date (as defined in note 13) of the guaranteed notes, and pays an amount semi-annually calculated based on a fixed rate of 5.37% per annum on the aggregate notional amount of HK\$2,738,225,000 (being the HK\$ equivalent amount of US\$350,000,000, translated at a contracted exchange rate of US\$1 to HK\$7.8235) during the period from 18 January 2018 to 18 January 2023 before each Interest Payment Date. Before 18 January 2023, the Lai Fung Group will receive the aggregate notional amount of US\$350,000,000 and will pay the aggregate notional amount of HK\$2,738,225,000.

The CCS — Fixed Rate Senior Notes and the CCS — Guaranteed Notes are designated as hedging instruments in respect of the fixed rate senior notes and the guaranteed notes, respectively. The CCSs balances vary with the changes in foreign exchange forward rates.

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

## 14. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

As at 31 January 2018, the cash flow hedges of the fixed rate senior notes and the guaranteed notes (31 January 2017: fixed rate senior notes) are assessed to be highly effective and the movements in the financial liabilities arising from the CCSs during the period are as follows:

### For the six months ended 31 January 2018 (Unaudited)

	<b>CCS – Guaranteed Notes HK\$'000</b>	<b>CCS – Fixed Rate Senior Notes HK\$'000</b>	<b>Total HK\$'000</b>
Carrying amount at beginning of the period	–	208,223	208,223
Fair value losses/(gains) charged/(credited) to the hedge reserve	1,921	(161,845)	(159,924)
Carrying amount at end of the period	1,921	46,378	48,299

### For the six months ended 31 January 2017 (Unaudited)

	CCS – Fixed Rate Senior Notes Note	HK\$'000
Carrying amount at beginning of the period		210,068
Fair value losses charged to the hedge reserve		101,887
Ineffective portion of the effective hedge recognised in profit or loss	5	7,925
Carrying amount at end of the period		319,880

## 15. ASSET CLASSIFIED AS HELD FOR SALE

The Transaction (as defined and disclosed in note 28 to the 2017 Financial Statements) was completed and a gain of HK\$41,379,000 was recognised and included in “Other operating gains” on the face of the unaudited condensed consolidated income statement during the period ended 31 January 2018.

## 16. SHARE OPTION SCHEMES

### The Company

The Company adopted a new share option scheme on 11 December 2015 and terminated the share option scheme previously adopted on 23 December 2005. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme.

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

	<b>Number of underlying shares comprised in share options</b>
Outstanding as at 1 August 2017	33,450,665
Lapsed during the period	(1,000,000)
Granted during the period	400,000
Outstanding as at 31 January 2018	32,850,665

## 16. SHARE OPTION SCHEMES (continued)

### The Company (continued)

The exercise price of the Company's share option granted during the period was HK\$1.36 per share. The closing price of the Company's shares immediately before 19 January 2018, the date of grant, was HK\$1.31 per share.

The fair value of the share option granted during the period was approximately HK\$238,000 (six months ended 31 January 2017: Nil), which was recognised as a share option expense during the period (six months ended 31 January 2017: Nil).

The fair value of equity-settled share option granted during the period was estimated as at the date of grant using the binomial option pricing model ("Binomial Model"), taking into account the terms and conditions upon which the option was granted. The following table lists the inputs to the model used:

Date of grant	19 January 2018
Dividend yield (%)	—
Expected volatility (%)	67.7
Historical volatility (%)	67.7
Risk-free interest rate (%)	2.0181
Option life (years)	10
Closing share price of the date of grant (HK\$ per share)	1.36
Forfeiture rate (%)	7.9922

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The value of the share options is subject to a number of assumptions and with regard to the limitation of the Binomial Model. Therefore, the value may be subjective and would change should any of the assumptions change.

### Lai Fung

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

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

	Number of underlying Lai Fung's shares comprised in Lai Fung's share options
Outstanding as at 1 August 2017	10,064,117
Exercised during the period	(220,000)
Lapsed during the period	(60,000)
Granted during the period	450,000
Outstanding as at 31 January 2018	10,234,117

The exercise price of Lai Fung's share options granted during the period was HK\$13.52 per Lai Fung's share. The closing price of Lai Fung's shares immediately before 19 January 2018, the date of grant, was HK\$13.50 per Lai Fung's share.

The fair value of the share options granted by Lai Fung during the period was approximately HK\$2,441,000 (six months ended 31 January 2017: Nil) which was recognised as a share option expense of approximately HK\$2,441,000 and HK\$806,000 (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) for the six months ended 31 January 2018 (six months ended 31 January 2017: Nil).

## 16. SHARE OPTION SCHEMES (continued)

### Lai Fung (continued)

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

Date of grant	19 January 2018
Dividend yield (%)	1.5129
Expected volatility (%)	47.6430
Historical volatility (%)	47.6430
Risk-free interest rate (%)	2.0181
Option life (years)	10
Closing share price of the date of grant (HK\$ per Lai Fung's share)	13.52
Forfeiture rate (%)	2.7848

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The value of the share options is subject to a number of assumptions and with regard to the limitation of the Binomial Model. Therefore, the value may be subjective and would change should any of the assumptions change.

## 17. COMMITMENTS

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

	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
Contracted but not provided for:		
Construction and development costs	2,076,637	2,697,150
Acquisition of items of property, plant and equipment	29,624	41,074
	<b>2,106,261</b>	2,738,224

## 18. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

### Assets and liabilities measured at fair values:

	Carrying amounts		Fair values	
	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
<b>Financial assets</b>				
Available-for-sale investments	111,737	81,057	111,737	81,057
<b>Financial liabilities</b>				
Derivative financial instruments	48,299	208,223	48,299	208,223

### Liabilities for which fair values are disclosed:

	Carrying amounts		Fair values	
	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000	31 January 2018 (Unaudited) HK\$'000	31 July 2017 (Audited) HK\$'000
<b>Financial liabilities</b>				
Convertible notes	191,150	182,346	191,073	182,455
Fixed rate senior notes	2,219,658	2,080,366	2,232,449	2,090,492
Guaranteed notes	2,712,910	—	2,723,890	—
	<b>5,123,718</b>	2,262,712	<b>5,147,412</b>	2,272,947

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 CCSs, 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 2018 were 9.5% (31 July 2017: 9.5%) and 9.8% (31 July 2017: 9.8%), respectively; and
- (iv) the fair values of fixed rate senior notes and guaranteed notes are based on quoted market prices.

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

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

As at 31 January 2018	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS — Fixed Rate Senior Notes	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$0.00 to HK\$1.47 million	1
		Expected exposure at default — Lai Fung	HK\$0.00 to HK\$24.88 million	2
		Credit spread — counterparty	4.05 basis point to 108.61 basis point	3
		Credit spread — Lai Fung	389.54 basis point to 658.23 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — Lai Fung's credit risk	60%	6
Derivative financial instruments — CCS — Guaranteed Notes	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$4.44 million to HK\$25.04 million	1
		Expected exposure at default — Lai Fung	HK\$10.59 million to HK\$44.98 million	2
		Credit spread — counterparty	4.05 basis point to 109.27 basis point	3
		Credit spread — Lai Fung	389.54 basis point to 662.31 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — Lai Fung's credit risk	60%	6
As at 31 July 2017	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS — Fixed Rate Senior Notes	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$0.00 to HK\$460.53	1
		Expected exposure at default — Lai Fung	HK\$107.41 million to HK\$107.76 million	2
		Credit spread — counterparty	10.33 basis point to 116.82 basis point	3
		Credit spread — Lai Fung	372.67 basis point to 661.30 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 2018 and 31 July 2017.

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

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

### Assets and liabilities measured at fair values:

As at 31 January 2018	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	
<b>Financial assets</b>				
Available-for-sale investments	—	111,737	—	111,737
<b>Financial liabilities</b>				
Derivative financial instruments	—	—	48,299	48,299
As at 31 July 2017	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
<b>Financial assets</b>				
Available-for-sale investments	—	81,057	—	81,057
<b>Financial liabilities</b>				
Derivative financial instruments	—	—	208,223	208,223

During the period ended 31 January 2018 and the year ended 31 July 2017, 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.

## 19. RELATED PARTY TRANSACTIONS

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

### (a) Transactions with related parties

	Notes	Six months ended 31 January	
		2018 (Unaudited) HK\$'000	2017 (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)	6,646	6,488
Rental income and management fee income received or receivable	(ii)	33	32
Sharing of corporate salaries on a cost basis allocated from		29,044	25,599
Sharing of administrative expenses on a cost basis allocated from		3,622	2,186
Sharing of corporate salaries on a cost basis allocated to		4,564	4,352
Sharing of administrative expenses on a cost basis allocated to		1,428	270
Joint ventures:			
Production fee	(iii)	1,730	1,290
Interest income	(iv)	358	341
Interest expenses	(v)	15,272	11,592
Management and other service fees paid or payable to a related company	(vi)	5,140	4,786

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 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.
- (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 2018, the interest expenses were charged at fixed interest rates at 3.045% – 4.20% per annum (six months ended 31 January 2017: 3.045% – 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.



## 19. RELATED PARTY TRANSACTIONS *(continued)*

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

	Six months ended 31 January	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Short-term employee benefits	21,322	20,218
Post-employment benefits	52	52
Total compensation paid to key management personnel	21,374	20,270

## INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2018 (six months ended 31 January 2017: 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. An action comedy film “*When Robbers Meet The Monster*” featuring Louis Koo, Zhou Dongyu and Cheney Chen with director Andrew Lau, and an action crime film “*Bodies At Rest*” by director Renny Harlin casting Nick Cheung and Richie Jen, are under post-production.
- 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. Projects under development include “*The Legend of The Condor Heroes*”, Gordon Chan’s new production tribute to the classic work of martial arts from Dr. Louis Cha. “*New Horizon*”, a 50 episode romance drama series starring Zheng Kai and Chen Chiao-en, and “*Shadow of Justice*”, a 36 episode detective drama series tailor-made for the Alibaba’s Youku platforms featuring Julian Cheung and Fiona Sit, are also under post-production stage.
- Live Entertainment — successfully produced and promoted a number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The recent “*Super Show 7 in Hong Kong*”, “*Miriam Yeung 321GO! Concert 2017*” and “*Girls Girls Girls at 17 Live In Concert 2017*” have earned good reputation and public praises. Upcoming events include concerts of EXO.
- 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.
- Artiste Management — expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes. The Group believes a strong talent roster will complement its media and entertainment businesses and will continue its effort in talent development.

## Business Review and Outlook *(continued)*

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

- 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 Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. The Grubers Cafe in MCL Telford Cinema operated by a joint venture company formed by the Group and Lai Sun Development Company Limited (the controlling shareholder of the Company) offers guests a great dining option before or after the movie. The Group also secured two cinema projects in Hong Kong and Suzhou in Mainland China, which are expected to commence business in the financial year ending 31 July 2018. 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.

Targeting the enormous yet growing China market, the Group endeavors to strengthen its integrated media platform with an aim to provide valuable and competitive products and to enhance its market position, and the Group will continue to explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income stream.

### *Mainland China Property Market*

Major economies around the world continue to navigate in uncertain waters during the period under review. The capital market has demonstrated robustness despite a delicate economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the United States and Europe and the geopolitical situation in the Korean peninsula. Some of these events are likely to linger in the near future and continue to cast a shadow on the outlook.

Notwithstanding the seemingly turbulent environment, the Central Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. However some sectors such as exports, weakened 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 land auctions and transaction values recently. We believe the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The Central 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. With the first session of the 13<sup>th</sup> National People's Congress and the first session of the 13<sup>th</sup> National Committee of the Chinese People's Political Consultative Conference came to a conclusion, it is reassuring that we can expect continued stability and continuity going forward.

The regional focus and rental-led strategy of Lai Fung Holdings Limited ("**Lai Fung**", and together with its subsidiary "**Lai Fung Group**"), a non-wholly-owned subsidiary of the Company, has demonstrated resilience in recent years. The rental portfolio of approximately 3.3 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. The asset swap transaction jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total gross floor area ("**GFA**") of this property owned by Lai Fung Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

## Business Review and Outlook *(continued)*

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

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 3.3 million square feet to approximately 6.6 million square feet through developing the existing projects on hand over the next few years. Demolition of Shanghai Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works for the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building commenced in September 2017. The redevelopment plan includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of Lai Fung Group.

The construction works of Phase I of the Novotown project in Hengqin (“**Novotown**”) commenced at the end of 2015 and is now progressing at a good pace. In June 2017, Lai Fung Group entered into a licence agreement with Real Madrid Club de Fútbol in relation to the development and operation of a location based entertainment centre (“**Real Madrid LBE**”) in Novotown. In September 2017, Lai Fung Group entered into a framework agreement with Dr. Ing. h.c. F. Porsche AG in relation to the development and operation of an auto experience theme centre named Porsche City (“**Porsche City**”) in Novotown. In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world’s leading learning institution, to set up an Innovation Leadership Academy Hengqin (“**ILA Hengqin**”) in Hengqin, Zhuhai. The cooperation aims to enhance the general education experience in Hengqin and across the region catering for learning needs of local and overseas families residing within the Pearl River Delta area, including Hengqin, Zhuhai, Macau and the Greater Bay Area. The Real Madrid LBE, Porsche City and ILA Hengqin are planned to be launched in Phase II of the Novotown project in Hengqin, subject to the acquisition of the land for Phase II. Discussions between Lai Fung Group and the Hengqin government regarding the land concession and the Phase II development of the Novotown are ongoing.

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I are expected to contribute to the income 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\$5,710.4 million (HK\$295.4 million excluding Lai Fung Group and Media Asia Group Holdings Limited (“**MAGHL**”, a non-wholly-owned subsidiary of the Company) together with its subsidiaries (“**MAGHL Group**”)) (31 July 2017: HK\$3,304.6 million (HK\$273.8 million excluding Lai Fung Group and MAGHL Group)) with a net debt to equity ratio of 42.2% as at 31 January 2018 (31 July 2017: 35.3%) provides the Group with full confidence and the means to review opportunities more actively. The Group will continue its prudent and flexible approach in managing its financial position.

## Overview of Interim Results

For six months ended 31 January 2018, the Group recorded a turnover of HK\$1,184.9 million, representing an increase of 1.8% from HK\$1,164.5 million for the same period of last year. The gross profit decreased by approximately 26.2% to HK\$447.5 million (2017: HK\$606.2 million). The significant increase in cost of sales is primarily due to additional amortisation recognised on the films released by MAGHL Group during the period under review due to their unsatisfactory performance.

For the six months ended 31 January 2018, net loss attributable to owners of the Company was approximately HK\$14.3 million (2017: net profit of HK\$27.6 million). Net loss per share was HK\$0.010 (2017: net profit per share of HK\$0.022). The net loss attributable to owners of the Company for the period under review is primarily due to a) consolidated loss from MAGHL owing to the unsatisfactory performance of the films released by MAGHL Group during the period under review and b) lower profit contribution from a joint venture of Lai Fung as sale of the project has been substantially completed, despite a higher revaluation gain arising from revaluations of Lai Fung’s investment properties during the period under review.

## Overview of Interim Results *(continued)*

Net loss attributable to owners of the Company for the six months ended 31 January 2018 excluding the effect of property revaluations was approximately HK\$165.7 million (2017: net loss of HK\$37.3 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK\$0.111 per share (2017: net loss of HK\$0.030 per share).

Profit/(loss) attributable to owners of the Company	Six months ended 31 January	
	2018 HK\$'million	2017 HK\$'million
Reported	<b>(14.3)</b>	27.6
Adjustments in respect of investment properties		
Revaluation of properties	<b>(202.0)</b>	(88.3)
Deferred tax on investment properties	<b>50.5</b>	22.1
Non-controlling interests' share of revaluation movements less deferred tax	<b>0.1</b>	1.3
Net loss after tax excluding revaluation gains of investment properties	<b>(165.7)</b>	(37.3)

Equity attributable to owners of the Company as at 31 January 2018 amounted to HK\$9,780.7 million (31 July 2017: HK\$9,118.2 million). Net asset value per share attributable to owners of the Company increased by 7.3% to HK\$6.556 per share as at 31 January 2018 from HK\$6.112 per share as at 31 July 2017.

### *Media and Entertainment*

For the six months ended 31 January 2018, this segment recorded a turnover of HK\$237.1 million (2017: HK\$239.2 million) and segment results increased from a profit of HK\$19.9 million to a profit of HK\$25.3 million.

#### *Live Entertainment*

The Group remains highly active on the live entertainment front. During the period under review, the Group organised and invested in 62 (2017: 68) shows by popular local, Asian and internationally renowned artistes, including Miriam Yeung, Grasshopper, C AllStar, at17, Ivana Wong and Hins Cheung, Liza Wang, Vivian Chow and Wanna One.

#### *Music Production, Distribution and Publishing*

For the six months ended 31 January 2018, the Group released 23 (2017: 11) albums, including titles by Sammi Cheng, Miriam Yeung, William So, C AllStar, at17 and Michael Lai. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

#### *Artiste Management*

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

## Overview of Interim Results *(continued)*

### Film and TV Program Production and Distribution

For the six months ended 31 January 2018, this segment recorded a turnover of HK\$199.2 million (2017: HK\$220.2 million) and segment results of a loss of HK\$181.3 million (2017: a profit of HK\$15.4 million).

During the period under review, the Group released 3 films (2017: 1), namely *Legend of the Naga Pearls*, *The Adventurers* and *Manhunt* and distributed 24 (2017: 11) films and 228 (2017: 253) videos with high profile titles including *Valerian and the City of a Thousand Planets*, *Paddington 2*, *Fast & Furious 8*, *Spider-Man: Homecoming*, *Transformers: The Last Knight* and *Guardians of the Galaxy Vol. 2*.

### Cinema Operation

For the six months ended 31 January 2018, this segment recorded a turnover of HK\$189.5 million (2017: HK\$189.5 million). The Group currently operates eight cinemas in Hong Kong and two cinemas in Mainland China as well as one joint venture cinema in Hong Kong. The MCL Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. The Group also secured two cinema projects in Hong Kong and Suzhou in Mainland China, which are expected to commence business in the financial year ending 31 July 2018. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses.

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

Cinema	Attributable interest to the Group (%)	No. of screens <i>(Note)</i>	No. of seats <i>(Note)</i>
<b>Mainland China</b>			
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
<b>Subtotal</b>		<b>12</b>	<b>1,511</b>
<b>Hong Kong</b>			
Festival Grand Cinema	85	8	1,196
MCL Metro City Cinema	85	7	957
MCL Telford Cinema (including MX4D theatre)	85	6	789
STAR Cinema	85	6	622
Grand Kornhill Cinema (including MX4D theatre)	85	5	706
MCL South Horizons Cinema	85	3	555
MCL Green Code Cinema	85	3	285
Grand Windsor Cinema	85	3	246
The Grand Cinema	25.5	12	1,566
<b>Subtotal</b>		<b>53</b>	<b>6,922</b>
<b>Total</b>		<b>65</b>	<b>8,433</b>

Note: On 100% basis

## Overview of Interim Results *(continued)*

### Property Investment

The following details are extracted from Lai Fung's interim report for the six months ended 31 January 2018.

#### Rental Income

For the six months ended 31 January 2018, Lai Fung Group's rental operations recorded a turnover of HK\$379.5 million (2017: HK\$345.8 million), representing a 9.7% increase over the same period of last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 5.6%. Breakdown of rental turnover by major rental properties is as follows:

	Six months ended 31 January			Six months ended 31 January			Period end occupancy (%)
	2018 <sup>#</sup> HK\$'million	2017 <sup>#</sup> HK\$'million	Approximate change (%)	2018 RMB'million	2017 RMB'million	Approximate change (%)	
<b>Shanghai</b>							
Shanghai Hong Kong Plaza	206.3	201.3	2.5	174.0	176.4	-1.4	Retail: 93.7 Office: 93.4 Serviced Apartments: 80.7
Shanghai May Flower Plaza	38.8	37.8	2.6	32.7	33.1	-1.2	Retail: 100.0 Hotel: 69.9
Shanghai Regents Park	12.4	7.0	77.1	10.5	6.1	72.1	100.0
<b>Guangzhou</b>							
Guangzhou May Flower Plaza	55.0	55.8	-1.4	46.4	48.9	-5.1	99.2
Guangzhou West Point	9.9	9.1	8.8	8.3	8.0	3.8	98.8
Guangzhou Lai Fung Tower	51.9	30.3	71.3	43.8	26.5	65.3	Retail: 100.0 Office: 100.0*
<b>Zhongshan</b>							
Zhongshan Palm Spring	5.2	4.5	15.6	4.4	4.0	10.0	Retail: 86.0* Serviced Apartments: 49.6
<b>Total</b>	<b>379.5</b>	<b>345.8</b>	<b>9.7</b>	<b>320.1</b>	<b>303.0</b>	<b>5.6</b>	

# The exchange rates adopted for the six months ended 31 January 2018 and 2017 are 0.8433 and 0.8762, respectively.

\* Excluding self-use area

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The strong growth from Guangzhou Lai Fung Tower is primary due to its being fully leased during the period under review.

## Overview of Interim Results *(continued)*

### *Property Investment (continued)*

#### *Rental Income (continued)*

The asset swap transaction with Guangzhou Light Industry Real Estate Limited as jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total GFA of this property owned by Lai Fung Group increased to approximately 705,900 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

### *Property Development*

The following details are extracted from Lai Fung's interim report for the six months ended 31 January 2018.

#### *Recognised Sales*

For the six months ended 31 January 2018, Lai Fung Group's property development operations recorded a turnover of HK\$129.9 million (2017: HK\$133.2 million) from sale of properties, representing a 2.5% decrease in sales revenue over the same period of last year. Total recognised sales was primarily driven by the sales performance of residential units of Zhongshan Palm Spring.

For the six months ended 31 January 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK\$1,282 per square foot (2017: HK\$3,075 per square foot), which is driven by lower average selling price in Zhongshan compared to Guangzhou. Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK\$3,474 per square foot (2017: HK\$2,416 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 2018 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA Square feet	Average selling price <sup>#</sup> HK\$/square foot	Turnover <sup>*</sup>	
				HK\$'million <sup>##</sup>	RMB'million
Guangzhou Eastern Place					
Residential Units — Phase V	2	2,460	6,435	14.9	12.5
Zhongshan Palm Spring					
Residential High-rise Units	69	83,629	1,131	90.1	76.0
Others				0.5	0.4
<b>Subtotal</b>	<b>71</b>	<b>86,089</b>	<b>1,282</b>	<b>105.5</b>	<b>88.9</b>
Guangzhou Eastern Place					
Car-parking Spaces	19			21.3	18.0
Guangzhou King's Park					
Car-parking Spaces	4			3.1	2.6
<b>Total</b>				<b>129.9</b>	<b>109.5</b>
<b>Recognised sales from joint venture project</b>					
Guangzhou Dolce Vita					
Residential Units** (47.5% basis)	40	85,278	3,460	277.4	233.9
Retail Units** (47.5% basis)	—	665	5,365	3.3	2.8
<b>Subtotal</b>	<b>40</b>	<b>85,943</b>	<b>3,474</b>	<b>280.7</b>	<b>236.7</b>
Car-parking Spaces** (47.5% basis)	39			13.6	11.5
<b>Total</b>				<b>294.3</b>	<b>248.2</b>

# Before business tax and value-added tax inclusive

## The exchange rate adopted for the six months ended 31 January 2018 is 0.8433.

\* 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 2018, the recognised sales (after business tax and value-added tax exclusive) attributable to the project on 100% basis is HK\$591.0 million (excluding car-parking spaces) and approximately 180,932 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the project on 100% basis is HK\$28.7 million.

## Overview of Interim Results *(continued)*

### Property Development *(continued)*

#### Contracted Sales

As at 31 January 2018, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK\$35.9 million and HK\$3.2 million from sales of residential units in Guangzhou Eastern Place Phase V and Zhongshan Palm Spring, respectively and HK\$6.3 million from sales of car-parking spaces in Guangzhou Eastern Place and Guangzhou King's Park. Sales of the remainder of the completed residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring were strong and achieved an average selling price of HK\$7,092 and HK\$1,225 per square foot, respectively. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 January 2018 amounted to RMB38.3 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 January 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK\$79.9 million (31 July 2017: HK\$402.8 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 2018 amounted to RMB67.4 million (31 July 2017: RMB353.6 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2018 is as follows:

Contracted basis	No. of units	Approximate GFA Square feet	Average selling price <sup>#</sup> HK\$/square foot	Turnover <sup>#</sup>	
				HK\$'million <sup>##</sup>	RMB'million
Guangzhou Eastern Place					
Residential Units — Phase V	5	5,062	7,092	35.9	30.3
Zhongshan Palm Spring					
Residential High-rise Units	2	2,613	1,225	3.2	2.7
<b>Subtotal</b>	<b>7</b>	<b>7,675</b>	<b>5,094</b>	<b>39.1</b>	<b>33.0</b>
Guangzhou Eastern Place					
Car-parking Spaces	4			4.7	4.0
Guangzhou King's Park					
Car-parking Spaces	2			1.6	1.3
<b>Subtotal</b>				<b>45.4</b>	<b>38.3</b>
<b>Contracted sales from joint venture project</b>					
Guangzhou Dolce Vita					
Residential Units** (47.5% basis)	2	7,010	4,822	33.8	28.5
Car-parking Spaces** (47.5% basis)	2			0.7	0.6
<b>Subtotal</b>				<b>34.5</b>	<b>29.1</b>
<b>Total (excluding car-parking spaces)</b>	<b>9</b>	<b>14,685</b>	<b>4,964</b>	<b>72.9</b>	<b>61.5</b>

## Overview of Interim Results *(continued)*

### Property Development *(continued)*

#### Contracted Sales *(continued)*

# Before business tax and value-added tax inclusive

## The exchange rate adopted for the six months ended 31 January 2018 is 0.8433.

\*\* 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 2018, the contracted but not yet recognised sales attributable to the project on 100% basis is HK\$71.1 million (excluding car-parking spaces) and approximately 14,757 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the project on 100% basis is HK\$1.5 million.

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

### Cash and Bank Balances

As at 31 January 2018, cash and bank balances held by the Group amounted to HK\$5,710.4 million (31 July 2017: HK\$3,304.6 million) of which around 54.1% was denominated in Hong Kong dollar (“**HKD**”) and United States dollar (“**USD**”) currencies, and around 45.7% 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 2018 was HK\$295.4 million (31 July 2017: HK\$273.8 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 2018, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$9,839.9 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 2018, the Group had bank loans of HK\$396.9 million. The maturity profile of the Group’s bank loans is spread with HK\$319.7 million repayable within 1 year, HK\$77.2 million repayable in the second year. 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\$88.4 million for the said unsecured other borrowings as at 31 January 2018. 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 2018.

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

### *Borrowings (continued)*

#### *MAGHL*

As at 31 January 2018, 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 2018, 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\$126.8 million and the resultant carrying amount of the Specific Mandate Convertible Notes as recorded in the Group was HK\$64.3 million as at 31 January 2018 after adjusting for (i) accrued interest and (ii) intra-group elimination.

#### *Lai Fung*

As at 31 January 2018, Lai Fung Group had total borrowings in the amount of HK\$9,279.6 million comprising bank loans of HK\$3,163.3 million, fixed rate senior notes of HK\$2,219.7 million, guaranteed notes of HK\$2,712.9 million, loans from a subsidiary of the Company of HK\$229.1 million, loans from a joint venture of HK\$897.0 million and other borrowing of HK\$57.6 million. The maturity profile of Lai Fung Group's borrowings of HK\$9,279.6 million is well spread with HK\$2,468.1 million repayable within 1 year, HK\$1,357.3 million repayable in the second year, HK\$5,285.0 million repayable in the third to fifth years, and HK\$169.2 million repayable beyond the fifth year.

Approximately 63% and 34% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 3% of Lai Fung Group's borrowings were interest free.

Apart from the fixed rate senior notes and guaranteed notes, Lai Fung Group's other borrowings of HK\$4,347.0 million were 60% denominated in RMB, 29% in HKD and 11% in USD.

Lai Fung Group's fixed rate senior notes of HK\$2,219.7 million were denominated in RMB. Lai Fung Group has entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the fixed rate senior notes have been effectively converted into USD denominated debts.

Lai Fung Group's guaranteed notes of HK\$2,712.9 million were denominated in USD. Lai Fung Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

Lai Fung Group's presentation currency is denominated in HKD. Lai Fung Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. Lai Fung Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that 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.

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

### *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\$11,673.0 million, properties under development with a total carrying amount of approximately HK\$1,335.7 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK\$1,360.0 million, construction in progress with a total carrying amount of approximately HK\$758.8 million and time deposits and bank balances of approximately HK\$555.3 million.

In addition, as at 31 January 2018, a revolving loan facility in the amount of HK\$350.0 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 Group. The Group has utilised the said loan facility for an amount of HK\$250.0 million as at 31 January 2018. As at 31 January 2018, guaranteed general banking facilities in the amount of HK\$214.0 million were granted by certain banks to the Group (other than Lai Fung). 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\$154.1 million as at 31 January 2018. As such, the Group (other than Lai Fung) has the undrawn facilities of HK\$159.9 million as at 31 January 2018. The undrawn facilities of Lai Fung Group was HK\$4,473.6 million as at 31 January 2018.

As at 31 January 2018, the consolidated net assets attributable to the owners of the Company amounted to HK\$9,780.7 million (31 July 2017: HK\$9,118.2 million). The gearing ratio, being net debt (total borrowings of HK\$9,839.9 million less pledged and restricted bank balances and time deposits of HK\$1,007.0 million and cash and cash equivalents of HK\$4,703.4 million) to net assets attributable to the owners of the Company was approximately 42.2%.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities, 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 2017.

## PARTICULARS OF MAJOR PROPERTIES

### Completed Properties Held for Rental

Property name	Location	Group interest	Tenure	Approximate attributable GFA (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
<b>Shanghai</b>							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	50.60%	The property is held for a term of 50 years commencing on 16 September 1992	237,028	183,221	420,249	177
May Flower Plaza	Sujiaxiang, Jing'an District	50.60%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	162,079	—	162,079	—
Regents Park	88 Huichuan Road, Changning District	48.07%	The property is held for a term of 70 years commencing on 4 May 1996	39,447	—	39,447	—
<b>Subtotal of major completed properties held for rental in Shanghai:</b>				<b>438,554</b>	<b>183,221</b>	<b>621,775</b>	<b>177</b>
<b>Guangzhou</b>							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	50.60%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	180,857	40,192	221,049	69
West Point	Zhongshan Qi Road, Liwan District	50.60%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	87,016	—	87,016	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	50.60%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	50,296	306,886	357,182	158
<b>Subtotal of major completed properties held for rental in Guangzhou:</b>				<b>318,169</b>	<b>347,078</b>	<b>665,247</b>	<b>227</b>
<b>Zhongshan</b>							
Palm Spring	Caihong Planning Area, Western District	50.60%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	64,709	—	64,709	—
<b>Subtotal of major completed properties held for rental in Zhongshan:</b>				<b>64,709</b>	<b>—</b>	<b>64,709</b>	<b>—</b>
<b>Total of major completed properties held for rental:</b>				<b>821,432</b>	<b>530,299</b>	<b>1,351,731</b>	<b>404</b>

## PARTICULARS OF MAJOR PROPERTIES *(continued)*

### Completed Hotel Properties and Serviced Apartments

Property name	Location	Group interest	Tenure	No. of rooms	Approximate attributable GFA (square feet)	No. of car-parking spaces attributable to the Group
<b>Shanghai</b>						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	50.60%	The property is held for a term of 50 years commencing on 16 September 1992	300	179,765	–
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	50.60%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	72,786	–
<b>Subtotal of major completed hotel properties and serviced apartments in Shanghai:</b>				<b>539</b>	<b>252,551</b>	<b>–</b>
<b>Zhongshan</b>						
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District	50.60%	The property is held for a term expiring on 23 October 2073	90	49,869	–
<b>Subtotal of major completed hotel properties and serviced apartments in Zhongshan:</b>				<b>90</b>	<b>49,869</b>	<b>–</b>
<b>Total of major completed hotel properties and serviced apartments:</b>				<b>629</b>	<b>302,420</b>	<b>–</b>

## 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 GFA (square feet)					No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
<b>Guangzhou</b>											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	50.60%	Resettlement in progress	H1 2021 <i>(Note 2)</i>	90,708	46,514	258,495 <i>(Note 3)</i>	–	–	305,009	151
<b>Subtotal of major properties under development in Guangzhou:</b>						<b>46,514</b>	<b>258,495</b>	<b>–</b>	<b>–</b>	<b>305,009</b>	<b>151</b>
<b>Zhongshan</b>											
Palm Spring	Caihong Planning Area, Western District	50.60%	Construction work in progress	Phase III: Q3 2020 Phase IV: Q3 2022	2,547,298 <i>(Note 4)</i>	66,535	–	–	995,641	1,062,176	891
<b>Subtotal of major properties under development in Zhongshan:</b>						<b>66,535</b>	<b>–</b>	<b>–</b>	<b>995,641</b>	<b>1,062,176</b>	<b>891</b>
<b>Shanghai</b>											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	50.60%	Construction work in progress	Q3 2021	107,223	47,652	303,310	–	–	350,962	280
Wuli Bridge project	Wulijiao Road, 104 Jie Fang, Huangpu District	50.60%	Construction work in progress	Q1 2019	74,112	–	–	–	42,351	42,351	49
<b>Subtotal of major properties under development in Shanghai:</b>						<b>47,652</b>	<b>303,310</b>	<b>–</b>	<b>42,351</b>	<b>393,313</b>	<b>329</b>
<b>Hengqin</b>											
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	60.48%	Construction work in progress	Q4 2018	1,401,184	591,538	476,209	620,747	–	1,688,494	1,263
<b>Subtotal of major properties under development in Hengqin:</b>						<b>591,538</b>	<b>476,209</b>	<b>620,747</b>	<b>–</b>	<b>1,688,494</b>	<b>1,263</b>
<b>Total of major properties under development:</b>						<b>752,239</b>	<b>1,038,014</b>	<b>620,747</b>	<b>1,037,992</b>	<b>3,448,992</b>	<b>2,634</b>

**Notes:**

1. On project basis
2. In the process of negotiating the buildable area for the site with the city government
3. Office/office apartments
4. Including portions of the projects that have been completed for sale/lease



## PARTICULARS OF MAJOR PROPERTIES *(continued)*

### Completed Properties Held for Sale

Property name	Location	Group interest	Approximate attributable GFA (square feet)			Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Residential	Office		
<b>Zhongshan</b>							
Palm Spring	Caihong Planning Area, Western District	50.60%	26,931	246,926	—	273,857	600
<b>Subtotal of major completed properties held for sale in Zhongshan:</b>			<b>26,931</b>	<b>246,926</b>	<b>—</b>	<b>273,857</b>	<b>600</b>
<b>Shanghai</b>							
May Flower Plaza	Sujiaxiang, Jing'an District	50.60%	—	—	—	—	232
Regents Park, Phase II	88 Huichuan Road, Changning District	48.07%	—	—	—	—	195
<b>Subtotal of major completed properties held for sale in Shanghai:</b>			<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>427</b>
<b>Guangzhou</b>							
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	50.60%	—	2,561	—	2,561	14
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	24.04%	4,520	3,544	—	8,064	17
King's Park	Donghua Dong Road, Yuexiu District	50.60%	1,689	—	—	1,689	8
Eastern Place	787 Dongfeng East Road, Yuexiu District	50.60%	—	—	—	—	1
West Point	Zhongshan Qi Road, Liwan District	50.60%	—	—	—	—	64
<b>Subtotal of major completed properties held for sale in Guangzhou:</b>			<b>6,209</b>	<b>6,105</b>	<b>—</b>	<b>12,314</b>	<b>104</b>
<b>Total of major completed properties held for sale:</b>			<b>33,140</b>	<b>253,031</b>	<b>—</b>	<b>286,171</b>	<b>1,131</b>

# 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 2018 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 (“**AGM**”) (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**Executive Directors**”). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

## Board

The Board oversees the overall management of the Company’s businesses 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 2018 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 2018.

## 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 2018 and the date of this Report, the Company had a total of 32,850,665 underlying Shares comprised in options outstanding (representing approximately 2.20% of the total issued Shares as at the date of this Report (i.e. 1,491,854,598)), of which share options comprising 32,450,665 underlying Shares were granted under the 2005 Scheme and a share option comprising 400,000 underlying Shares was granted under the 2015 Scheme.

## Share Option Schemes (continued)

### (1) The Company (continued)

The movements of the share options granted under the 2005 Scheme and the 2015 Scheme during the six months ended 31 January 2018 are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) (Note 1)	Number of underlying Shares comprised in share options				As at 31 January 2018	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) (Note 2)
		As at 1 August 2017	Granted during the period	Lapsed during the period				
<b>Directors</b>								
Chew Fook Aun	05/06/2012	6,216,060	—	—	6,216,060	05/06/2012 — 04/06/2022	0.92	
Lam Hau Yin, Lester	18/01/2013	12,432,121	—	—	12,432,121	18/01/2013 — 17/01/2023	1.612	
Lui Siu Tsuen, Richard	18/01/2013	3,729,636	—	—	3,729,636	18/01/2013 — 17/01/2023	1.612	
<b>Subtotal</b>		<b>22,377,817</b>	<b>—</b>	<b>—</b>	<b>22,377,817</b>			
<b>Employees and other eligible participants</b>								
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	—	(1,000,000)	7,029,636	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	
	19/01/2018 (Note 4)	—	400,000	—	400,000	19/01/2018 — 18/01/2028	1.36	
<b>Subtotal</b>		<b>11,072,848</b>	<b>400,000</b>	<b>(1,000,000)</b>	<b>10,472,848</b>			
<b>Total</b>		<b>33,450,665</b>	<b>400,000</b>	<b>(1,000,000)</b>	<b>32,850,665</b>			

## Share Option Schemes *(continued)*

### (1) *The Company (continued)*

Notes:

1. *The above share options were vested on the date of grant.*
2. *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.*
3. *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.*
4. *The closing price of each Share immediately before the date on which the share option was granted (i.e. 19 January 2018) was HK\$1.31. Further details of the grant are set out in Note 16 to the Condensed Consolidated Interim Financial Statements.*

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 2018.

### (2) *Media Asia Group Holdings Limited ("MAGHL")*

On 18 December 2012, MAGHL, a company listed on the GEM of the Stock Exchange 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 the AGM 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 Lai Fung's shares of HK\$0.10 each issuable pursuant to the 2012 Lai Fung Scheme is 1,609,591,295, being 10% of the total issued Lai Fung's shares on the date of approval of the 2012 Lai Fung Scheme.

## Share Option Schemes (continued)

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

On 14 August 2017, the shareholders of Lai Fung at its extraordinary general meeting approved that every fifty (50) issued and unissued ordinary shares of HK\$0.10 each in the share capital of Lai Fung be consolidated into one (1) ordinary share of HK\$5.00 each in the share capital of Lai Fung (“Lai Fung Shares”) which became effective on 15 August 2017 (“Share Consolidation”). As a result of Share Consolidation, the exercise price of the outstanding share options and number of shares comprised in the outstanding share options had been adjusted.

As at 31 January 2018 and the date of this Report, Lai Fung had a total of 10,234,117 underlying Lai Fung Shares comprised in options outstanding (representing about 3.13% of total issued Lai Fung Shares as at the date of this Report (i.e. 327,044,134)), of which a share option comprising 1,009,591 underlying Lai Fung Shares was granted under the 2003 Lai Fung Scheme and share options comprising 9,224,526 underlying Lai Fung Shares were granted under the 2012 Lai Fung Scheme.

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 2018 are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) (Note 2)	Number of underlying Lai Fung Shares comprised in share options (Note 1)				As at 31 January 2018	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK\$) (Note 3)
		As at 1 August 2017	Granted during the period	Exercised during the period	Lapsed during the period			
<b>Directors of Lai Fung</b>								
Chew Fook Aun	12/06/2012	1,009,591	—	—	—	1,009,591	12/06/2012 – 11/06/2020	6.65
Lam Hau Yin, Lester	18/01/2013	3,219,182	—	—	—	3,219,182	18/01/2013 – 17/01/2023	11.40
Cheng Shin How	18/01/2013	643,836	—	—	—	643,836	18/01/2013 – 17/01/2023	11.40
Lee Tze Yan, Ernest	18/01/2013	640,000	—	—	—	640,000	18/01/2013 – 17/01/2023	11.40
<b>Subtotal</b>		<b>5,512,609</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,512,609</b>		
<b>Employees and other eligible participants (in aggregate)</b>								
Batch 1	18/01/2013	4,151,508 (Note 4)	—	(220,000) (Note 5)	(60,000)	3,871,508	18/01/2013 – 17/01/2023	11.40
Batch 2	26/07/2013	220,000	—	—	—	220,000	26/07/2013 – 25/07/2023	9.50
Batch 3	16/01/2015	180,000	—	—	—	180,000	16/01/2015 – 15/01/2025	8.00
Batch 4	19/01/2018 (Note 6)	—	450,000	—	—	450,000	19/01/2018 – 18/01/2028	13.52
<b>Subtotal</b>		<b>4,551,508</b>	<b>450,000</b>	<b>(220,000)</b>	<b>(60,000)</b>	<b>4,721,508</b>		
<b>Total</b>		<b>10,064,117</b>	<b>450,000</b>	<b>(220,000)</b>	<b>(60,000)</b>	<b>10,234,117</b>		

## Share Option Schemes *(continued)*

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

Notes:

1. *The number of underlying Lai Fung Shares has been adjusted as a result of the Share Consolidation (except the share options granted on 19 January 2018).*
2. *The above share options were vested on the date of grant.*
3. *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. Save for the share options granted on 19 January 2018, the exercise prices of the outstanding share options have been adjusted as a result of the Share Consolidation.*
4. *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 321,918 Lai Fung Shares (after the effect of the Share Consolidation) on 18 January 2013.*
5. *During the six months ended 31 January 2018, a total of 220,000 Lai Fung Shares were issued in respect of share options exercised under the 2012 Lai Fung Scheme by eligible participants of Lai Fung (not being a director of Lai Fung) at an exercise price of HK\$11.40 per Lai Fung Share. The weighted average closing price of Lai Fung Shares immediately before the dates of exercise of the share options was HK\$13.17 per Lai Fung Share.*
6. *The closing price of each Lai Fung Share immediately before the date on which the share option was granted (i.e. 19 January 2018) was HK\$13.50. Further details of the grant are set out in Note 16 to the Condensed Consolidated Interim Financial Statements.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the six months ended 31 January 2018.

## Directors' Interests

The following Directors and chief executive of the Company who held office on 31 January 2018 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 <small>(Note 1)</small>
		Number of Shares		Share options	Total	
		Personal interests	Corporate interests	Personal interests		
Andrew Y. Yan ("Mr. Andrew Yan")	Owner of controlled corporations	Nil	150,000,000 <small>(Note 2)</small>	Nil	150,000,000	10.05%
Lam Hau Yin, Lester ("Mr. Lester Lam")	Beneficial owner	2,794,443	Nil	12,432,121 <small>(Note 3)</small>	15,226,564	1.02%
Chew Fook Aun ("Mr. FA Chew")	Beneficial owner	Nil	Nil	6,216,060 <small>(Note 3)</small>	6,216,060	0.42%
Lui Siu Tsuen, Richard ("Mr. Richard Lui")	Beneficial owner	Nil	Nil	3,729,636 <small>(Note 3)</small>	3,729,636	0.25%

Notes:

1. The total number of issued Shares as at 31 January 2018 (1,491,854,598 Shares) has been used in the calculation of the approximate percentage.
2. Mr. Andrew Yan, a NED, was deemed to be interested in 150,000,000 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	3,219,182 <i>(Note 2)</i>	3,219,182	0.98%	
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	600,000 <i>(Note 3)</i>	1,009,591 <i>(Note 4)</i>	1,609,591	0.49%	

Notes:

1. The total number of issued Lai Fung Shares as at 31 January 2018 (327,044,134 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 600,000 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 2018, none of the Directors and the chief executive of the Company and their respective close associates was interested, or was deemed to be interested, in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

## Substantial Shareholders' and Other Persons' Interests

As at 31 January 2018, so far as it is 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' and Other Persons' Interests *(continued)*

Name	Capacity	Long positions in the Shares and underlying Shares	
		Number of Shares and underlying Shares held	Approximate percentage of total issued Shares <i>(Note 1)</i>
<b>Substantial Shareholders</b>			
Lai Sun Development Company Limited (“ <b>LSD</b> ”) <i>(Note 2)</i>	Owner of controlled corporation	551,040,186	36.94% <i>(Note 4)</i>
Lai Sun Garment (International) Limited (“ <b>LSG</b> ”) <i>(Note 3)</i>	Owner of controlled corporations	551,040,186	36.94% <i>(Note 4)</i>
Dr. Lam Kin Ngok, Peter	Beneficial owner and owner of controlled corporations	555,077,841	37.21% <i>(Note 4)</i>
SAIF Partners IV LP	Beneficial owner	150,000,000	10.05% <i>(Note 5)</i>
SAIF IV GP LP	Owner of controlled corporation	150,000,000	10.05% <i>(Note 5)</i>
SAIF IV GP Capital Limited	Owner of controlled corporations	150,000,000	10.05% <i>(Note 5)</i>
Mr. Andrew Y. Yan	Owner of controlled corporations	150,000,000	10.05% <i>(Note 5)</i>
<b>Other Persons</b>			
Yu Cheuk Yi	Beneficial owner	120,988,000	8.11% <i>(Note 6)</i>
Yu Siu Yuk	Beneficial owner	120,988,000	8.11% <i>(Note 6)</i>

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

Notes:

1. The total number of issued Shares as at 31 January 2018 (1,491,854,598 Shares) has been used in the calculation of the approximate percentage.
2. As at 31 January 2018, 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.
3. As at 31 January 2018, 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.
4. Dr. Peter Lam (an Executive Director from 15 October 1996 to 13 February 2014) and LSG were deemed to be interested in the same 551,040,186 Shares held by LSD. As at 31 January 2018, Dr. Peter Lam was deemed to be interested in 551,040,186 Shares (approximately 36.94% of the total issued Shares) indirectly owned by LSD by virtue of his personal and deemed controlling shareholding interests of approximately 41.86% (excluding share option) in LSG. LSD was approximately 53.24% directly and indirectly owned by LSG. LSG was approximately 12.49% (excluding share option) owned by Dr. Peter Lam and approximately 29.37% owned by Wisdoman Limited, which was in turn 100% beneficially owned by Dr. Peter Lam.  
  
Dr. Peter Lam also holds 2,794,443 Shares as beneficial owner and he was granted an option by the Company on 18 January 2013 to subscribe for 1,243,212 Shares (details of which are shown in the section headed "Share Option Schemes" of this Report).
5. Mr. Andrew Yan, a NED, was deemed to be interested in the same 150,000,000 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.
6. Based on the disclosure of interests notices received by the Company, as at 31 January 2018, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 120,988,000 Shares (approximately 8.11% of the total issued Shares), which were held jointly by them.

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 2018, 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 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

## Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 23 May 2016, the Company entered into an 18-month HK\$600 million revolving loan facility agreement (with the amount of the facility subsequently reduced to HK\$350 million and the final maturity date extended to 21 August 2018). Pursuant to this facility agreement (as amended), the Company has undertaken to ensure that for so long as any liability is outstanding or the commitment is in force, LSD legally and beneficially owns at least 34% of the issued share capital of the Company.

As at 31 January 2018, the outstanding loan balance of this facility amounted to HK\$250 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 2017 are set out as follows:

- (a) Mr. Lo Kwok Kwei, David, an INED, has been appointed an independent non-executive director of Futong Technology Development Holdings Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange) with effect from 5 February 2018.
- (b) Mr. Richard Lui has been appointed the Convenor of Multi-media and Cultural Creation Industrial Committee of The Chinese Manufacturers' Association of Hong Kong for a term of 3 years with effect from 1 January 2018.
- (c) 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 2018. Directors' remuneration for the six months ended 31 January 2018 and 2017 are as follows:

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

(c) *(continued)*

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>Six months ended 31 January 2018</b>				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	60	2,091	7	2,158 <sup>*</sup>
Chew Fook Aun	—	4,986	18	5,004 <sup>**</sup>
Lam Hau Yin, Lester	—	879	9	888 <sup>^</sup>
Yip Chai Tuck	—	1,293	18	1,311 <sup>^^</sup>
	<b>60</b>	<b>9,249</b>	<b>52</b>	<b>9,361</b>
<i>Non-executive Directors:</i>				
U Po Chu	—	2,156	—	2,156 <sup>^</sup>
Andrew Y. Yan	145	5	—	150
	<b>145</b>	<b>2,161</b>	<b>—</b>	<b>2,306</b>
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	363	25	—	388
Lo Kwok Kwei, David	145	20	—	165
Ng Lai Man, Carmen	195	25	—	220
Alfred Donald Yap	145	25	—	170
	<b>848</b>	<b>95</b>	<b>—</b>	<b>943</b>
<b>Total</b>	<b>1,053</b>	<b>11,505</b>	<b>52</b>	<b>12,610</b>

\* The amounts included salaries and pension scheme contributions of HK\$350,000 paid by Lai Fung and fees of HK\$60,000 paid by MAGHL.

\*\* The amounts included salaries and pension scheme contributions of HK\$2,502,000 paid by Lai Fung.

^ The amounts were paid by Lai Fung.

^^ The amounts included salaries and pension scheme contributions of HK\$655,000 paid by MAGHL.

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

(c) *(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 2017				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	60	2,031	7	2,098 <sup>*</sup>
Chew Fook Aun	—	4,794	18	4,812 <sup>**</sup>
Lam Hau Yin, Lester	—	853	9	862 <sup>^</sup>
Yip Chai Tuck	—	1,344	18	1,362 <sup>^^</sup>
	60	9,022	52	9,134
<i>Non-executive Directors:</i>				
U Po Chu	—	2,138	—	2,138 <sup>^</sup>
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
<b>Total</b>	<b>1,053</b>	<b>11,255</b>	<b>52</b>	<b>12,360</b>

<sup>\*</sup> 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.

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

<sup>^</sup> The amounts were paid by Lai Fung.

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

## Employees and Remuneration Policies

As at 31 January 2018, the Group employed a total of around 1,880 (31 January 2017: 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 2018, the Company has met with a number of research analysts and investors and attended non-deal roadshows and conference as follows:

Month	Event	Organiser	Location
October 2017	Post results non-deal roadshow	CLSA	Hong Kong
October 2017	Post results non-deal roadshow	DBS	Singapore
November 2017	Post results non-deal roadshow	BNP	London
November 2017	Post results non-deal roadshow	BNP	New York/Los Angeles
January 2018	The Pulse of Asia Conference	DBS	Singapore

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](mailto:ir@esun.com).

## Review of Interim Report

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed the interim report (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2018, 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, 22 March 2018