eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Interim Results for the Six Months Ended 31 January 2017

RESULTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2017

		Six months ended 31 January	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	*3*	**1,164,452**	1,411,754
Cost of sales		**(558,259)**	(790,397)
Gross profit		**606,193**	621,357
Other revenue		**97,345**	90,319
Selling and marketing expenses		**(102,950)**	(62,959)
Administrative expenses		**(315,962)**	(307,938)
Other operating gains		**12,240**	10,072
Other operating expenses		**(206,992)**	(200,117)
Fair value gains on investment properties		**172,663**	220,841
PROFIT FROM OPERATING ACTIVITIES	*4*	**262,537**	371,575
Finance costs	*5*	**(95,535)**	(125,359)
Share of profits and losses of joint ventures		**161,189**	50,141
Share of profits and losses of associates		**1,928**	(849)
PROFIT BEFORE TAX		**330,119**	295,508

CONDENSED CONSOLIDATED INCOME STATEMENT *(continued)*

For the six months ended 31 January 2017

		Six months ended 31 January	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
PROFIT BEFORE TAX		**330,119**	295,508
Income tax expense	*6*	**(210,980)**	(178,866)
PROFIT FOR THE PERIOD		**119,139**	116,642
Attributable to:			
Owners of the Company		**27,644**	33,345
Non-controlling interests		**91,495**	83,297
		119,139	116,642
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*7*		
Basic		**HK$0.022**	HK$0.027
Diluted		**HK$0.022**	HK$0.027

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2017

	Note	**31 January 2017 (Unaudited)** *HK$'000*	31 July 2016 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,814,896**	2,768,546
Properties under development		**1,353,108**	1,188,387
Investment properties		**15,507,002**	15,065,759
Film rights		**21,667**	23,682
Film products		**134,051**	123,768
Music catalogs		**12,962**	14,918
Goodwill		**123,440**	123,440
Other intangible assets		**22,298**	28,605
Investments in joint ventures		**1,255,614**	1,161,752
Investments in associates		**24,653**	26,894
Available-for-sale investments		**144,725**	138,592
Deposit for acquisition of an investment property		**–**	228,620
Deposits, prepayments and other receivables		**106,778**	95,285
Deferred tax assets		**6,020**	6,101
Total non-current assets		**21,527,214**	20,994,349
CURRENT ASSETS			
Properties under development		**874,524**	802,635
Completed properties for sale		**551,931**	625,994
Films under production		**454,282**	450,849
Inventories		**37,266**	33,766
Debtors	*9*	**253,328**	384,508
Deposits, prepayments and other receivables		**463,787**	450,119
Prepaid tax		**35,245**	36,223
Pledged and restricted time deposits and bank balances		**718,608**	1,066,494
Cash and cash equivalents		**2,588,201**	3,299,148
		5,977,172	7,149,736
Asset classified as held for sale		**249,622**	257,666
Total current assets		**6,226,794**	7,407,402

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 January 2017

	Notes	31 January 2017 (Unaudited) HK$'000	31 July 2016 (Audited) HK$'000
CURRENT LIABILITIES			
Creditors and accruals	*10*	**1,129,123**	1,328,410
Deposits received and deferred income		**762,087**	765,052
Tax payable		**388,639**	420,214
Interest-bearing bank loans, secured		**386,390**	311,548
Loans from a joint venture		**188,193**	350,328
Total current liabilities		**2,854,432**	3,175,552
NET CURRENT ASSETS		**3,372,362**	4,231,850
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,899,576**	25,226,199
NON-CURRENT LIABILITIES			
Long-term deposits received		**132,954**	124,389
Interest-bearing bank loans, secured		**2,824,127**	3,089,201
Other borrowings		**248,543**	247,510
Convertible notes		**174,193**	166,170
Fixed rate senior notes	*11*	**2,027,122**	2,092,741
Loans from a joint venture		**634,481**	222,430
Derivative financial instruments		**319,880**	210,068
Deferred tax liabilities		**2,810,342**	2,808,906
Total non-current liabilities		**9,171,642**	8,961,415
Net assets		**15,727,934**	16,264,784
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**621,606**	621,606
Reserves		**7,639,905**	7,977,652
		8,261,511	8,599,258
Non-controlling interests		**7,466,423**	7,665,526
Total equity		**15,727,934**	16,264,784

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2017

1. BASIS OF PREPARATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of these unaudited Financial Statements for the period under review are the same as those used in the Group's audited consolidated financial statements for the year ended 31 July 2016.

In addition, the Group has adopted a number of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include HKASs and Interpretations) which are applicable to the Group for the first time for the current period's unaudited Financial Statements. The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

3. SEGMENT INFORMATION

Segment revenue/results:

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

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**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Fair value gains on investment properties	**–**	–	**172,663**	220,841	**–**	–	**–**	–	**–**	–	**–**	–	**172,663**	220,841

Segment assets/liabilities:

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

4. PROFIT FROM OPERATING ACTIVITIES

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

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

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

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

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

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**71,501**	71,030
Other borrowings	**2,840**	2,847
TFN Convertible Notes	**5,215**	4,741
Specific Mandate Convertible Notes	**2,808**	2,621
Guaranteed notes	**—**	32,879
RMB1,800,000,000 fixed rate senior notes ("**2013 Notes**")	**70,958**	70,944
Loans from a joint venture	**11,592**	7,485
Amortisation of:		
Bank loans	**12,872**	6,407
2013 Notes	**4,034**	3,744
Guaranteed notes	**—**	2,612
Bank financing charges and direct costs	**6,364**	9,410
Other finance costs	**274**	—
	188,458	214,720
Less: Capitalised in properties under development	**(51,497)**	(45,863)
Capitalised in investment properties under construction	**(29,190)**	(36,661)
Capitalised in construction in progress	**(12,236)**	(6,837)
	(92,923)	(89,361)
Total finance costs	**95,535**	125,359

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 31 January 2017 and 31 January 2016. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 31 January	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong		
Charge for the period	**718**	2,054
Underprovision/(overprovision) in prior periods	**169**	(59)
	887	1,995
– Elsewhere		
Charge for the period	**138**	868
– Mainland China		
Corporate income tax		
Charge for the period	**11,793**	51,504
Underprovision in prior periods	**35**	—
Land appreciation tax		
Charge for the period	**110,217**	72,472
	122,045	123,976
	123,070	126,839
Deferred tax	**87,910**	52,027
Total tax charge for the period	**210,980**	178,866

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

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

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

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

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

	Six months ended 31 January	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**27,644**	33,345
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share*	**(112)**	(9)
Earnings for the purpose of diluted earnings per share	**27,532**	33,336

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

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

8. INTERIM DIVIDEND

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

9. 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.

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

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

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

10. CREDITORS AND ACCRUALS

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

	31 January 2017 (Unaudited) ***HK$'000***	31 July 2016 (Audited) *HK$'000*
Trade creditors:		
Less than 30 days	**63,711**	113,644
31 – 60 days	**14,331**	21,203
61 – 90 days	**10,326**	6,025
Over 90 days	**3,297**	3,431
	91,665	144,303
Other creditors and accruals	**1,037,458**	1,184,107
Total	**1,129,123**	1,328,410

11. FIXED RATE SENIOR NOTES

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

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

12. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2017 (six months ended 31 January 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Media and Entertainment/Film Production and Distribution/Cinema Operation

The Mainland China entertainment market continues to grow at an unprecedented pace. The Group continues to expand its media and entertainment businesses in Mainland China, optimising income from its film, TV, live entertainment, artiste management, music and cinema in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry.

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

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

- TV – expanded its activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China as well as a way to provide exposure and training for the Group's stable of artistes. A 36 episode drama series *Infernal Affairs*, an adaption of the acclaimed movie, has commenced broadcasting in iQiyi platform since December 2016. The Cantonese version will be shown in TVB soon. The Group is in the discussion with various Chinese partners for new project development, including *Soul Mate* adapted from a popular writer Anni Baobei.

- Live Entertainment – successfully produced and promoted a large number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The recent *EXO Planet #3 Tour 2017 Hong Kong* and *Ivana & Hins in Concert 2017* have achieved good reputation and publicity. The Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of Yoga Lin, Liza Wang and C AllStar. The Group is expanding its activities and continues to be a driving force in this area whilst exploring other types of live entertainment such as musicals and theatrical performances in addition to concerts.

- Artiste Management – expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes. During the period under review, we have entered into management agreements with a number of fresh talents in Hong Kong and Taiwan and they have already participated in our various film and TV program productions. With diverse projects including film, TV, music and live events which ensure maximum commercial value and appeal, the Group is in a good position to attract more stars and develop new talents.

- Music – as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is poised to capitalise on this new economic model. During the period under review, the exclusive distribution licenses of our music products with Taobao China Software Co. Ltd. and Warner Music continue to provide stable income to the Group.

- Cinema – acquisition of Intercontinental Group Holdings Limited bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China. The MCL Kornhill Cinema in Taikoo Shing, Hong Kong is now temporally closed for renovation and expected to be re-opened in April 2017 being the first cinema in Hong Kong installed with a MX4D theatre providing the most advanced 4D movie experience. The MX4D theatre seats will move in sync with the movie action and special EFX generators in the cinema, allowing audiences to "feel" the movie's motion, jolts, pokes, wind, water, and even scents. Our new cinema in Green Code in Fanling, Hong Kong was opened on 21 January 2017. The Group also secured two cinema projects in Suzhou and Wuxi in Mainland China, which are expected to commence businesses in the coming financial years. We are excited by the outlook for cinemas in Hong Kong and Mainland China and we will continue to seek out opportunities to expand our footprint.

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

Mainland China Property Market

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

Notwithstanding the seemingly turbulent environment, the PRC Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. Whilst it is clear that some of the sectors, such as exports, continued to contract as a result of lackluster global economic performance. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption. The property sector has been a beneficiary of this as observed in various recent land auctions and transaction values recently. We have benefited the same in recent years which has been reflected in the results, before they were mitigated by a depreciating Renminbi during the corresponding periods. We believe the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The PRC Government's approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike.

The regional focus and rental-led strategy of Lai Fung Holdings Limited ("**Lai Fung**", and together with its subsidiaries, "**Lai Fung Group**"), a non-wholly-owned subsidiary of the Company, has demonstrated resilience in recent years. The rental portfolio of approximately 3.2 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. Lai Fung Tower in Guangzhou was completed in June 2016 and has been added to the rental portfolio of Lai Fung Group. Up to the date of this results announcement, excluding the office area that is subject to the asset swap transaction as jointly announced by Lai Fung and the Company on 15 January 2015, approximately 99.0% of the gross floor area ("**GFA**") of the office space has been leased or has offers to lease and the commercial podium has been fully leased.

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

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

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

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

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

OVERVIEW OF INTERIM RESULTS

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

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

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

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

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

Media and Entertainment

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

Live Entertainment

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

Music Production, Distribution and Publishing

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

Artiste Management

The Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing television drama production and film production business. The Group is actively looking for new talent in Mainland China and co-operation with Asian artistes.

Film and TV Program Production and Distribution

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

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

Cinema Operation

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

Details on the number of screens and seats of each cinema as at 31 January 2017 are as follows:

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

Note: On 100% basis

Property Investment

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

Rental Income

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

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

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

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

*** *Excluding self-use area*

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

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

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

Excluding self-use area of approximately 53,200 square feet, a portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 87.7% of total GFA, has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes fully leased.

Property Development

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

Recognised Sales

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

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

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

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

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

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

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

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

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

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

Before business tax

* *After business tax*

** *Guangzhou Dolce Vita is a joint venture project with 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 2016, the recognised sales (after business tax) attributable to the full project is HK$737.4 million (excluding car-parking spaces) and approximately 252,111 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$27.8 million.*

Contracted Sales

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

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

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

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

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 January 2017, the contracted but not yet recognised sales attributable to the full project is HK$2,130.9 million (excluding car-parking spaces) and approximately 778,878 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$17.0 million.*

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 January 2017, cash and bank balances held by the Group amounted to HK$3,306.8 million (31 July 2016: HK$4,365.6 million) of which around 25.2% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 74.2% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 January 2017 was HK$284.5 million (31 July 2016: HK$303.0 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 January 2017, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$6,483.1 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 January 2017, the Group had bank loans of HK$468.0 million. The maturity profile of the Group's bank loans is spread with HK$368.6 million repayable within 1 year, HK$22.4 million repayable in the second year and HK$77.0 million repayable in the third to fifth years. All bank loans are on floating rate basis and are denominated in HKD.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$82.7 million for the said unsecured other borrowings as at 31 January 2017. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 January 2017.

MAGHL

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

Lai Fung

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

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

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

Lai Fung Group's fixed rate senior notes of HK$2,027.1 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), Lai Fung Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

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

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings and banking facility of the Group, including investment properties with a total carrying amount of approximately HK$9,222.9 million, completed properties for sale with a total carrying amount of approximately HK$53.8 million, properties under development with a total carrying amount of approximately HK$505.6 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,404.0 million, properties and construction in progress with a total carrying amount of approximately HK$616.4 million and time deposits and bank balances of approximately HK$260.8 million.

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

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

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

CONTINGENT LIABILITIES

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

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

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

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**") throughout the six months ended 31 January 2017 save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

None of the existing non-executive directors of the Company ("**NEDs**", including the independent non-executive directors ("**INEDs**")) is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Bye-laws of the Company, which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors ("**Board**") (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2017, the Group employed a total of around 2,060 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

INVESTOR RELATIONS

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

During the six months ended 31 January 2017, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

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

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

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2017, the accounting principles and practices adopted by the Company as well as internal control and financial reporting matters.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 23 March 2017

As at the date of this announcement, the Board comprises four Executive Directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester and Yip Chai Tuck; two Non-executive Directors, namely Madam U Po Chu and Mr. Andrew Y. Yan; and four Independent Non-executive Directors, namely Messrs. Low Chee Keong (Chairman), Lo Kwok Kwei, David and Alfred Donald Yap and Dr. Ng Lai Man, Carmen.