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eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

Announcement of Final Results for the Year Ended 31 July 2017

RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of eSun Holdings Limited (“**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (“**Group**”) for the year ended 31 July 2017 together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2017

	Notes	2017 HK\$'000	2016 HK\$'000
TURNOVER	2	2,677,388	3,369,275
Cost of sales		<u>(1,596,001)</u>	<u>(1,991,041)</u>
Gross profit		1,081,387	1,378,234
Other revenue		188,705	178,117
Selling and marketing expenses		(235,458)	(176,069)
Administrative expenses		(621,289)	(626,142)
Other operating gains		19,801	24,855
Other operating expenses		(499,263)	(429,040)
Gain on disposal of an available-for-sale investment		109,534	-
Fair value gains on cross currency swaps		111,657	-
Fair value gains on investment properties		<u>832,118</u>	<u>522,043</u>
PROFIT FROM OPERATING ACTIVITIES		987,192	871,998
Finance costs	3	(199,214)	(235,186)
Share of profits and losses of joint ventures		313,866	79,623
Share of profits and losses of associates		<u>4,696</u>	<u>2,097</u>
PROFIT BEFORE TAX AND TAX INDEMNITY	4	1,106,540	718,532
Income tax expense	5	(573,262)	(405,526)
Tax indemnity	5	<u>493,936</u>	<u>-</u>
PROFIT FOR THE YEAR		<u><u>1,027,214</u></u>	<u><u>313,006</u></u>

CONSOLIDATED INCOME STATEMENT *(continued)**Year ended 31 July 2017*

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Attributable to:			
Owners of the Company		514,233	80,825
Non-controlling interests		512,981	232,181
		1,027,214	313,006
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	6		
Basic		HK\$0.378	HK\$0.065
Diluted		HK\$0.378	HK\$0.065

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2017

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>1,027,214</u>	<u>313,006</u>
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		
Exchange realignment on translation of foreign operations	(147,591)	(1,056,093)
Change in fair value of an available-for-sale investment	(7,876)	(17,631)
Share of other comprehensive loss of joint ventures	(5,529)	(77,360)
Cash flow hedges:		
Effective portion of change in fair value of hedging instruments arising during the year	(101,887)	(88,697)
Reclassification adjustments for exchange gain included in the consolidated income statement	69,653	135,756
	<u>(32,234)</u>	<u>47,059</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(193,230)</u>	<u>(1,104,025)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>833,984</u>	<u>(791,019)</u>
Attributable to:		
Owners of the Company	409,141	(502,306)
Non-controlling interests	<u>424,843</u>	<u>(288,713)</u>
	<u>833,984</u>	<u>(791,019)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,041,562	2,768,546
Properties under development		1,346,220	1,188,387
Investment properties		16,903,419	15,065,759
Film rights		20,960	23,682
Film products		125,921	123,768
Music catalogs		11,438	14,918
Goodwill		82,440	123,440
Other intangible assets		16,557	28,605
Investments in joint ventures		1,438,287	1,161,752
Investments in associates		28,587	26,894
Available-for-sale investments		123,435	138,592
Deposit for acquisition of an investment property		-	228,620
Deposits, prepayments and other receivables		124,362	95,285
Deferred tax assets		<u>6,050</u>	<u>6,101</u>
Total non-current assets		<u>23,269,238</u>	<u>20,994,349</u>
CURRENT ASSETS			
Properties under development		215,303	802,635
Completed properties for sale		993,460	625,994
Films under production		463,105	450,849
Inventories		35,111	33,766
Debtors	7	212,675	384,508
Deposits, prepayments and other receivables		427,715	450,119
Prepaid tax		43,033	36,223
Pledged and restricted time deposits and bank balances		571,142	1,066,494
Cash and cash equivalents		<u>2,733,435</u>	<u>3,299,148</u>
Asset classified as held for sale		<u>5,694,979</u>	7,149,736
		<u>278,531</u>	<u>257,666</u>
Total current assets		<u>5,973,510</u>	<u>7,407,402</u>
CURRENT LIABILITIES			
Creditors and accruals	8	1,551,782	1,328,410
Deposits received and deferred income		362,831	765,052
Tax payable		128,554	420,214
Interest-bearing bank loans, secured		261,392	311,548
Convertible notes		182,346	-
Fixed rate senior notes	9	2,080,366	-
Derivative financial instruments		208,223	-
Loans from a joint venture		<u>192,731</u>	<u>350,328</u>
Total current liabilities		<u>4,968,225</u>	<u>3,175,552</u>
NET CURRENT ASSETS		<u>1,005,285</u>	<u>4,231,850</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,274,523</u>	<u>25,226,199</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 July 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,274,523</u>	<u>25,226,199</u>
NON-CURRENT LIABILITIES			
Long-term deposits received		138,875	124,389
Interest-bearing bank loans, secured		2,906,097	3,089,201
Other borrowings		252,618	247,510
Convertible notes		-	166,170
Fixed rate senior notes	9	-	2,092,741
Loans from a joint venture		649,779	222,430
Derivative financial instruments		-	210,068
Deferred tax liabilities		<u>3,104,284</u>	<u>2,808,906</u>
Total non-current liabilities		<u>7,051,653</u>	<u>8,961,415</u>
Net assets		<u><u>17,222,870</u></u>	<u><u>16,264,784</u></u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		745,927	621,606
Reserves		<u>8,372,273</u>	<u>7,977,652</u>
		9,118,200	8,599,258
Non-controlling interests		<u>8,104,670</u>	<u>7,665,526</u>
Total equity		<u><u>17,222,870</u></u>	<u><u>16,264,784</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 July 2017

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction, derivative financial instruments and certain available-for-sale investments, which have been measured at fair value. Non-current asset classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current year’s financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2. OPERATING SEGMENT INFORMATION

Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Segment revenue:														
Sales to external customers	624,592	1,414,160	696,257	623,674	448,371	537,100	418,476	343,645	418,623	364,907	71,069	85,789	2,677,388	3,369,275
Intersegment sales	-	-	5,833	5,788	1,689	-	8,644	9,029	2,677	1,385	2,515	130	21,358	16,332
Other revenue	1,617	2,659	118,046	106,391	8,203	4,963	817	588	24,799	19,266	1,954	737	155,436	134,604
Total	626,209	1,416,819	820,136	735,853	458,263	542,063	427,937	353,262	446,099	385,558	75,538	86,656	2,854,182	3,520,211
Elimination of intersegment sales													(21,358)	(16,332)
Total revenue													2,832,824	3,503,879
Segment results	17,761	339,932	1,160,571	800,521	25,464	16,451	(126,248)	(55,495)	(32,769)	(17,036)	(263,122)	(228,602)	781,657	855,771
Unallocated interest and other revenue	-	-	-	-	-	-	-	-	-	-	-	-	33,269	43,513
Loss on repurchase and early redemption of guaranteed notes	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,290)
Ineffective portion of the effective hedges recognised in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	(7,925)	(9,717)
Fair value gains on cross currency swaps	-	-	-	-	-	-	-	-	-	-	-	-	111,657	-
Gain on disposal of an available-for-sale investment	-	-	-	-	-	-	-	-	-	-	-	-	109,534	-
Impairment of goodwill	-	-	-	-	-	-	(18,440)	-	(22,560)	-	-	-	(41,000)	-
Gain on disposal/dissolution of joint ventures	-	-	-	-	-	721	-	-	-	-	-	-	-	721
Profit from operating activities													987,192	871,998
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(199,214)	(235,186)
Share of profits and losses of joint ventures	345,456	72,995	-	-	(4,795)	3,016	(26,795)	3,612	-	-	-	-	313,866	79,623
Share of profits and losses of associates	-	-	-	-	(69)	(70)	(1)	(24)	4,766	2,191	-	-	4,696	2,097
Profit before tax and tax indemnity													1,106,540	718,532
Income tax expense													(573,262)	(405,526)
Tax indemnity													493,936	-
Profit for the year													1,027,214	313,006

2. OPERATING SEGMENT INFORMATION *(continued)*

Segments assets/liabilities:

	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 assets	2,597,274	2,828,299	19,632,948	17,766,757	361,246	499,848	1,176,719	1,196,039	547,038	473,398	2,905,618	3,923,995	27,220,843	26,688,336
Investments in joint ventures	1,424,918	1,113,516	-	-	12,807	20,579	562	27,657	-	-	-	-	1,438,287	1,161,752
Investments in associates	-	-	343	-	-	-	19,343	19,350	8,901	7,544	-	-	28,587	26,894
Unallocated assets													276,500	267,103
Asset classified as held for sale													278,531	257,666
Total assets													29,242,748	28,401,751
Segment liabilities	439,278	830,687	767,421	539,917	155,663	185,859	328,844	288,119	169,120	156,770	193,162	216,499	2,053,488	2,217,851
Unallocated liabilities													9,966,390	9,919,116
Total liabilities													12,019,878	12,136,967

2. OPERATING SEGMENT INFORMATION *(continued)*

Other segment information:

	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	-	-	(832,118)	(522,043)	-	-	-	-	-	-	-	-	(832,118)	(522,043)
Gain on return of land use right to the local authority	-	(10,095)	-	-	-	-	-	-	-	-	-	-	-	(10,095)
Compensation received on return of land use right to the local authority	(6,801)	-	-	-	-	-	-	-	-	-	-	-	(6,801)	-
Depreciation	2,248	2,964	102,297	101,305	1,509	1,158	964	829	41,631	28,463	10,042	11,243	158,691	145,962
Write-down/(reversal of write-down) of completed properties for sale to net realisable value	(3,829)	3,485	-	-	-	-	-	-	-	-	-	-	(3,829)	3,485
Loss/(gain) on disposal of items of property, plant and equipment	34	8	208	91	7	6	(1)	5	(832)	(14)	8	(10)	(576)	86
Impairment/write-off of films under production	-	-	-	-	-	-	82,754	3,042	-	-	-	-	82,754	3,042
Impairment of film rights	-	-	-	-	-	-	599	-	-	-	-	-	599	-
Amortisation of film rights	-	-	-	-	-	-	4,853	6,021	-	-	-	-	4,853	6,021
Amortisation of film products	-	-	-	-	-	-	222,801	128,391	-	-	-	-	222,801	128,391
Amortisation of music catalogs	-	-	-	-	3,480	3,914	-	-	-	-	-	-	3,480	3,914
Amortisation of other intangible assets	-	-	-	-	11,977	8,817	655	426	-	-	-	-	12,632	9,243
Provision for doubtful debts	-	-	-	-	361	7,465	-	-	-	-	820	-	1,181	7,465
Reversal of provision for doubtful debts	-	-	-	-	-	-	-	(4,059)	-	-	-	-	-	(4,059)
Provision for advances and other receivables	-	-	-	-	236	594	2,659	5,942	-	-	-	-	2,895	6,536
Reversal of provision for advances and other receivables	-	-	-	-	(118)	(3,538)	(1,943)	-	-	-	-	-	(2,061)	(3,538)
Provision for amounts due from joint ventures	-	-	-	-	-	522	-	-	-	-	-	-	-	522
Reversal of provision for amounts due from joint ventures	-	-	-	-	(2,193)	-	-	-	-	-	-	-	(2,193)	-
Provision for inventories	-	-	-	-	2,373	138	971	175	-	-	563	875	3,907	1,188
Additions of property, plant and equipment	1,142	616	310,306	76,535	430	4,546	1,610	204	109,685	156,239	3,023	1,738	426,196	239,878
Additions of properties under development	488,333	361,549	-	-	-	-	-	-	-	-	-	-	488,333	361,549
Additions of investment properties	-	-	1,046,284	602,046	-	-	-	-	-	-	-	-	1,046,284	602,046
Additions of film rights	-	-	-	-	-	-	2,730	4,506	-	-	-	-	2,730	4,506
Additions of film products	-	-	-	-	-	-	1,148	524	-	-	-	-	1,148	524
Additions of films under production	-	-	-	-	-	-	318,445	384,879	-	-	-	-	318,445	384,879
Additions of music catalogs	-	-	-	-	-	4,000	-	-	-	-	-	-	-	4,000
Additions to other intangible assets	-	-	-	-	-	-	584	1,916	-	-	-	-	584	1,916
Additions of non-current deposit for acquisition of an investment property	-	-	-	228,620	-	-	-	-	-	-	-	-	-	228,620

2. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue:								
Sales to external customers	<u>795,894</u>	<u>688,445</u>	<u>1,807,675</u>	<u>2,581,648</u>	<u>73,819</u>	<u>99,182</u>	<u>2,677,388</u>	<u>3,369,275</u>
Assets:								
Segment assets:								
– non-current assets	669,026	589,734	22,433,048	20,218,350	818	1,852	23,102,892	20,809,936
– current assets	1,245,329	1,284,445	4,321,721	5,770,273	17,775	12,328	5,584,825	7,067,046
Unallocated assets							276,500	267,103
Asset classified as held for sale							<u>278,531</u>	<u>257,666</u>
Total assets							<u>29,242,748</u>	<u>28,401,751</u>
Other information:								
Additions of property, plant and equipment	110,790	134,685	315,263	104,175	143	1,018	426,196	239,878
Additions of properties under development	-	-	488,333	361,549	-	-	488,333	361,549
Additions of investment properties	-	-	1,046,284	602,046	-	-	1,046,284	602,046
Additions of film rights	2,730	4,506	-	-	-	-	2,730	4,506
Additions of film products	1,148	524	-	-	-	-	1,148	524
Additions of films under production	191,479	368,369	126,966	16,510	-	-	318,445	384,879
Additions of music catalogs	-	4,000	-	-	-	-	-	4,000
Additions of other intangible assets	584	1,916	-	-	-	-	584	1,916
Additions of non-current deposit for acquisition of an investment property	-	-	-	228,620	-	-	-	228,620

Information about major customers:

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 July 2017 and 2016.

3. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on:		
Bank loans	146,871	140,473
Other borrowings	5,640	5,647
TFN Convertible Notes	10,561	9,640
Specific Mandate Convertible Notes	5,615	5,178
RMB1,800,000,000 fixed rate senior notes (“2013 Notes”)	140,957	141,117
Guaranteed notes	-	58,483
Loans from a joint venture	25,668	15,138
Amortisation of:		
Bank loans	25,891	13,575
2013 Notes	8,145	7,583
Guaranteed notes	-	4,634
Bank financing charges and direct costs	12,689	18,857
Other finance costs	534	285
	<u>382,571</u>	<u>420,610</u>
Less: Capitalised in properties under development	(92,740)	(99,172)
Capitalised in investment properties under construction	(64,421)	(72,288)
Capitalised in construction in progress	(26,196)	(13,964)
	<u>(183,357)</u>	<u>(185,424)</u>
Total finance costs	<u>199,214</u>	<u>235,186</u>

4. PROFIT BEFORE TAX AND TAX INDEMNITY

The Group's profit before tax and tax indemnity is arrived at after charging/(crediting):

	2017 HK\$'000	2016 HK\$'000
Cost of completed properties sold	535,637	1,008,273
Outgoings in respect of rental income	153,406	148,420
Cost of film rights, licence rights and film products	378,133	222,450
Cost of artiste management services, advertising services and services for entertainment events provided	176,230	261,969
Cost of theatrical releasing and concessionary sales	162,594	148,367
Cost of inventories sold	190,001	201,562
	<u>1,596,001</u>	<u>1,991,041</u>
Total cost of sales		
Depreciation [^]	158,691	145,962
Impairment of goodwill ^{**}	41,000	-
Impairment of film rights [#]	599	-
Write-down/(reversal of write-down) of completed properties for sale to net realisable value ^{**} / *	(3,829)	3,485
Write-off of items of property, plant and equipment ^{**}	176	257
Impairment/write-off of films under production [#]	82,754	3,042
Share of net income from entertainment events organised by co-investors*	(3,069)	(6,086)
Amortisation of film rights [#]	4,853	6,021
Amortisation of film products [#]	222,801	128,391
Amortisation of music catalogs [#]	3,480	3,914
Amortisation of other intangible assets [#]	12,632	9,243
Provision for doubtful debts ^{**}	1,181	7,465
Reversal of provision for doubtful debts*	-	(4,059)
Provision for advances and other receivables ^{**}	2,895	6,536
Reversal of provision for advances and other receivables*	(2,061)	(3,538)
Provision for amounts due from joint ventures ^{**}	-	522
Reversal of provision for amounts due from joint ventures*	(2,193)	-
Gain on disposal/dissolution of joint ventures*	-	(721)
Gain on return of land use right to the local authority*	-	(10,095)
Compensation received on return of land use right to the local authority*	(6,801)	-
Loss/(gain) on disposal of items of property, plant and equipment ^{**} / *	(576)	86
Loss on repurchase and early redemption of guaranteed notes ^{**}	-	18,290
Provision for inventories [#]	3,907	1,188
Ineffective portion of effective hedge recognised in profit or loss ^{**}	7,925	9,717
Foreign exchange differences, net ^{**}	<u>61,336</u>	<u>52,975</u>

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

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

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

[^] Depreciation charge of HK\$136,919,000 (2016: HK\$125,229,000) is included in "Other operating expenses" on the face of the consolidated income statement, of which HK\$95,288,000 (2016: HK\$96,766,000) is for serviced apartments and related leasehold improvements and HK\$41,631,000 (2016: HK\$28,463,000) is related to cinema operation.

5. INCOME TAX EXPENSE AND TAX INDEMNITY

(a) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. 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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current		
– Hong Kong		
Charge for the year	1,827	3,175
Overprovision in prior years	<u>(190)</u>	<u>(80)</u>
	<u>1,637</u>	<u>3,095</u>
– Elsewhere		
Charge for the year	321	1,074
Overprovision in prior years	<u>-</u>	<u>(4)</u>
	<u>321</u>	<u>1,070</u>
– Mainland China		
Corporate income tax (“CIT”)		
Charge for the year	73,131	132,605
Underprovision in prior years	28	21,021
Land appreciation tax (“LAT”)		
Charge for the year	58,391	176,315
Underprovision/(overprovision) in prior years	<u>122,258</u>	<u>(84,115)</u>
	<u>253,808</u>	<u>245,826</u>
	<u>255,766</u>	<u>249,991</u>
Deferred tax	<u>317,496</u>	<u>155,535</u>
Total tax charge for the year	<u><u>573,262</u></u>	<u><u>405,526</u></u>

(b) Tax indemnity

In connection with the listing of Lai Fung Holdings Limited (“**Lai Fung**”, together with its subsidiaries collectively known as “**Lai Fung Group**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (currently on the Main Board), a tax indemnity deed was signed on 12 November 1997, pursuant to which Lai Sun Development Company Limited (“**LSD**”) has undertaken to indemnify the Lai Fung Group in respect of certain potential Mainland China CIT and LAT payable or shared by the Lai Fung Group in consequence of the disposal of certain property interests attributable to the Lai Fung Group through its subsidiaries and its joint ventures as at 31 October 1997. During the year, tax indemnity of HK\$493,936,000 (2016: Nil) was received by the Lai Fung Group from LSD in relation to the CIT and LAT incurred and paid by the Lai Fung Group which is attributable to the disposal of certain properties located in Guangzhou, Mainland China.

6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares of 1,361,061,866 (2016: 1,243,212,165) in issue during the year.

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

The exercise of share options of the Company has an anti-dilutive effect on the basic earnings per share amount presented during the year ended 31 July 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 years ended 31 July 2017 and 2016.

The exercise of share options of Lai Fung has an anti-dilutive effect on the basic earnings per share amount presented during the year ended 31 July 2016.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<u>Earnings</u>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	514,233	80,825
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*	<u>(112)</u>	<u>-</u>
Earnings for the purpose of diluted earnings per share	<u>514,121</u>	<u>80,825</u>

* Balance for the year ended 31 July 2017 represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of 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 year.

	Number of shares	
	2017	2016
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,361,061,866	1,243,212,165
Effect of dilution – weighted average number of ordinary shares: Share options	<u>200,445</u>	<u>-</u>
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	<u>1,361,262,311</u>	<u>1,243,212,165</u>

7. DEBTORS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade debtors	222,744	393,409
Impairment	<u>(10,069)</u>	<u>(8,901)</u>
	<u>212,675</u>	<u>384,508</u>

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

The Lai Fung Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced 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.

The Group does not hold any collateral or other credit enhancements over these balances.

An ageing analysis of the trade debtors, net of provision for doubtful debts, based on payment due date, as at the end of the reporting period, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade debtors:		
Neither past due nor impaired	129,498	269,146
1 - 90 days past due	65,677	98,464
Over 90 days past due	<u>17,500</u>	<u>16,898</u>
Total	<u>212,675</u>	<u>384,508</u>

8. 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 the end of the reporting period, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade creditors:		
Less than 30 days	250,357	113,644
31 - 60 days	16,830	21,203
61 - 90 days	11,953	6,025
Over 90 days	2,840	3,431
	281,980	144,303
Other creditors and accruals	1,269,802	1,184,107
Total	1,551,782	1,328,410

9. 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.

10. FINAL DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 July 2017 (2016: Nil) for shareholders' approval at the forthcoming annual general meeting of the Company.

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.

A number of successful products have been released with satisfactory box office and critical acclaim during the year under review. *“Love Off The Cuff”* directed by Pang Ho-cheung and starring Miriam Yeung and Shawn Yue reached HK\$30 million box office in Hong Kong, being the highest among all Chinese films in 2017 so far. The crime thriller *“Trivisa”* won the awards for best original screenplay and best editing at the 53rd Golden Horse Film Awards in Taiwan and won the Best Film, Best Director, Best Screenplay, Best Actor and Best Film Editing awards in the 36th Hong Kong Film Awards.

The Group will continue its effort to provide quality films to the audience and the next upcoming major product is the long-awaited John Woo’s return to his old style action-thriller *“Manhunt”*, featuring Zhang Han Yu and Fukuyama Masaharu. The film just premiered at the 74th Venice International Film Festival with great acclaim and is set for release later this year.

- 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 artistes. The *“Infernal Affairs”* drama series the Group produced for iQiyi and TVB has generated satisfactory viewership for the two platforms and the latest titles in our TV production pipeline include *“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.
- 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 *“Liza Wang 50th Anniversary The Timeless Concert 2017”* has earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of C AllStar, Miriam Yeung, Grasshopper and at17.
- 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 year 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. During the year under review, the Group has entered into management agreements or set up workshops with a number of talents in Greater China and Korea. Some of the fresh artistes have already participated in 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.

- 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. Our new cinema, MCL Green Code Cinema in Fanling, Hong Kong was opened on 21 January 2017. The Grand Kornhill Cinema in Kornhill Plaza, Hong Kong was re-opened on 1 April 2017 after renovation and is the first cinema in Hong Kong installed with a MX4D theatre providing the most advanced 4D movie experience. The MCL Telford Cinema has just completed its renovation in mid October 2017, with the success of the MX4D theatre in Grand Kornhill Cinema, MCL Telford Cinema has also installed with a MX4D theatre. 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. The Group also secured a cinema project in Suzhou in Mainland China, which is expected to commence business in the coming financial year. 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 year under review. The capital markets have demonstrated resilience and robustness despite a precarious economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the US and Europe, and geopolitical tensions in the Korean peninsula. Some of these events are likely to linger in the near future and cast a shadow on the outlook.

Notwithstanding the seemingly turbulent environment, the People’s Republic of China (“**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 weaken 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 have continued to benefit from this as seen in the results, 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. 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, has been completed in August 2017 post year end. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to the Lai Fung Group. As at the date of this results announcement, the total gross floor area (“**GFA**”) of this property owned by Lai Fung Group increased to approximately 707,800 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 have been fully leased.

For the year ended 31 July 2017, Lai Fung Group performed steadily and underpinned by a full year's rental contribution from Guangzhou Lai Fung Tower and recognition of sales from the joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**"), Guangzhou Dolce Vita. However this good performance was countered by 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 6.7 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. Lai Fung Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan and therefore enhance the overall value of the combined development. Demolition of Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

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 January 2017, Lai Fung Group entered into a shareholders' agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company co-developing a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximately 86,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

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 and subsequent to the year end, Lai Fung Group entered into a framework agreement in September 2017 with Dr. Ing. h.c. F. Porsche AG in relation to the development and operation of an auto experience theme centre ("**Porsche Experience Centre**") in Novotown. Both Real Madrid LBE and the Porsche Experience Centre 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 Guangzhou Dolce Vita 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 placing ("**Placing**") of 248,642,433 new shares of the Company under the general mandate to not less than six independent placees was completed on 9 February 2017, which provided a good opportunity to raise additional funds to strengthen the financial position and broaden the shareholder and capital base of the Group so as to facilitate its future development. The net proceeds from the Placing are approximately HK\$150.9 million after deducting the placing commission and other expenses incurred in the Placing for general working capital purposes.

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 recognised a gain on this disposal in the consolidated income statement of approximately HK\$109.5 million before other transaction costs.

As at 31 July 2017, the Group's consolidated cash position of HK\$3,304.6 million (HK\$273.8 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 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 35.3% as at 31 July 2017 (31 July 2016: 24.6%) 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 ANNUAL RESULTS

For the year ended 31 July 2017, the Group recorded a turnover of HK\$2,677.4 million, representing a decrease of 20.5% from HK\$3,369.3 million last year. The decrease is primarily due to less turnover from sale of properties of Lai Fung for the year ended 31 July 2017 as compared to last year. The gross profit decreased by approximately 21.5% to HK\$1,081.4 million (2016: HK\$1,378.2 million).

For the year ended 31 July 2017, net profit attributable to owners of the Company was approximately HK\$514.2 million (2016: HK\$80.8 million). Basic earnings per share was HK\$0.378 (2016: HK\$0.065). The increase in net profit attributable to owners of the Company for the year under review is a mix of:

- (a) lower operating profit due to lower recognised property sales from Lai Fung Group;
- (b) increased profit contribution from the property sales of Lai Fung's joint venture project;
- (c) higher revaluation gain arising from the revaluation of the Lai Fung Group's investment properties;
- (d) tax indemnity amount received by Lai Fung from Lai Sun Development Company Limited (the controlling shareholder of the Company) pursuant to the tax indemnity deed in connection with the listing of Lai Fung on The Stock Exchange of Hong Kong Limited ("Stock Exchange") in 1997; and
- (e) gain on disposal of the Group's entire interest in 1,480,994 Series C Preferred shares in Pony Media Holdings Inc. in March 2017.

Net profit attributable to owners of the Company for the year ended 31 July 2017 excluding the effect of property revaluations was approximately HK\$145.1 million (2016: net loss of HK\$121.3 million). Net profit per share attributable to owners of the Company excluding the effect of property revaluations was HK\$0.107 per share (2016: net loss of HK\$0.089 (adjusted for the Placing) per share).

Excluding the effect of property revaluations, fair value gains on cross currency swaps and the ineffective portion of the effective hedge recognised in profit or loss, net profit attributable to owners of the Company for the year ended 31 July 2017 amounted to HK\$92.4 million (2016: net loss of HK\$116.3 million). Net profit per share attributable to owners of the Company excluding the effect of property revaluations, fair value gains on cross currency swaps and the ineffective portion of the effective hedge recognised in profit or loss was HK\$0.068 per share.

Profit/(loss) attributable to owners of the Company	For the year ended 31 July	
	2017	2016
	HK\$'million	HK\$'million
Reported	514.2	80.8
Adjustments in respect of investment properties		
Revaluation of properties	(493.9)	(270.5)
Deferred tax on investment properties	123.5	67.6
Non-controlling interests' share of revaluation movements less deferred tax	1.3	0.8
Net profit/(loss) after tax and tax indemnity excluding revaluation gains of investment properties	145.1	(121.3)
Adjustment in respect of fair value gains on cross currency swaps	(56.7)	-
Adjustment in respect of ineffective portion of the effective hedge recognised in profit or loss	4.0	5.0
Net profit/(loss) after tax and tax indemnity excluding adjustments in respect of investment properties, fair value gains on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss	92.4	(116.3)

Equity attributable to owners of the Company as at 31 July 2017 amounted to HK\$9,118.2 million (31 July 2016: HK\$8,599.3 million). Based on the number of issued shares of the Company as at 31 July 2017, the net asset value per share attributable to owners of the Company increased by 6.0% to HK\$6.112 per share as at 31 July 2017 from HK\$5.764 per share as at 31 July 2016.

Media and Entertainment

For the year ended 31 July 2017, this segment recorded a turnover of HK\$448.4 million (2016: HK\$537.1 million) and segment results increased from a profit of HK\$16.5 million to a profit of HK\$25.5 million.

Live Entertainment

The Group remains highly active on the live entertainment front. During the year under review, the Group organised and invested in 168 (2016: 197) shows by popular local, Asian and internationally renowned artistes, including Chan Po Chu and Mui Suet See, Sammi Cheng, Ivana Wong and Hins Cheung, Grasshopper, EXO, MayDay, Rene Liu, Tsai Chin, Ronald Cheng, Della, Yoga Lin and Lee Teuk@Super Junior.

Music Production, Distribution and Publishing

For the year ended 31 July 2017, the Group released 30 (2016: 57) albums, including titles by Sammi Cheng, Ivana Wong, C AllStar, 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 further co-operation with Asian artistes.

Film and TV Program Production and Distribution

For the year ended 31 July 2017, this segment recorded a turnover of HK\$418.5 million (2016: HK\$343.6 million) and segment results of a loss of HK\$126.2 million (2016: a loss of HK\$55.5 million).

During the year under review, the Group released a total of 6 films (2016:7), namely *Line Walker*, *Love Off The Cuff*, *Wine War*, *God of War*, *The House That Never Dies II* and *The Founding of An Army* and distributed 31 (2016: 33) films and 488 (2016: 308) videos with high profile titles including *Doraemon: New Nobita and the Birth of Japan*, *John Wick: Chapter Two*, *Ghost In The Shell*, *Baywatch*, *xXx: Reactivated*, *Captain America: Civil War* and *Beauty & The Beast* (2017).

Cinema Operation

For the year ended 31 July 2017, this segment recorded a turnover of HK\$418.6 million (2016: HK\$364.9 million). As at 31 July 2017, the Group operates four cinemas in Mainland China and eight cinemas in Hong Kong as well as one joint venture cinema in Hong Kong. Our new cinema, MCL Green Code Cinema in Fanling, Hong Kong was opened on 21 January 2017. The Grand Kornhill Cinema in Kornhill Plaza, Hong Kong was re-opened on 1 April 2017 after renovation and is the first cinema in Hong Kong installed with a MX4D theatre providing the most advanced 4D movie experience. The MCL Telford Cinema has just completed its renovation in mid October 2017, with the success of the MX4D theatre in Grand Kornhill Cinema, MCL Telford Cinema has also installed with a MX4D theatre. The Group also secured one cinema project in Suzhou in Mainland China, which is 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 cinema as at the date of this results announcement 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 (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
Subtotal		53	6,922
Total		75	9,591

Note: On 100% basis

Property Investment

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

Rental Income

For the year ended 31 July 2017, Lai Fung Group's rental operations recorded a turnover of HK\$702.1 million (2016: HK\$629.4 million), representing an 11.6% increase over last year. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated rental income was 17.0%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			For the year ended 31 July			Year end occupancy (%)
	2017# HK\$'million	2016# HK\$'million	Approximate change (%)	2017 RMB'million	2016 RMB'million	Approximate change (%)	
Shanghai							
Shanghai Hong Kong Plaza	399.4	398.2	0.3	350.6	333.2	5.2	Retail: 95.2 Office: 91.8 Serviced Apartments: 85.3
Shanghai May Flower Plaza	75.4	71.4	5.6	66.2	59.7	10.9	Retail: 100.0 Hotel: 81.6
Shanghai Regents Park	20.0	14.3	39.9	17.5	12.0	45.8	100.0
Shanghai Northgate Plaza I	-	4.9	-100.0	-	4.1	-100.0	0.0*
Guangzhou							
Guangzhou May Flower Plaza	105.5	109.5	-3.7	92.6	91.6	1.1	99.2
Guangzhou West Point	18.4	17.2	7.0	16.1	14.4	11.8	99.6
Guangzhou Lai Fung Tower	74.9	6.2	1,108.1	65.7	5.2	1,163.5	Retail: 100.0 Office: 100.0**
Zhongshan							
Zhongshan Palm Spring	8.5	7.7	10.4	7.5	6.4	17.2	Retail: 86.4*** Serviced Apartments: 56.9
Total	702.1	629.4	11.6	616.2	526.6	17.0	

The exchange rates adopted for the years ended 31 July 2017 and 2016 are 0.8777 and 0.8367, respectively.

* All tenants were vacated for project redevelopment and demolition has been completed in May 2017.

** 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 and the asset swap transaction has been completed in August 2017.

*** 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 year under review.

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, has been completed in August 2017 post year end. This enables Lai Fung to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. As at the date of this results announcement, the total GFA of this property owned by Lai Fung Group increased to approximately 707,800 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 have been fully leased.

The acquisition of Hui Gong Building was completed in September 2016. Lai Fung Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which 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. Demolition of Shanghai Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

Excluding self-use area of approximately 53,223 square feet, all commercial area of Zhongshan Palm Spring Rainbow Mall has been reclassified as rental properties.

Property Development

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

Recognised Sales

For the year ended 31 July 2017, Lai Fung Group's property development operations recorded a turnover of HK\$624.6 million (2016: HK\$1,414.1 million) from sale of properties, representing a 55.8% decrease in sales revenue over last year.

Total recognised sales were primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 21,364 and 641,366 square feet of residential GFA were sold, respectively, achieving sales revenue of HK\$129.2 million and HK\$485.3 million, respectively.

For the year ended 31 July 2017, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK\$983 per square foot (2016: HK\$4,207 per square foot). Sales of residential units of Guangzhou Dolce Vita performed well and achieved an average selling price of HK\$2,584 per square foot (2016: HK\$2,915 per square foot). This is recognised as a component of "Share of profits and losses of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 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
Guangzhou Eastern Place Residential Units – Phase V	19	21,364	6,481	129.2	113.4
Zhongshan Palm Spring Residential High-rise Units	479	597,959	743	420.1	368.7
Residential House Units	15	43,407	1,582	65.2	57.2
Others				0.4	0.4
Subtotal	513	662,730	983	614.9	539.7
Guangzhou King's Park Car-parking Spaces	14			9.0	7.9
Guangzhou West Point Car-parking Space	1			0.7	0.6
Total				624.6	548.2
Recognised sales from joint venture project					
Guangzhou Dolce Vita Residential Units**(47.5% basis)	514	737,122	2,570	1,794.7	1,575.2
Retail Units**(47.5% basis)	2	2,521	6,521	15.6	13.7
Subtotal	516	739,643	2,584	1,810.3	1,588.9
Car-parking Spaces**(47.5% basis)	373			122.4	107.4
Total				1,932.7	1,696.3

Before business tax and value-added tax inclusive

The exchange rate adopted for the year ended 31 July 2017 is 0.8777.

* After business tax and value-added tax exclusive

** 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 year ended 31 July 2017, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project was HK\$3,811.2 million (excluding car-parking spaces) and approximately 1,557,142 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project was HK\$257.7 million.

Contracted Sales

As at 31 July 2017, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK\$91.1 million and HK\$49.7 million from sales of residential units in Zhongshan Palm Spring and Guangzhou Eastern Place Phase V, respectively and HK\$2.3 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\$1,087 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 July 2017 amounted to RMB125.7 million (31 July 2016: RMB484.4 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 July 2017 including Guangzhou Dolce Vita and car-parking spaces amounted to HK\$402.8 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 July 2017 amounted to RMB353.6 million (31 July 2016: RMB1,881.8 million).

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

Contracted basis	No. of units	Approximate GFA Square feet	Average selling price [#] HK\$/square foot	Turnover [#]	
				HK\$'million ^{##}	RMB'million
Guangzhou Eastern Place Residential Units - Phase V	7	7,522	6,607	49.7	43.6
Zhongshan Palm Spring Residential High-rise Units	69	83,791	1,087	91.1	80.0
Subtotal	76	91,313	1,542	140.8	123.6
Guangzhou King's Park Car-parking Spaces	3			2.3	2.1
Subtotal				143.1	125.7
Contracted sales from joint venture project					
Guangzhou Dolce Vita Residential Units*(47.5% basis)	38	80,140	3,203	256.6	225.2
Car-parking Spaces*(47.5% basis)	9			3.1	2.7
Subtotal				259.7	227.9
Total (excluding car-parking spaces)	114	171,453	2,318	397.4	348.8

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

^{##} The exchange rate adopted for the year ended 31 July 2017 is 0.8777.

* 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 July 2017, the contracted but not yet recognised sales attributable to the full project was HK\$540.2 million (excluding car-parking spaces) and approximately 168,715 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 was HK\$6.5 million.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2017, cash and bank balances held by the Group amounted to HK\$3,304.6 million (2016: HK\$4,365.6 million) of which around 24.2% was denominated in Hong Kong dollar (“HKD”) and United States dollar (“USD”) currencies, and around 75.5% 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 July 2017 was HK\$273.8 million (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 July 2017, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$6,525.3 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 July 2017, the Group had bank loans of HK\$271.4 million. The maturity profile of the Group's bank loans is spread with HK\$179.4 million repayable within 1 year, HK\$34.8 million repayable in the second year and HK\$57.2 million repayable in the third 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\$85.5 million for the said unsecured other borrowings as at 31 July 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 July 2017.

MAGHL

As at 31 July 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 July 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\$121.1 million and the resultant carrying amount of the Specific Mandate Convertible Notes as recorded in the Group was HK\$61.2 million as at 31 July 2017 after adjusting for (i) accrued interest and (ii) intra-group elimination.

Lai Fung

As at 31 July 2017, Lai Fung Group had total borrowings in the amount of HK\$6,091.4 million comprising bank loans of HK\$2,896.1 million, fixed rate senior notes of HK\$2,080.4 million, loans from a subsidiary of the Company of HK\$218.3 million, loans from a joint venture of HK\$842.5 million and other borrowing of HK\$54.1 million. The maturity profile of Lai Fung Group's borrowings of HK\$6,091.4 million is well spread with HK\$2,355.1 million repayable within 1 year, HK\$692.9 million repayable in the second year, HK\$2,954.2 million repayable in the third to fifth years, and HK\$89.2 million repayable beyond the fifth year.

Approximately 48% and 48% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of Lai Fung Group's borrowings were interest free.

Apart from the fixed rate senior notes, Lai Fung Group's other borrowings of HK\$4,011.0 million were 55% denominated in RMB, 33% in HKD and 12% in USD.

Lai Fung Group's fixed rate senior notes of HK\$2,080.4 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\$10,401.2 million, properties under development with a total carrying amount of approximately HK\$500.6 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK\$1,372.9 million, construction in progress with a total carrying amount of approximately HK\$730.2 million and time deposits and bank balances of approximately HK\$401.4 million.

In addition, as at 31 July 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 Group (other than Lai Fung and MAGHL). The Group has utilised the said loan facility for an amount of HK\$150.0 million as at 31 July 2017. As at 31 July 2017, 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\$130.6 million as at 31 July 2017. As such, the Group (other than Lai Fung) has the undrawn facilities of HK\$533.4 million as at 31 July 2017. The undrawn facilities of Lai Fung Group was HK\$3,528.0 million as at 31 July 2017.

As at 31 July 2017, the consolidated net assets attributable to the owners of the Company amounted to HK\$9,118.2 million (2016: HK\$8,599.3 million). The gearing ratio, being net debt (total borrowings of HK\$6,525.3 million less pledged bank balances and time deposits of HK\$571.1 million and cash and cash equivalents of HK\$2,733.5 million) to net assets attributable to the owners of the Company was approximately 35.3%.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities, expected refinancing of fixed rate senior notes, 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.

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

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

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and 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 (“**Listing Rules**”).

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2017 save for the deviations from code provisions A.4.1, A.5.1 and E.1.2 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 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 (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.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit and remuneration committees (as appropriate) to attend.

Due to other pre-arranged business commitments which must be attended to by her, Dr. Ng Lai Man, Carmen, the chairwoman of the Audit Committee of the Company, was not present at the AGM held on 16 December 2016. However, Mr. Low Chee Keong (the Chairman of the Board) and other Directors (including other INEDs) attended the said AGM to ensure an effective communication with the Shareholders thereat.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2017, the Group employed a total of around 2,010 (2016: 2,100) 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 year ended 31 July 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
March 2017	Post results non-deal roadshow	Daiwa	Hong Kong
March 2017	Post results non-deal roadshow	Daiwa	New York/ San Francisco
April 2017	Post results non-deal roadshow	DBS	Singapore
April 2017	Post results non-deal roadshow	BNP	London
June 2017	Post results non-deal roadshow	HSBC	Taipei

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 ANNUAL 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 consolidated financial statements of the Company for the year ended 31 July 2017 including the accounting principles and practices adopted by the Company as well as the internal control and financial reporting matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2017 as set out in this preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor, Ernst & Young, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2017 AGM will be held on Friday, 15 December 2017. Notice of the AGM together with the Company's Annual Report for the year ended 31 July 2017 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in about mid-November 2017.

By Order of the Board
Low Chee Keong
Chairman

Hong Kong, 19 October 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.