



eSun Holdings Limited

豐德麗控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

INTERIM REPORT

For the six months ended 31 January 2020

CORPORATE INFORMATION

Place of Incorporation

Bermuda

Board of Directors

Executive Directors

Lui Siu Tsuen, Richard (*Chief Executive Officer*)
Chew Fook Aun
Lam Hau Yin, Lester
Yip Chai Tuck

Non-executive Director

U Po Chu

Independent Non-executive Directors

Low Chee Keong (*Chairman*)
Lo Kwok Kwei, David
Ng Lai Man, Carmen
Alfred Donald Yap

Audit Committee

Ng Lai Man, Carmen (*Chairwoman*)
Low Chee Keong
Alfred Donald Yap

Remuneration Committee

Low Chee Keong (*Chairman*)
Chew Fook Aun
Lui Siu Tsuen, Richard
Ng Lai Man, Carmen
Alfred Donald Yap

Authorised Representatives

Chew Fook Aun
Lui Siu Tsuen, Richard

Company Secretary

Wong Lai Chun

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

11th Floor, Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Tel: (852) 2741 0391
Fax: (852) 2785 2775

Share Registrar and Transfer Office in Bermuda

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditor

Ernst & Young
Certified Public Accountants

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
The Bank of East Asia, Limited
China CITIC Bank Corporation Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Oversea-Chinese Banking Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited
United Overseas Bank Limited

Listing Information

Shares

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

Stock Code/Board Lot

571/2,000 shares

Website

www.esun.com

Investor Relations

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RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of eSun Holdings Limited (“**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 31 January 2020 together with the comparative figures of the last corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 January 2020

	Notes	Six months ended 31 January	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
TURNOVER	4	1,107,375	1,260,206
Cost of sales		(562,250)	(693,082)
Gross profit		545,125	567,124
Other revenue	5	57,035	55,566
Selling and marketing expenses		(60,896)	(40,657)
Administrative expenses		(308,422)	(297,045)
Other operating expenses, net		(348,670)	(214,059)
Fair value losses on investment properties		(386,916)	(312,139)
LOSS FROM OPERATING ACTIVITIES	6	(502,744)	(241,210)
Finance costs	7	(158,895)	(95,504)
Share of profits and losses of joint ventures		(1,823)	(22,344)
Share of profits and losses of associates		(11)	565
LOSS BEFORE TAX		(663,473)	(358,493)
Tax	8	(219,026)	(58,402)
LOSS FOR THE PERIOD		(882,499)	(416,895)
Attributable to:			
Owners of the Company		(526,569)	(254,863)
Non-controlling interests		(355,930)	(162,032)
		(882,499)	(416,895)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		(HK\$0.353)	(HK\$0.171)
Diluted		(HK\$0.353)	(HK\$0.171)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 January 2020

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(882,499)	(416,895)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX		
<i>Items that may be subsequently reclassified to the income statement:</i>		
Exchange realignment on translation of foreign operations	(431,649)	352,358
Share of other comprehensive income of joint ventures	452	10,329
Share of other comprehensive loss of associates	(9)	(7)
Release of exchange reserve upon winding-up of a subsidiary	—	(10,621)
<i>Items that will not be subsequently reclassified to the income statement:</i>		
Change in fair value of equity investments at fair value through other comprehensive income	—	2,574
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(431,206)	354,633
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,313,705)	(62,262)
Attributable to:		
Owners of the Company	(758,706)	(68,314)
Non-controlling interests	(554,999)	6,052
	(1,313,705)	(62,262)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 January 2020

	Notes	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,877,088	4,931,149
Right-of-use assets		2,403,381	—
Properties under development		592,703	713,590
Investment properties		20,418,465	20,424,800
Film rights		34,918	24,608
Film products		71,240	75,022
Music catalogs		11,963	15,629
Goodwill		82,440	82,440
Investments in joint ventures		17,051	22,993
Investments in associates		1,165	5,804
Financial assets at fair value through profit or loss		59,654	75,815
Deposits, prepayments and other receivables		105,161	96,237
Deferred tax assets		11,833	9,108
Derivative financial instruments		24,323	20,581
Total non-current assets		27,711,385	26,497,776
CURRENT ASSETS			
Properties under development		1,128,752	1,815,822
Completed properties for sale		1,953,233	966,132
Films under production and film investments		419,295	417,242
Inventories		21,396	19,031
Debtors	11	234,314	232,507
Financial assets at fair value through profit or loss		134,723	144,936
Deposits, prepayments and other receivables		716,062	637,799
Prepaid tax		25,086	42,031
Pledged and restricted time deposits and bank balances		1,214,206	1,173,895
Cash and cash equivalents		1,888,989	2,598,020
		7,736,056	8,047,415
Assets classified as held for sale		16,645	68,186
Total current assets		7,752,701	8,115,601
CURRENT LIABILITIES			
Creditors and accruals	12	2,618,646	2,577,378
Deposits received and contract liabilities	13	857,470	875,415
Lease liabilities		160,703	—
Tax payable		256,230	170,344
Interest-bearing bank loans		1,112,297	535,980
Other borrowings		41,148	41,440
Loans from fellow subsidiaries		200,000	900,000
Total current liabilities		5,246,494	5,100,557
NET CURRENT ASSETS		2,506,207	3,015,044
TOTAL ASSETS LESS CURRENT LIABILITIES		30,217,592	29,512,820

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 January 2020

	Notes	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		30,217,592	29,512,820
NON-CURRENT LIABILITIES			
Lease liabilities		952,950	—
Long-term deposits received	13	140,299	147,876
Interest-bearing bank loans		5,726,132	5,554,150
Other borrowings		264,702	262,894
Guaranteed notes		2,703,874	2,720,857
Loans from fellow subsidiaries		432,359	50,000
Deferred tax liabilities		3,387,864	3,351,747
Derivative financial instruments		3,660	—
Total non-current liabilities		13,611,840	12,087,524
Net assets		16,605,752	17,425,296
EQUITY			
Equity attributable to owners of the Company			
Issued capital		745,927	745,927
Reserves		7,868,433	8,352,694
		8,614,360	9,098,621
Non-controlling interests		7,991,392	8,326,675
Total equity		16,605,752	17,425,296

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2020

	Attributable to owners of the Company							Non-controlling interests		Total equity
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1 August 2019	745,927	4,257,351	891,289	(822,077)	503,457	71,824	3,450,850	9,098,621	8,326,675	17,425,296
Loss for the period	—	—	—	—	—	—	(526,569)	(526,569)	(355,930)	(882,499)
Other comprehensive income/(loss) for the period, net of tax:										
Exchange realignment on translation of foreign operations	—	—	—	(232,437)	—	—	—	(232,437)	(199,212)	(431,649)
Share of other comprehensive income of joint ventures	—	—	—	305	—	—	—	305	147	452
Share of other comprehensive loss of associates	—	—	—	(5)	—	—	—	(5)	(4)	(9)
Total comprehensive loss for the period	—	—	—	(232,137)	—	—	(526,569)	(758,706)	(554,999)	(1,313,705)
Disposal of partial interests in a subsidiary without losing control [#]	—	—	—	—	277,628	—	—	277,628	247,532	525,160
Release of reserve upon lapse of share options of a subsidiary	—	—	—	—	—	—	115	115	(115)	—
Shares issued by a subsidiary upon exercise of share options	—	—	—	—	(3,298)	—	—	(3,298)	4,027	729
Equity-settled share option arrangements of a subsidiary	—	—	—	—	—	—	—	—	674	674
Transfer to statutory reserve	—	—	—	—	—	8,674	(8,674)	—	—	—
Dividends payable to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(32,402)	(32,402)
At 31 January 2020 (Unaudited)	745,927	4,257,351*	891,289*	(1,054,214)*	777,787*	80,498*	2,915,722*	8,614,360	7,991,392	16,605,752

* These reserve accounts comprise the consolidated reserves of HK\$7,868,433,000 (31 July 2019: HK\$8,352,694,000) in the condensed consolidated statement of financial position.

The amounts arose from the disposal of a 20% equity interest in Rosy Commerce Holdings Limited to Bravo Heart Limited (a wholly-owned subsidiary of Lai Sun Development Company Limited ("LSD")) during the six months ended 31 January 2020. The gross proceeds were HK\$557,250,000 and the transaction costs and related tax were HK\$51,163,000. Tax of HK\$19,073,000 was charged to the condensed consolidated income statement.

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

For the six months ended 31 January 2020

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 August 2018	745,927	4,257,351	891,289	15,054	65,559	(677,122)	540,566	137,840	3,381,866	9,358,330	8,385,483	17,743,813
Loss for the period	—	—	—	—	—	—	—	—	(254,863)	(254,863)	(162,032)	(416,895)
Other comprehensive income/(loss) for the period, net of tax:												
Exchange realignment on translation of foreign operations	—	—	—	—	—	184,178	—	—	—	184,178	168,180	352,358
Share of other comprehensive income of joint ventures	—	—	—	—	—	5,176	—	—	—	5,176	5,153	10,329
Share of other comprehensive loss of associates	—	—	—	—	—	(4)	—	—	—	(4)	(3)	(7)
Release of exchange reserve upon winding-up of a subsidiary	—	—	—	—	—	(5,375)	—	—	—	(5,375)	(5,246)	(10,621)
Change in fair value of equity investments at fair value through other comprehensive income	—	—	—	—	2,574	—	—	—	—	2,574	—	2,574
Total comprehensive income/(loss) for the period	—	—	—	—	2,574	183,975	—	—	(254,863)	(68,314)	6,052	(62,262)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	(28,852)	—	—	(28,852)	(8,648)	(37,500)
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	—	—	858	858
Release of reserve upon cancellation and lapse of share options	—	—	—	(15,054)	—	—	—	—	15,054	—	—	—
Equity-settled share option arrangements of a subsidiary	—	—	—	—	—	—	—	—	—	—	2,322	2,322
Transfer to statutory reserve	—	—	—	—	—	—	—	6,975	(6,975)	—	—	—
Reserve realised upon winding-up of a joint venture	—	—	—	—	—	—	—	(69,114)	69,114	—	—	—
Dividends payable to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(32,312)	(32,312)
At 31 January 2019 (Unaudited)	745,927	4,257,351	891,289	—	68,133	(493,147)	511,714	75,701	3,204,196	9,261,164	8,353,755	17,614,919

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2020

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(412,989)	(372,496)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of investment properties	(810,258)	(903,166)
Purchases of items of property, plant and equipment	(205,631)	(708,719)
Advances to joint ventures	(2,480)	(1,300)
Repayment from joint ventures	5,980	818
Dividend income from a joint venture	—	1,540,176
Proceeds from disposal of an associate	—	23,800
Increase in pledged and restricted time deposits and bank balances	(40,311)	(91,454)
Decrease in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	39,309	—
Other investing cash flows	20,559	14,246
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(992,832)	(125,599)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares of a subsidiary	729	—
New bank loans, net of direct costs	1,047,021	3,563,058
Repayment of bank loans	(250,918)	(2,013,999)
Loans from a joint venture	—	462,834
Repayment of loans from a joint venture	—	(825,225)
Loans from fellow subsidiaries	382,359	200,000
Repayment of loans from a fellow subsidiary	(700,000)	—
Increase in other borrowings	—	41,560
Increase in put option liabilities	—	280,532
Acquisition of additional interests in a subsidiary	—	(37,500)
Proceeds from disposal of partial interests in a subsidiary	557,250	—
Interest and bank financing charges paid	(237,907)	(246,982)
Interest paid to a fellow subsidiary	(12,745)	(18,433)
Capital contribution from a non-controlling shareholder of a subsidiary	—	858
Amount received from a potential non-controlling shareholder	110,963	—
Principal portion of lease payments	(95,623)	—
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	801,129	1,406,703
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(604,692)	908,608
Cash and cash equivalents at beginning of period	2,558,711	2,136,039
Effect of foreign exchange rate changes, net	(65,030)	59,862
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,888,989	3,104,509
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	1,613,616	2,376,756
Non-pledged and non-restricted time deposits	275,373	727,753
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	1,888,989	3,104,509

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 January 2020

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group ("**Financial Statements**") for the six months ended 31 January 2020 have not been audited by the Company's independent auditor but have been reviewed by the Company's Audit Committee.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Except for the details below, 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 2019.

In addition, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include HKASs and interpretations) for the first time for the current period's unaudited Financial Statements:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 August 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 August 2019, and the comparative information for prior periods was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 16 Leases *(continued)*

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of cinema properties, offices, staff dormitory, warehouse and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 August 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the incremental borrowing rate at 1 August 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 August 2019 was about 4.0%. The Group elected to present the lease liabilities separately in the unaudited condensed consolidated statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 August 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. In addition, leasehold land previously included in property, plant and equipment on the consolidated statement of financial position as at 31 July 2019 were reclassified to the right-of-use assets on 1 August 2019. The Group elected to present the right-of-use assets separately in the unaudited condensed consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 August 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 August 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on its assessment of whether leases are onerous immediately before the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

HKFRS 16 Leases (continued)

Financial impact at 1 August 2019

The impacts arising from the adoption of HKFRS 16 as at 1 August 2019 are as follows:

	Increase/(decrease) (Unaudited) HK\$'000
Assets	
Property, plant and equipment	(1,382,376)
Right-of-use assets	2,376,976
Deposits, prepayment and other receivables	(860)
Increase in total assets	993,740
Liabilities	
Creditors and accruals	(39,361)
Lease liabilities	1,033,101
Increase in total liabilities	993,740

The lease liabilities as at 1 August 2019 reconciled to the operating lease commitments as at 31 July 2019 is as follows:

	(Unaudited) HK\$'000
Operating lease commitments as at 31 July 2019	1,241,683
Add: Payments for optional extension periods not recognised as at 31 July 2019	118,660
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 July 2020 and commitments relating to leases of low-value assets	(132,100)
Less: Total future interest expenses	(195,142)
Lease liabilities as at 1 August 2019	1,033,101

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 16 Leases *(continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 July 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 August 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Completed properties for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate), or a change in assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3. OPERATING SEGMENT INFORMATION

Segment revenue/results:

	Six months ended 31 January															
	Property development		Property investment		Hotel and serviced apartment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Restated) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Restated) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Segment revenue:																
Sales to external customers	175,186	145,668	342,638	341,114	78,168	80,040	202,827	233,062	111,354	240,257	194,576	214,277	2,626	5,788	1,107,375	1,260,206
Intersegment sales	—	—	1,191	4,232	—	32	86	28	5,252	7,161	675	845	1,006	1,207	8,210	13,505
Other revenue	393	194	9,491	22,400	113	20	1,491	1,844	1,671	327	20,204	12,790	914	739	34,277	38,314
Total	175,579	145,862	353,320	367,746	78,281	80,092	204,404	234,934	118,277	247,745	215,455	227,912	4,546	7,734	1,149,862	1,312,025
Elimination of intersegment sales															(8,210)	(13,505)
Total revenue															1,141,652	1,298,520
Segment results	126,142	46,634	(357,621)	(137,911)	(30,006)	(8,613)	20,503	26,295	(6,609)	(36,610)	(152,937)	(45,557)	(125,056)	(97,187)	(525,584)	(252,949)
Unallocated interest and other revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	22,758	17,252
Fair value gains/(losses) on cross currency swaps	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,742	(5,513)
Fair value losses on foreign currency forward contract	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,660)	—
Loss from operating activities															(502,744)	(241,210)
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(158,895)	(95,504)
Share of profits and losses of joint ventures	(107)	(20,116)	—	—	—	—	869	(766)	(778)	(744)	—	—	(1,807)	(718)	(1,823)	(22,344)
Share of profits and losses of associates	—	—	(8)	23	—	—	(30)	(34)	27	113	—	463	—	—	(11)	565
Loss before tax															(663,473)	(358,493)
Tax															(219,026)	(58,402)
Loss for the period															(882,499)	(416,895)

Other segment information:

	Six months ended 31 January															
	Property development		Property investment		Hotel and serviced apartment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Restated) HK\$'000	(Unaudited) HK\$'000	(Restated) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Fair value losses on investment properties	—	—	(386,916)	(312,139)	—	—	—	—	—	—	—	—	—	—	(386,916)	(312,139)
Impairment of property, plant and equipment	—	—	—	—	—	—	—	—	—	—	(97,050)	—	—	—	(97,050)	—

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets/liabilities:

	Property development		Property investment		Hotel and serviced apartment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Restated) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Restated) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Segment assets	3,737,355	3,537,621	22,327,760	22,354,822	3,122,868	2,701,291	360,071	433,816	907,607	877,035	1,526,067	647,469	2,796,046	3,315,404	34,777,774	33,867,458
Investments in joint ventures	1,210	1,317	—	—	—	—	12,142	17,804	1,228	2,071	—	—	2,471	1,801	17,051	22,993
Investments in associates	—	—	1,165	5,804	—	—	—	—	—	—	—	—	—	—	1,165	5,804
Unallocated assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	651,451	648,936
Assets classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	16,645	68,186
Total assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	35,464,086	34,613,377
Segment liabilities	641,385	615,643	947,719	1,307,915	885,283	449,799	97,202	181,195	481,131	417,061	1,199,800	205,151	199,801	144,185	4,452,321	3,320,949
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,406,013	13,867,132
Total liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	18,858,334	17,188,081

4. TURNOVER

An analysis of the Group's turnover is as follows:

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Turnover from contracts with customers		
Sale of properties	175,186	145,668
Hotel and serviced apartment operation	78,168	80,040
Theme park operation	13,949	—
Building management operation	53,549	54,321
Entertainment event income	66,886	77,354
Distribution commission income and licence fee income from film products and film rights	109,944	238,212
Album sales, licence income and distribution commission income from music publishing and licensing	43,847	42,808
Box-office takings, concessionary income and related income from cinemas	194,576	214,277
Artiste management fee income	7,413	9,768
Advertising income	1,410	2,045
Sale of game products	84,681	103,132
Sale of merchandising products	2,626	5,788
	832,235	973,413
Turnover from other sources		
Rental income from investment properties	275,140	286,793
Total turnover	1,107,375	1,260,206
Timing of recognition of turnover from contracts with customers		
At a point in time	663,103	811,357
Over time	169,132	162,056
	832,235	973,413

5. OTHER REVENUE

An analysis of the Group's other revenue is as follows:

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Bank interest income	13,853	12,706
Government grants	277	513
Others	42,905	42,347
	57,035	55,566

6. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipment [^]	139,957	90,063
Depreciation of right-of-use assets [^]	111,039	—
Amortisation of film rights [#]	1,826	1,730
Amortisation of film products [#]	39,631	197,283
Amortisation of music catalogs [#]	3,666	1,487
Amortisation of other intangible assets [#]	—	310
Impairment of property, plant and equipment [*]	97,050	—
Impairment of advances and other receivables [*]	609	3,350
Impairment of amounts due from joint ventures [*]	1,071	311
Write-back of impairment of film rights [*]	(12,000)	—
Gain on disposal of an associate [*]	—	(19,705)
Gain on disposal of assets classified as held for sale [*]	(49,632)	—
Fair value losses/(gains) on cross currency swaps [*]	(3,742)	5,513
Fair value losses on foreign currency forward contract [*]	3,660	—
Fair value losses on financial assets at fair value through profit or loss [*]	17,142	—
Foreign exchange differences, net [*]	(8,377)	(13,503)

* These items are included in "Other operating expenses, net" 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 charge of HK\$229,438,000 (six months ended 31 January 2019: HK\$77,858,000) is included in "Other operating expenses, net" on the face of the unaudited condensed consolidated income statement, of which HK\$35,987,000 (six months ended 31 January 2019: HK\$46,979,000) is for hotels and serviced apartments and related leasehold improvements, HK\$84,164,000 (six months ended 31 January 2019: Nil) is related to theme parks and HK\$109,287,000 (six months ended 31 January 2019: HK\$30,879,000) is related to cinema operation.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on:		
Lease liabilities	25,149	—
Bank loans	160,130	153,835
Other borrowings	2,881	2,895
Guaranteed notes	74,126	74,126
Loans from a joint venture	—	7,112
Loans from a fellow subsidiary	12,796	19,019
Amortisation of:		
Bank loans	10,225	15,993
Guaranteed notes	2,336	2,206
Bank financing charges and direct costs	1,491	4,919
Other finance costs	592	996
	289,726	281,101
Less: Capitalised in properties under development	(20,708)	(60,559)
Capitalised in investment properties under construction	(92,443)	(71,249)
Capitalised in construction in progress	(17,680)	(53,789)
	(130,831)	(185,597)
Total finance costs	158,895	95,504

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 31 January 2020 and 31 January 2019. 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current		
— Hong Kong		
Charge for the period	829	1,748
Overprovision in prior periods	(96)	(52)
	733	1,696
— Mainland China		
Corporate income tax		
Charge for the period	65,220	42,854
Overprovision in prior periods	(150)	(3)
Land appreciation tax		
Charge for the period	52,803	54,468
	117,873	97,319
Deferred tax	118,606	99,015
	100,420	(40,613)
Total tax charge for the period	219,026	58,402

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares of 1,491,854,598 (six months ended 31 January 2019: 1,491,854,598) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the period ended 31 January 2020 in respect of a dilution as the impact of the share options of Lai Fung Holdings Limited ("**Lai Fung**", together with its subsidiaries collectively known as "**Lai Fung Group**") had an anti-dilutive effect on the basic loss per share amounts presented.

No adjustment had been made to the basic loss per share amounts presented for the period ended 31 January 2019 in respect of a dilution as the impact of the share options of Lai Fung and the Company had an anti-dilutive effect on the basic loss per share amounts presented.

10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 January 2020 (six months ended 31 January 2019: Nil).

11. 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 debtors are widely dispersed in different sectors and industries. The Group's debtors 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. Hotel and 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. Debtors of the Lai Fung Group are interest-free.

An ageing analysis of the trade debtors, net of loss allowance, based on payment due date, as at 31 January 2020 and 31 July 2019 is as follows:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Trade debtors:		
Neither past due nor impaired	153,164	133,404
1 to 90 days past due	58,322	84,424
Over 90 days past due	22,828	14,679
Total	234,314	232,507

12. CREDITORS AND ACCRUALS

An ageing analysis of the trade creditors, prepared based on the date of receipt of the goods and services purchased/payment due date, as at 31 January 2020 and 31 July 2019 is as follows:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Trade creditors:		
Less than 30 days	254,397	959,287
31 to 60 days	9,047	4,390
61 to 90 days	4,962	5,734
Over 90 days	28,274	8,456
Other creditors and accruals	296,680	977,867
Put option liabilities	2,044,219	1,319,791
	277,747	279,720
Total	2,618,646	2,577,378

13. DEPOSITS RECEIVED AND CONTRACT LIABILITIES

An analysis of the deposits received and contract liabilities is as follows:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Deposits received	416,099	488,054
Contract liabilities	581,670	535,237
	997,769	1,023,291
Amount classified as current	(857,470)	(875,415)
Non-current portion	140,299	147,876

14. SHARE OPTION SCHEMES

The Company

The Company adopted a new share option scheme on 11 December 2015 ("**2015 Scheme**") and terminated the share option scheme previously adopted on 23 December 2005. No share options have been granted under the 2015 Scheme during the period ended 31 January 2020.

Lai Fung

On 18 December 2012, Lai Fung adopted a new share option scheme and terminated the share option scheme previously adopted on 21 August 2003 (as amended on 8 August 2018). Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous share option scheme.

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

	Number of underlying Lai Fung's shares comprised in Lai Fung's share options
Outstanding as at 1 August 2019	10,814,117
Granted during the period	500,000
Exercised during the period	(109,591)
Lapsed during the period	(80,000)
Outstanding as at 31 January 2020	11,124,526

15. COMMITMENTS

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

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Contracted but not provided for:		
Construction, development and resettlement costs	407,635	1,288,365
Acquisition of items of property, plant and equipment	4,950	635
	412,585	1,289,000

16. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair values:

	Carrying amounts		Fair values	
	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	194,377	220,751	194,377	220,751
Film investments	9,096	8,466	9,096	8,466
Financial assets included in deposits, prepayments and other receivables	28,578	17,899	28,578	17,899
Derivative financial instruments — cross currency swaps ("CCS")	24,323	20,581	24,323	20,581
	256,374	267,697	256,374	267,697
Financial liabilities				
Derivative financial instruments — foreign currency forward contract	3,660	—	3,660	—

Liabilities for which fair values are disclosed:

	Carrying amounts		Fair values	
	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Financial liabilities				
Guaranteed notes	2,703,874	2,720,857	2,639,057	2,667,667

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (i) the fair values of financial assets at fair value through profit or loss are based on quoted prices/values from the fund manager or using a discounted cash flow valuation model;
- (ii) derivative financial instruments — CCS are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves as well as other unobservable inputs. The carrying amounts of the derivative financial instruments are the same as their fair values.

Each year, the Group's management appoints external valuers to be responsible for the external valuations of the Group's CCS. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting;
- (iii) In respect of derivative financial instruments — foreign currency forward contract, the Group relies on bank valuations to determine the fair value of the instruments. These valuations maximise the use of observable market data. Key observable inputs in the valuations are spot rates, strike rates, volatility, time to expiration and risk free rate; and
- (iv) the fair values of guaranteed notes are based on quoted market prices.

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

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

As at 31 January 2020	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$1.21 million to HK\$16.79 million	1
		Expected exposure at default — Lai Fung	HK\$2.12 million to HK\$16.71 million	2
		Credit spread — counterparty	6.52 basis point to 96.44 basis point	3
		Credit spread — Lai Fung	288.38 basis point to 520.06 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — Lai Fung's credit risk	60%	6
As at 31 July 2019	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$1.58 million to HK\$19.87 million	1
		Expected exposure at default — Lai Fung	HK\$3.45 million to HK\$20.96 million	2
		Credit spread — counterparty	9.07 basis point to 106.44 basis point	3
		Credit spread — Lai Fung	302.23 basis point to 517.02 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — Lai Fung's credit risk	60%	6

Notes:

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

Other than the above financial assets and liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 January 2020 and 31 July 2019.

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

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

Assets and liabilities measured at fair values:

As at 31 January 2020	Fair value measurement using			Total (Unaudited) HK\$'000
	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
Financial assets				
Financial assets at fair value through profit or loss	—	179,391	14,986	194,377
Film investments	—	—	9,096	9,096
Financial assets included in deposits, prepayments and other receivables	—	—	28,578	28,578
Derivative financial instruments — CCS	—	—	24,323	24,323
Financial liabilities				
Derivative financial instruments — foreign currency forward contract	—	3,660	—	3,660
<hr/>				
As at 31 July 2019	Fair value measurement using			Total (Audited) HK\$'000
	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
Financial assets				
Financial assets at fair value through profit or loss	—	199,976	20,775	220,751
Film investments	—	—	8,466	8,466
Financial assets included in deposits, prepayments and other receivables	—	—	17,899	17,899
Derivative financial instruments — CCS	—	—	20,581	20,581

During the period ended 31 January 2020 and the year ended 31 July 2019, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

The Group's financial liabilities for which fair values are disclosed include guaranteed notes, fair value of which were based on quoted market prices and were categorised in Level 1 as at 31 January 2020 and 31 July 2019.

17. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	Six months ended 31 January	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Lai Sun Garment (International) Limited ("LSG") and its subsidiaries, excluding the Group:			
Rental expense and building management fee paid or payable	(i)	3,751	8,046
Rental income and management fee income received or receivable	(ii)	731	33
Interest expense	(iii)	12,796	19,019
Sharing of corporate salaries on a cost basis allocated from		27,617	29,681
Sharing of administrative expenses on a cost basis allocated from		5,501	5,053
Sharing of corporate salaries on a cost basis allocated to		4,894	4,859
Sharing of administrative expenses on a cost basis allocated to		1,219	2,147
Joint ventures:			
Production fee	(iv)	770	1,200
Interest income	(iv)	277	342
Interest expenses	(v)	—	7,112
Management and other service fees paid or payable to a related company	(vi)	4,695	5,015

Notes:

- (i) The Group leased properties from fellow subsidiaries for office and cinema use. The monthly lease payables were charged with reference to market rates. Right-of-use assets of HK\$66,591,000 and lease liabilities of HK\$69,298,000 upon adoption of HKFRS 16 related to the leases were recognised in unaudited condensed consolidated statement of financial position as at 31 January 2020. During the six months ended 31 January 2020, depreciation of right-of-use assets of HK\$6,353,000 and finance costs on lease liabilities of HK\$1,477,000 were recognised in unaudited condensed consolidated income statement.
- (ii) The terms of the rental income and management fee income were determined based on the agreements entered into between the Group and the related companies.
- (iii) The terms of loans are determined based on agreements entered into between the Group and a fellow subsidiary.
- (iv) The production fee and interest income were charged in accordance with contractual terms with respective parties.
- (v) The joint ventures of the Group are Guangzhou Beautiwin Real Estate Development Company Limited and Beautiwin Limited. The terms of the loans are determined based on agreements entered into between the Group and the joint ventures. During the period ended 31 January 2019, the interest expenses were charged at fixed interest rates at 3.045% – 4.20% per annum for interest-bearing loans advanced from the joint ventures to the Group.
- (vi) The management and other service fees were charged based on an agreement entered into between the Group and a subsidiary of CapitaLand Limited, a substantial shareholder of Lai Fung.

17. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short-term employee benefits	19,873	21,510
Post-employment benefits	52	52
Equity-settled share option expenses	674	—
Total compensation paid to key management personnel	20,599	21,562

18. EVENT AFTER THE REPORTING PERIOD

On 21 February 2020, Holy Unicorn Limited (“**Offeror**”, a wholly-owned subsidiary of LSD) made a conditional voluntary general cash offer to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD), including the Lai Fung shares owned by the Company, and to cancel all the outstanding share options of Lai Fung. The offer price for each Lai Fung share is HK\$8.99 in cash. Details are set out in a joint announcement of the Company, LSD, LSG, Lai Fung and the Offeror dated 21 February 2020.

19. COMPARATIVE FIGURES

During the six months ended 31 January 2020, segment information of hotels and serviced apartments previously included in the “Property investment” segment has been reclassified to the “Hotel and serviced apartment” segment. Accordingly, the comparative segment information has been reclassified to conform to the current period’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

Media and Entertainment/Film Production and Distribution/Cinema Operation

Hong Kong entertainment industry, alongside tourism, catering and retail industries, had suffered from repercussions of a prolonged social unrest in the city emerging since mid-2019. The industry outlook was further clouded by the outbreak of the novel coronavirus (COVID-19) since early 2020. While the social unrest had led to a decline in the number tourist arrivals and, particularly, visitors from Mainland China, and in the foot traffic at shopping malls in Hong Kong, the outbreak of the novel coronavirus had dealt a further blow to consumption. Both of these events were unforeseen and had, in its own ways, impacted the economy and, unavoidably, the Group's business performance as well, during the six months ended 31 January 2020, and may have lingering effects into the rest of 2020.

In response to such unprecedented events, the Group had implemented certain measures aimed to contain the spread of the novel coronavirus, and to ensure the Group remains versatile. Such measures included, but are not limited to, (i) optimising costs and overheads; (ii) reducing operating hours of its cinemas in Hong Kong; and (iii) communicating closely and working amicably with its landlords with respect to rental concessions. Following the newly announced crowd control measures by the Hong Kong government, all cinemas of the Group in Hong Kong have been closed temporarily since 28 March 2020. The Group is prepared to consider and implement further short-term measures as and when needed to help reduce the risk of local community transmission.

Despite the short-term impacts brought about by the abovementioned events, the Group would like to reiterate its strong commitment to the long-term development of media and entertainment industry. Through dedicated management efforts and continual investments to accelerate growth of its fully-integrated media and entertainment platform, the Group strives to further solidify its industry positioning and be well-prepared to capture the opportunities of the entertainment market in Hong Kong and Mainland China.

- Film — continued drive to increase original production of films which appeal to Chinese language audiences with the current production pipeline including *"I'm Living It"*, a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, *"Knockout"*, an action film by director Roy Chow featuring Han Geng, *"The Calling of a Bus Driver"*, a romance comedy film with Ivana Wong and director Patrick Kong, and *"Septet: the Story of Hong Kong"*, an omnibus film produced by seven Hong Kong film masters including Johnnie To, Tsui Hark, Ann Hui, Patrick Tam, Sammo Hung, Yuen Woo-Ping and the memorable Ringo Lam.
- TV — expanded 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. A 52-episode romance drama series *"New Horizon"*, starring Zheng Kai and Chen Chiao-en, is in the post-production stage and projects under development include a 20-episode modern-day drama series namely *"Who Sell Bricks in Hong Kong"* tailor-made for ViuTV, featuring Ng Siu Hin, Fish Liew, Wu Tze Tung and Patrick Tam. The Group is in discussion with various Chinese and overseas portals and video web sites for new project development.
- Live Entertainment — successfully produced and promoted a number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The recent *"FOLLOWMi Sammi Cheng World Tour — Hong Kong 2019"*, *"EXO Planet#5 Tour 2019 Hong Kong"* and *"Along with Ekin Live Concert 2019"* have earned good reputation and public recognition. The Group will continue to work with prominent local and Asian artistes for concert promotion.

Business Review and Outlook *(continued)*

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

- Music — as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. The exclusive distribution licence of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd. and Warner Music continue to provide stable income streams to the Group.
- Artiste Management — actively looking for promising talent in Greater China and business collaborations with Asian artistes with an aim to build up an artiste roster with breadth and depth. The Group is a strong believer of talent management and is of the view that such a roster will be an instrumental part of its media and entertainment businesses.
- Cinema — the Group now owns 95% equity interest in Intercontinental Group Holdings Limited, and has become one of the leading multiplex cinema operators in Hong Kong in terms of total number of cinemas and box office revenue, according to reports of Hong Kong Box Office Limited (“HKBO”). During the period under review, according to HKBO, Hong Kong market recorded total box office revenue of HK\$792.5 million, representing a decrease of approximately 10.0% as compared to the six months ended 31 January 2019. The decline in the Group’s box office revenue for the period under review as compared to the same period of last year was largely in line with the Hong Kong market. Such decline was mainly attributable to the temporary closure of certain cinemas amid the social unrest in Hong Kong and the delay in release for certain blockbuster films during the Lunar New Year in January 2020 as a result of the outbreak of the novel coronavirus. Nevertheless, the Group remains cautiously optimistic about the long-term potential of cinema operation in Hong Kong and Mainland China and has recently secured two new cinema sites, in Kai Tak and at Cyberport respectively. The new cinema at Cyberport is expected to open in the financial year ending 31 July 2020 and the new cinema in Kai Tak is expected to commence business in 2022. The Group intends to further expand its market share in cinema operation through improving the existing cinemas, upgrading the facilities of the existing cinemas and acquiring new cinema sites, and will closely monitor the market conditions in Hong Kong and Mainland China and continue to evaluate opportunities to further expand its footprint.

Mainland China Property Market

Over the period under review, the Chinese economy was predominantly shadowed by the uncertainties around the trade disputes with the United States. Coupled with the anti-speculation measures by the government, home prices across Mainland China grew at a much slower pace than in recent years. The Lunar New Year holiday in 2020 was extended because of the outbreak of the novel coronavirus. Containment measures including, but not limited to, restrictions on group gatherings and public events, closure of unnecessary public communal space and amenities, designated drop-off and pick-up points for parcel and food delivery to minimise contact, quarantine controls and denial of access for certain individuals, lockdown of residential communities, etc. were imposed by local governments. As a result, factories were closed, travels were restricted, and cities were effectively in lockdown for an extended period of time. Many developers in Mainland China were faced with suspension of sales and construction. While the long-term impact of such a global pandemic remains difficult to predict, the Group has been proactive in preparing for the challenges ahead, and will work closely with its stakeholders, and continue to prudently manage its financial position to weather the storm.

Top tier cities and the Greater Bay Area will remain as the primary drivers for the rental gross floor area (“GFA”) growth of Lai Fung Holdings Limited (“**Lai Fung**”, a non-wholly-owned subsidiary of the Company) and its subsidiaries (collectively, “**Lai Fung Group**”) in the coming years. Upon completion of the construction works of the existing projects on hand, which include the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building, the development of Guangzhou Haizhu Plaza, and Phase II (“**Novotown Phase II**”) of the Novotown project in Hengqin (“**Novotown**”), Lai Fung Group will have a rental portfolio of approximately 9.3 million square feet.

Business Review and Outlook *(continued)*

Mainland China Property Market *(continued)*

Aside from rental GFA growth, Lai Fung Group also strives to strengthen its rental portfolio through operational enhancements. The two themed indoor experience centres in Phase I (“**Novotown Phase I**”) of Novotown, namely “Lionsgate Entertainment World®” and “National Geographic Ultimate Explorer Hengqin”, commenced operations on 31 July 2019 and 9 September 2019, respectively. The hotel, known as “Hyatt Regency Hengqin” soft opened on 31 December 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 76% of the leasable area having been leased. The introduction of Zhuhai Da Hengqin Real Estate Co., Ltd. (珠海大橫琴置業有限公司) in January 2020 strengthened the cash position for the operation of Novotown Phase I. Lai Fung Group will continue to explore and evaluate potential strategic alliances and financing alternatives to accelerate the growth of Novotown. Despite the temporary closure of Novotown Phase I as part of preventive and protective measures in light of the outbreak of the novel coronavirus since 24 January 2020, Lai Fung Group remains confident that the resumption of operations will make Novotown a new contributor to Lai Fung Group’s results in the long run. Lai Fung Group is carefully monitoring the evolving situation, stays in close contact with local officials and will announce the reopening date upon confirmation. On 23 January 2020, Lai Fung Group renewed the management agreement with Ascott Group with respect to the serviced residence in Shanghai. Through extending the longstanding partnership with Ascott Group, Lai Fung Group wishes to continue to leverage on the Ascott Group’s extensive experience and expertise in operating and branding serviced residences to enhance the value of the serviced residence to Lai Fung Group.

Lai Fung Group is in the process of obtaining the sales permit for the Shanghai Wuli Bridge Project, which is a high-end luxury residential project located by the Huangpu River in Huangpu District. Upon the grant of sales permit, Lai Fung Group will reassess the market conditions in preparation for the launch. Development of Phase III and Phase IV of Zhongshan Palm Spring is on track and expected to be completed in the third quarter of 2020 and the third quarter of 2021 respectively. Construction work of Novotown Phase I has been completed by end of 2019 pending for the filing of as-built inspection of office tower and cultural workshop tower with relevant construction administrative department of the Chinese government and the cultural workshops have been launched for sale during the period under review. The residential units in Shanghai Wuli Bridge project, serviced apartment units and remaining residential units in Zhongshan Palm Spring as well as the cultural studios and cultural workshops of Novotown Phase I are expected to contribute to the income of Lai Fung Group in the coming financial years.

Lai Fung Group will consider replenishing its landbank as and when opportunities arise, and will take into account, amongst other factors, overall macroeconomic conditions, Lai Fung Group’s existing presence in the relevant cities, and allocation of risks etc.

Other Business Updates

The disposal of the Group’s 20% equity interest in Novotown Phase I project to Lai Sun Development Company Limited (“**LSD**”) which has been approved by shareholders of the Company (“**Shareholders**”) and completed in September 2019 enabled the Group to crystallise the value in its investment in Novotown Phase I and recycle the capital to reduce its borrowings so as to improve its working capital position for future opportunities that may arise.

On 16 September 2019, the Company was made aware that Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (“**YUs**”) had acquired additional shares of the Company in the open market such that YUs became substantial Shareholders as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively), which in turn had caused a shortfall in the public float of the Company. The public float was eventually restored on 25 September 2019 upon completion of YUs’ disposal of 1,000,000 shares of the Company to an independent third party, and the trading in the shares of the Company on the Stock Exchange was resumed on 26 September 2019.

Business Review and Outlook *(continued)*

Other Business Updates *(continued)*

On 21 February 2020, the Company announced that Lai Fung has been approached by LSD and its wholly-owned subsidiary, Holy Unicorn Limited (“**Offeror**”), in connection with a conditional voluntary general cash offer (“**LFH Offer**”) to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of Lai Fung. As at the date of this Interim Report, Lai Fung is a 50.99%-owned subsidiary of the Company and the disposal of all the Lai Fung shares owned by the Company (“**eSun Disposal**”) as a result of its acceptance of the LFH Offer will transform the remaining Group into a pure-play cinema, media and entertainment company and provide it with the funding to reinforce its industry position and accelerate growth in its business of the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products and cinema operation. The eSun Disposal will constitute a very substantial disposal and a connected transaction for the Company and is subject to the independent shareholders’ approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. Trinity Corporate Finance Limited (“**eSun IFA**”) has been appointed as the independent financial adviser of the Company to advise on the eSun Disposal. A circular containing, amongst other things, details of the LFH Offer and the eSun Disposal and the letter of advice from the eSun IFA to the independent board committee of the Company are expected to be despatched to Shareholders on or about 24 April 2020.

As at 31 January 2020, the Group’s consolidated cash and bank deposits amounted to HK\$3,103.2 million (HK\$380.4 million excluding Lai Fung Group and Media Asia Group Holdings Limited (“**MAGHL**”, a non-wholly-owned subsidiary of the Company, together with its subsidiaries (“**MAGHL Group**”)) (31 July 2019: HK\$3,771.9 million (HK\$339.7 million excluding Lai Fung Group and MAGHL Group)) and the net debt to equity ratio as at 31 January 2020 increased to 85.6% (31 July 2019: 69.2%). Excluding the net debt of Lai Fung Group and MAGHL Group, the gearing ratio is approximately 0.2%. The Group will continue its prudent and flexible approach in managing its financial position.

Overview of Interim Results

For the six months ended 31 January 2020, the Group recorded a turnover of HK\$1,107.4 million, representing a decrease of 12.1% from that of HK\$1,260.2 million for the same period of last year. The gross profit dropped slightly by approximately 3.9% to HK\$545.1 million (2019: HK\$567.1 million).

For the six months ended 31 January 2020, net loss attributable to owners of the Company was approximately HK\$526.6 million (2019: net loss of HK\$254.9 million). Net loss per share attributable to owners of the Company was HK\$0.353 (2019: net loss of HK\$0.171 per share). The substantial increase in consolidated loss for the period under review is primarily due to (i) an increase in fair value losses on investment properties of the Group; (ii) an impairment of certain property, plant and equipment; and (iii) the increased finance costs as a result of a decrease in capitalisation of finance costs in relation to certain projects, the development of which have been completed, during the period under review.

Net loss attributable to owners of the Company for the six months ended 31 January 2020 excluding the effect of property revaluations was approximately HK\$403.4 million (2019: net loss of HK\$136.5 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK\$0.270 per share (2019: net loss of HK\$0.091 per share).

Overview of Interim Results *(continued)*

Loss attributable to owners of the Company	Six months ended 31 January	
	2020 HK\$'million	2019 HK\$'million
Reported	(526.6)	(254.9)
Adjustments in respect of investment properties		
Revaluation of properties	200.5	157.8
Deferred tax on investment properties	(50.1)	(39.5)
Non-controlling interests' share of revaluation movements less deferred tax	(27.2)	0.1
Net loss after tax excluding revaluation of investment properties	(403.4)	(136.5)

Equity attributable to owners of the Company as at 31 January 2020 amounted to HK\$8,614.4 million (31 July 2019: HK\$9,098.6 million). Net asset value per share attributable to owners of the Company as at 31 January 2020 was HK\$5.774 per share (31 July 2019: HK\$6.099 per share).

Media and Entertainment

For the six months ended 31 January 2020, this segment recorded a turnover of HK\$202.8 million (2019: HK\$233.1 million) and segment results decreased slightly to HK\$20.5 million from that of HK\$26.3 million in the same period last year.

Live Entertainment

During the period under review, the Group organised and invested in 39 (2019: 46) shows by popular local, Asian and internationally renowned artistes, including EXO, Ivana Wong, Miriam Yeung and Jan Lamb.

Music Production, Distribution and Publishing

For the six months ended 31 January 2020, the Group released 12 (2019: 36) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On and Nowhere Boys. 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.

Film and TV Programme Production and Distribution

For the six months ended 31 January 2020, this segment recorded a turnover of HK\$111.4 million (2019: HK\$240.3 million) and segment results of a loss of HK\$6.6 million (2019: a loss of HK\$36.6 million).

During the period under review, a total of 4 films produced/invested by the Group was theatrically released, namely *Bodies at Rest*, *Fagara*, *The Climbers* and *A Witness Out of the Blue*. The Group also distributed 17 (2019: 22) films and 179 (2019: 290) videos with high profile titles including *1917*, *Gemini Man*, *Men in Black: International*, *Avengers: Endgame*, *Spider-Man: Far From Home*, *Fast & Furious Presents: Hobbs & Shaw*, *The Lion King*, *Toy Story 4* and *John Wick: Chapter 3-Parabellum*.

Overview of Interim Results *(continued)*

Cinema Operation

For the six months ended 31 January 2020, this segment recorded a turnover of HK\$194.6 million (2019: HK\$214.3 million) and segment results of a loss of HK\$152.9 million (2019: HK\$45.6 million). The substantial increase in segmental losses of the cinema operation of the Group is primarily due to impairment of property, plant and equipment of certain cinemas, the performance of which was not as expected during the period under review. As at the date of this Interim Report, the Group operates ten cinemas in Hong Kong and three cinemas in Mainland China. Details on the number of screens and seats of each existing cinema are as follows:

Cinema	Attributable interest to the Group %	No. of screens (Note)	No. of seats (Note)
Mainland China			
Suzhou Grand Cinema City	100	10	1,440
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
Subtotal		22	2,951
Hong Kong			
Movie Town (including MX4D theatre)	100	7	1,702
Festival Grand Cinema	95	8	1,196
MCL Metro City Cinema	95	6	694
MCL Telford Cinema (including MX4D theatre)	95	6	789
STAR Cinema	95	6	622
Grand Kornhill Cinema (including MX4D theatre)	95	5	706
MCL Cheung Sha Wan Cinema	95	4	418
MCL South Horizons Cinema	95	3	555
MCL Green Code Cinema	95	3	285
Grand Windsor Cinema	95	3	246
Subtotal		51	7,213
Total		73	10,164

Note: On 100% basis

Overview of Interim Results *(continued)*

Property Portfolio Composition

As at 31 January 2020, all major properties of the Group in Mainland China are held through Lai Fung Group. Set out below are the approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 January 2020:

	Commercial/ Retail	Office	Hotels and serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental <i>(Note 1)</i>	1,231 <i>(Note 2)</i>	539	—	—	1,770	1,149
Completed Hotel Properties and Serviced Apartments	—	—	493	—	493	—
Properties under Development <i>(Note 3)</i>	1,731	782	175	994	3,682	1,676
Completed Properties Held for Sale	17 <i>(Note 4)</i>	—	—	232	249	1,096
Total GFA of major properties of Lai Fung Group attributable to the Group <i>(Note 5)</i>	2,979	1,321	668	1,226	6,194	3,921

Notes:

1. Completed and rental generating properties
2. Including cultural attraction spaces in Novotown Phase I that have been occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin
3. All properties under construction
4. Completed properties for sale, including 17,028 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use
5. As at 31 January 2020, Lai Fung was a 50.53%-owned subsidiary of the Company.

Overview of Interim Results *(continued)*

Property Investment

Rental Income

For the six months ended 31 January 2020, Lai Fung Group's rental operations recorded a turnover of HK\$406.9 million. The average Renminbi exchange rate for the period under review depreciated by approximately 2.6% compared with the last corresponding period. Excluding the effect of currency translation, the Renminbi denominated revenue from lease of properties decreased slightly by 0.8% to RMB366.7 million.

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

	Six months ended 31 January			Six months ended 31 January			Period end occupancy %
	2020 [#]	2019 [#]	Approximate change	2020	2019	Approximate change	
	HK\$'million	HK\$'million	%	RMB'million	RMB'million	%	
Shanghai							
Shanghai Hong Kong Plaza	209.0	227.5	-8.1	188.4	199.7	-5.7	Retail: 97.5 Office: 90.4 Serviced Apartments: 64.1
Shanghai May Flower Plaza	35.7	32.7	+9.2	32.2	28.7	+12.2	Retail: 100.0 Hotel: 57.7
Shanghai Regents Park	11.7	10.6	+10.4	10.6	9.3	+14.0	100.0
Guangzhou							
Guangzhou May Flower Plaza	60.7	62.7	-3.2	54.7	55.1	-0.7	98.3
Guangzhou West Point	12.7	13.1	-3.1	11.4	11.5	-0.9	99.9
Guangzhou Lai Fung Tower	61.5	62.9	-2.2	55.4	55.2	+0.4	Retail: 100.0 Office: 98.9*
Zhongshan							
Zhongshan Palm Spring**	2.2	4.7	-53.2	2.0	4.1	-51.2	Retail: 84.4*
Hengqin							
Hengqin Novotown	5.7	—	N/A	5.1	—	N/A	Retail: 75.8*** Hotel: N/A****
Others	7.7	7.0	+10.0	6.9	6.1	+13.1	N/A
Total	406.9	421.2	-3.4	366.7	369.7	-0.8	

The exchange rates adopted for the six months ended 31 January 2020 and 2019 are 0.9012 and 0.8780, respectively.

* Excluding self-use area

** STARR Resort Residence Zhongshan has been closed and the serviced apartment units were launched for sale in May 2019, hence no rental turnover was generated from that during the period under review.

*** Including cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin

**** Hyatt Regency Hengqin soft opened on 31 December 2019 has been temporarily closed since 1 February 2020 due to the outbreak of the novel coronavirus in Mainland China.

Overview of Interim Results *(continued)*

Property Investment *(continued)*

Rental Income *(continued)*

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

	Six months ended 31 January 2020			Six months ended 31 January 2019		
	Attributable interest to the Group	Turnover HK\$'million	Total GFA# Square feet	Attributable interest to the Group	Turnover HK\$'million	Total GFA# Square feet
Shanghai						
Shanghai Hong Kong Plaza	50.53%			50.60%		
Retail		98.4	468,434		106.9	468,434
Office		51.6	362,096		57.5	362,096
Serviced Apartments (room revenue and F&B)		56.0	355,267		60.0	355,267
Car-parking Spaces		3.0	N/A		3.1	N/A
		209.0	1,185,797		227.5	1,185,797
Shanghai May Flower Plaza	50.53%			50.60%		
Retail		17.3	320,314		13.5	320,314
Hotel (room revenue and F&B)		16.5	143,846		17.3	143,846
Car-parking Spaces		1.9	N/A		1.9	N/A
		35.7	464,160		32.7	464,160
Shanghai Regents Park	48.00%			48.07%		
Retail		10.6	82,062		8.9	82,062
Car-parking Spaces		1.1	N/A		1.7	N/A
		11.7	82,062		10.6	82,062
Guangzhou						
Guangzhou May Flower Plaza	50.53%			50.60%		
Retail		52.8	357,424		54.8	357,424
Office		6.5	79,431		6.6	79,431
Car-parking Spaces		1.4	N/A		1.3	N/A
		60.7	436,855		62.7	436,855
Guangzhou West Point	50.53%			50.60%		
Retail		12.7	171,968		13.1	171,968
Guangzhou Lai Fung Tower	50.53%			50.60%		
Retail		7.5	112,292		8.1	99,054
Office		51.1	625,821		52.1	606,495
Car-parking Spaces		2.9	N/A		2.7	N/A
		61.5	738,113		62.9	705,549
Zhongshan						
Zhongshan Palm Spring	50.53%			50.60%		
Retail*		2.2	147,408		1.9	147,408
Serviced Apartments** (room revenue)		—	—		2.8	98,556
		2.2	147,408		4.7	245,964
Hengqin						
Novotown Phase I	40.42%			60.48%		
Retail***		0.1	682,076		—	N/A
Hotel (room revenue and F&B)		5.6	594,756		—	N/A
		5.7	1,276,832		—	N/A
Others		7.7	N/A		7.0	N/A
Total		406.9	4,503,195		421.2	3,292,355

On 100% basis

* Excluding self-use area

** STARR Resort Residence Zhongshan has been closed and the serviced apartment units were launched for sale in May 2019.

*** Excluding cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin

Overview of Interim Results *(continued)*

Property Investment (continued)

Review of Major Rental Properties

Shanghai Hong Kong Plaza

Being Lai Fung Group's wholly-owned flagship investment property project in Shanghai, Shanghai Hong Kong Plaza is strategically located in the prime district of the city, directly above the Huangpi South Road Metro Station at Huaihaizhong Road in Huangpu District, which is highly accessible by car and well connected to public transportation networks, as well as walking distance from Shanghai Xintiandi.

Connected by an indoor footbridge, the property comprises a 32-storey office building, a 32-storey serviced apartment (managed by the Ascott Group), a shopping mall and carpark. The property's total GFA is approximately 1,185,800 square feet excluding 350 car-parking spaces, comprising approximately 362,100 square feet for office, approximately 355,300 square feet for serviced apartment, and approximately 468,400 square feet for shopping mall. Anchor tenants, as at the date of this Interim Report, include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki, etc.

Lai Fung Group owns 100% of this property.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai. This project is situated near the Zhongshan Road North Metro Station.

Lai Fung Group owns 100% of the retail podium which has a total GFA of approximately 320,300 square feet including the basement commercial area. The asset is positioned as a community retail facility. The Group secured a lease with Hema Fresh (盒馬鮮生), which is one of the first supermarkets opened in Mainland China under Alibaba Group's New Retail initiatives.

Shanghai Regents Park

Shanghai Regents Park is a large-scale mixed-use development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. Lai Fung Group retains a 95% interest in the commercial portion which has a total GFA of approximately 82,000 square feet (GFA attributable to Lai Fung Group is approximately 77,900 square feet).

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

Lai Fung Group owns 100% of this property.

Overview of Interim Results *(continued)*

Property Investment *(continued)*

Review of Major Rental Properties *(continued)*

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where Lai Fung Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,000 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016.

Upon completion of the asset swap transaction with Guangzhou Light Industry Real Estate Development Company in August 2017, the total GFA of this property owned by Lai Fung Group increased to approximately 738,100 square feet excluding car-parking spaces and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the occupancy rate as at period end was approximately 84.4%.

Hengqin Novotown Phase I

Novotown Phase I is an integrated tourism and entertainment project located in the heart of Hengqin, being one of the core cities in Guangdong province within the Greater Bay Area of Mainland China, with close proximity to Macau and Hong Kong. Novotown Phase I comprises a 493-room hotel (operating under the “Hyatt Regency” brand), offices, cultural workshops, cultural studios, shopping and leisure facilities and 1,844 car-parking spaces. The GFA breakdown by usage of Novotown Phase I excluding ancillary facilities and car-parking spaces as at 31 January 2020 is set out below:

Usage	GFA Square feet
Cultural themed hotel	594,756
Cultural commercial area	526,117
Performance halls	155,959
Cultural attractions (Lionsgate Entertainment World®)	242,906
Cultural attractions (National Geographic Ultimate Explorer Hengqin)	50,386
Office	543,020
Cultural workshops (for sale)	432,025
Cultural studios (for sale)	198,391
Total	2,743,560

Overview of Interim Results *(continued)*

Property Investment (continued)

Review of Major Rental Properties (continued)

Hengqin Novotown Phase I *(continued)*

The period under review had been remarkable to Novotown as numerous project milestones had been achieved. Lionsgate Entertainment World® featuring attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan commenced operation on 31 July 2019. The family edutainment center, National Geographic Ultimate Explorer Hengqin, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions officially commenced operations on 9 September 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 76% of the leasable area let. Despite the temporary closure of the project as part of preventive and protective measures in light of the outbreak of the novel coronavirus since 24 January 2020, Lai Fung Group remains confident that the resumption of operations will make Novotown a new contributor to Lai Fung Group's results in the long run.

Lai Fung Group owns 80% of Novotown Phase I.

Hotels and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Shanghai Hong Kong Plaza is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 355,300 square feet attributable to Lai Fung Group has 308 contemporary apartments of various sizes: studios (640 – 750 sq.ft.), one-bedroom apartments (915 – 1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 82.8% was achieved during the period under review and the average room tariff was approximately HK\$1,130.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to Lai Fung Group is approximately 143,800 square feet. An average occupancy rate of 74.2% was achieved during the period under review and the average room tariff was approximately HK\$500.

Hyatt Regency Hengqin

Hyatt Regency Hengqin soft opened on 31 December 2019 is located in Novotown Phase I, the heart of the Greater Bay Area and is within easy reach of the bridge linking Zhuhai with Hong Kong and Macau. Hyatt Regency Hengqin with total GFA of approximately 594,800 square feet and approximately 475,800 square feet attributable to Lai Fung Group has 493 guest rooms including 55 suites ranging in size from 430 sq.ft. to 2,580 sq.ft., a wide range of dining options, as well as banqueting and conference facilities of over 40,000 square feet.

Overview of Interim Results *(continued)*

Property Development

Recognised Sales

For the six months ended 31 January 2020, Lai Fung Group's property development operations recorded a turnover of HK\$175.2 million from sale of properties, representing a 20.2% increase compared to the last corresponding period. Total recognised sales was primarily driven by the sales performance of cultural studios of Novotown Phase I and residential units of Zhongshan Palm Spring during the period under review.

Breakdown of turnover for the six months ended 31 January 2020 from sales of properties is as follows:

Recognised basis	No. of units	Approximate GFA Square feet	Average selling price [#] HK\$/Square foot	Turnover [*]	
				HK\$'million ^{##}	RMB'million
Zhongshan Palm Spring					
Residential High-rise Units	13	17,556	1,667	27.9	25.1
Residential House Units	10	21,105	2,565	51.5	46.5
Hengqin Novotown Phase I					
Cultural Studios	7	22,315	4,175	88.7	79.9
Subtotal	30	60,976	2,896	168.1	151.5
Shanghai Regents Park					
Car-parking Spaces	6			3.8	3.4
Guangzhou Eastern Place					
Car-parking Spaces	2			2.1	1.9
Guangzhou West Point					
Car-parking Spaces	2			1.2	1.1
Total				175.2	157.9

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

^{##} The exchange rate adopted for the six months ended 31 January 2020 is 0.9012.

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

Overview of Interim Results *(continued)*

Property Development *(continued)*

Contracted Sales

As at 31 January 2020, Lai Fung Group's property development operations has contracted but not yet recognised sales of HK\$332.7 million, comprising HK\$84.3 million and HK\$245.7 million from sales of residential units and serviced apartment units in Zhongshan Palm Spring and cultural studios and cultural workshops in Novotown Phase I, respectively and HK\$2.7 million from sales of car-parking spaces in Shanghai Regents Park and Guangzhou King's Park. Sales of the cultural studios and cultural workshops of Novotown Phase I were strong and achieved an average selling price of HK\$4,537 and HK\$3,411 per square foot, respectively. The cultural workshops of Novotown Phase I were launched for sale during the period under review. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, serviced apartment units, cultural studios, cultural workshops and car-parking spaces as at 31 January 2020 amounted to RMB299.8 million (31 July 2019: RMB207.8 million).

Breakdown of contracted but not yet recognised sales as at 31 January 2020 is as follows:

Contracted basis	No. of units	Approximate GFA Square feet	Average selling price [#] HK\$/Square foot	Turnover [#]	
				HK\$'million ^{##}	RMB'million
Zhongshan Palm Spring					
Residential High-rise Units	25	30,936	1,555	48.1	43.4
Residential House Units	3	6,379	3,135	20.0	18.0
Serviced Apartment Units ^{###}	11	11,387	1,423	16.2	14.6
Hengqin Novotown Phase I					
Cultural Studios	7	30,282	4,537	137.4	123.8
Cultural Workshops	47	31,754	3,411	108.3	97.6
Subtotal	93	110,738	2,980	330.0	297.4
Shanghai Regents Park					
Car-parking Spaces	3			2.0	1.8
Guangzhou King's Park					
Car-parking Space	1			0.7	0.6
Subtotal				2.7	2.4
Total				332.7	299.8

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

^{##} The exchange rate adopted for the six months ended 31 January 2020 is 0.9012.

^{###} The sale of serviced apartment units of Zhongshan Palm Spring will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the unaudited condensed consolidated income statement of the Group when the sale is completed.

Overview of Interim Results *(continued)*

Property Development (continued)

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, Lai Fung Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. 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 mall and an underground car-parking structure 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. This project is expected to be completed in the second half of 2022.

Shanghai Wuli Bridge Project

In July 2014, Lai Fung Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. Construction work has been completed in August 2019. This high-end luxury residential project has attributable GFA of approximately 77,900 square feet and Lai Fung Group is in the process of obtaining the sales permit.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 January 2020, 458 car-parking spaces of this development remained unsold with a carrying amount of approximately HK\$100.0 million.

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. As at 31 January 2020, a total of 247 car-parking spaces of this development remained unsold with a carrying amount of approximately HK\$58.3 million.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. As at 31 January 2020, the contracted but not yet recognised sales of the 1 car-parking space amounted to approximately HK\$0.7 million and the 13 unsold car-parking spaces have a total carrying amount of approximately HK\$9.4 million.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. Lai Fung Group owns the entire project. The proposed development has a total project GFA of approximately 580,800 square feet and is intended to be developed for rental purposes. The construction commenced in the first half of 2019 and the completion is expected to be in the first half of 2023.

Overview of Interim Results *(continued)*

Property Development *(continued)*

Review of Major Properties Completed for Sale and under Development *(continued)*

Zhongshan Palm Spring

The project is located in Caihong Planning Area, Western District of Zhongshan. The overall development has a total planned GFA of approximately 6.075 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 4.466 million square feet.

During the period under review, 17,556 square feet of high-rise residential units and 21,105 square feet of house units were recognised at average selling prices of HK\$1,667 and HK\$2,565 per square foot, respectively, which contributed a total of HK\$79.4 million to the sales turnover. As at 31 January 2020, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK\$48.1 million and HK\$20.0 million, at average selling prices of HK\$1,555 and HK\$3,135 per square foot, respectively.

STARR Resort Residence Zhongshan comprising two 16-storey blocks in the Palm Lifestyle complex was closed. The serviced apartment units were launched for sale in May 2019 and have been re-classified from “Property, plant and equipment” to “Assets classified as held for sale” in the consolidated statement of financial position of the Group. As at 31 January 2020, contracted but not yet recognised sales for serviced apartment units amounted to HK\$16.2 million, at an average selling price of HK\$1,423 per square foot. The sale of these serviced apartment units will be recorded as disposal of assets classified as held for sale and the sales proceeds net of cost will be included in other operating income in the unaudited condensed consolidated income statement of the Group.

As at 31 January 2020, completed units held for sale in this development, including high-rise residential units, house units and serviced apartment units, amounted to approximately 261,000 square feet with a total carrying amount of approximately HK\$213.7 million. The carrying amount of the 1,215 unsold car-parking spaces of this development as at 31 January 2020 was approximately HK\$109.5 million.

The remaining GFA under development was approximately 2,099,200 square feet. Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA* Square feet	Expected completion
III	High-rise residential units including commercial units	523,100	Q3 2020
IV	High-rise residential units including commercial units	1,576,100	Q3 2021

* Excluding car-parking spaces and ancillary facilities

Hengqin Novotown Phase I

Construction work of Novotown Phase I has been completed by end of 2019 pending for the filing of as-built inspection of office tower and cultural workshop tower with relevant construction administrative department of the Chinese government.

Sales of the cultural studios of Novotown Phase I were strong. During the period under review, sales of 22,315 square feet was recognised at an average selling price of HK\$4,175 per square foot, which contributed HK\$88.7 million to Lai Fung Group's turnover. As at 31 January 2020, contracted but not yet recognised sales for cultural studios and cultural workshops amounted to HK\$137.4 million and HK\$108.3 million, at an average selling price of HK\$4,537 and HK\$3,411 per square foot, respectively. Completed cultural studios held for sale in this development as at 31 January 2020 amounted to approximately 150,916 square feet with a carrying amount of approximately HK\$280.6 million.

Lai Fung Group owns 80% of Novotown Phase I.

Overview of Interim Results *(continued)*

Property Development (continued)

Review of Major Properties Completed for Sale and under Development (continued)

Hengqin Novotown Phase II

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, namely Real Madrid World in Novotown. The Real Madrid World is expected to consist of three floors with over 20 attractions spanning across a total area of approximately 12,000 square meters, and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and will initially offer grade 7-12 education for approximately 900 students as well as facilities for boarding students.

Lai Fung Group entered into a license agreement in December 2018 with Ducati Motor Holding S.p.A. in relation to the development and operation of the Ducati Experience Centre in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions.

Lai Fung Group succeeded in bidding for the land use rights of the land offered for sale by The Land and Resources Bureau of Zhuhai through the listing-for-sale process in December 2018 and the land is situated adjacent to Novotown Phase I with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of Novotown Phase II. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government.

Construction works for Novotown Phase II were inevitably affected by the recent outbreak of, and the containment measures around, the novel coronavirus. Management has been closely monitoring the development of the situation, and will adhere to the measures as announced by the local government from time to time. Through communicating and working amicably with project partners, Lai Fung Group is confident that damages as a result of any of such delay can be minimised.

Liquidity, Financial Resources, Charge on Assets and Gearing

Cash and Bank Balances

As at 31 January 2020, cash and bank balances held by the Group amounted to HK\$3,103.2 million (31 July 2019: HK\$3,771.9 million) of which around 28.9% was denominated in Hong Kong dollars ("**HKD**") and United States dollars ("**USD**"), and around 70.3% 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 2020 was HK\$380.4 million (31 July 2019: HK\$339.7 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 and forward contract arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

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

Borrowings

As at 31 January 2020, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK\$10,480.5 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 2020, the Group had guaranteed general banking facilities granted by certain banks. As at 31 January 2020, the Group had outstanding bank loans of HK\$134.5 million and utilised letter of credit and letter of guarantee facilities of HK\$1.9 million. The maturity profile of the Group's bank loans is spread with HK\$62.9 million repayable within one year, HK\$17.9 million repayable in the second year and HK\$53.7 million repayable in the third year. All bank loans are on floating rate basis and are denominated in HKD.

Apart from the bank loans, the Group had outstanding loans of HK\$50.0 million from Hibrigh Limited ("**Hibrigh**"), which is a wholly-owned subsidiary of LSD. The loans are on floating rate basis, denominated in HKD and repayable in the second year. The Group has the undrawn facilities of HK\$218.1 million as at 31 January 2020.

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\$99.8 million for the said unsecured other borrowings as at 31 January 2020. 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 2020.

MAGHL

As at 31 January 2020, MAGHL has unsecured and interest-bearing loans from Hibrigh and the Company of HK\$200.0 million and HK\$132.0 million respectively. The maturity profile of the loans is spread with HK\$300.0 million repayable within one year and HK\$32.0 million repayable in the third year. The loans are on floating rate basis and are denominated in HKD.

Lai Fung

As at 31 January 2020, Lai Fung Group had total borrowings in the amount of HK\$9,883.2 million comprising bank loans of HK\$6,703.9 million, guaranteed notes of HK\$2,703.9 million, loans from a fellow subsidiary of HK\$382.3 million and other borrowings of HK\$93.1 million. The maturity profile of Lai Fung Group's borrowings of HK\$9,883.2 million is well spread with HK\$1,090.6 million repayable within one year, HK\$3,340.5 million repayable in the second year, HK\$4,329.4 million repayable in the third to fifth years, and HK\$1,122.7 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK\$3,756.0 million as at 31 January 2020.

Approximately 32% and 64% 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 guaranteed notes, Lai Fung Group's other borrowings of HK\$7,179.3 million were 49% denominated in RMB, 44% in HKD and 7% in USD.

Lai Fung Group's guaranteed notes of HK\$2,703.9 million were denominated in USD. Lai Fung Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts. In addition, certain bank loans of Lai Fung Group with a total carrying amount of HK\$446.5 million were denominated in USD. Lai Fung Group has entered into a forward contract with a financial institution and the bank loans have been effectively converted into HKD denominated debts.

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

Borrowings (continued)

Lai Fung (continued)

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 the guaranteed notes and certain USD bank loans have been effectively converted into HKD denominated debts and 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 and forward contract 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 facilities of the Group, including investment properties with a total carrying amount of approximately HK\$11,698.3 million, completed properties for sales with a total carrying amount of approximately HK\$1,089.4 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK\$1,175.1 million and time deposits and bank balances of approximately HK\$1,069.3 million.

As at 31 January 2020, the consolidated net assets attributable to the owners of the Company amounted to HK\$8,614.4 million (31 July 2019: HK\$9,098.6 million). The gearing ratio, being net debt (total borrowings of HK\$10,480.5 million less pledged and restricted bank balances and time deposits of HK\$1,214.2 million and cash and cash equivalents of HK\$1,889.0 million) to net assets attributable to the owners of the Company was approximately 85.6%. Excluding the net debt of Lai Fung Group and MAGHL Group, the gearing ratio is approximately 0.2%.

Taking into account the amount of cash being held as at the end of the reporting period, the available loan and banking facilities, certain bank loans, the expected refinancing of certain 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 2019.

PARTICULARS OF MAJOR PROPERTIES

Completed Properties Held for Rental

				Approximate attributable GFA (Square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Property name	Location	Group interest	Tenure				
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	50.53%	The property is held for a term of 50 years commencing on 16 September 1992	236,700	182,967	419,667	177
May Flower Plaza	Sujiaxiang, Jing'an District	50.53%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	161,855	—	161,855	—
Regents Park	88 Huichuan Road, Changning District	48.00%	The property is held for a term of 70 years commencing on 4 May 1996	39,393	—	39,393	—
Subtotal of major completed properties held for rental in Shanghai:				437,948	182,967	620,915	177
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	50.53%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	180,606	40,136	220,742	69
West Point	Zhongshan Qi Road, Liwan District	50.53%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	86,895	—	86,895	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	50.53%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	56,741	316,227	372,968	158
Subtotal of major completed properties held for rental in Guangzhou:				324,242	356,363	680,605	227
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	50.53%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	74,485	—	74,485	—
Subtotal of major completed properties held for rental in Zhongshan:				74,485	—	74,485	—
Hengqin							
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai	40.42%	The property is held for a term of 40 years for office, commercial and serviced apartment and hotel uses and 50 years for other uses commencing on 31 December 2013	394,283*	—	394,283	745
Subtotal of major completed properties held for rental in Hengqin:				394,283	—	394,283	745
Total of major completed properties held for rental:				1,230,958	539,330	1,770,288	1,149

* Including cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin

Completed Hotel Properties and Serviced Apartments

Property name	Location	Group interest	Tenure	No. of rooms	Approximate attributable GFA Square feet	No. of car-parking spaces attributable to the Group
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	50.53%	The property is held for a term of 50 years commencing on 16 September 1992	300	179,516	—
STARR Hotel Shanghai	Suixiang, Jing'an District	50.53%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	72,685	—
Subtotal of major completed hotel properties and serviced apartments in Shanghai:				539	252,201	—
Hengqin						
Hyatt Regency Hengqin	1295 Qisecailong Road, Hengqin, Zhuhai	40.42%	The property is held for a term of 40 years commencing on 31 December 2013	493	240,424	—
Subtotal of major completed hotel properties and serviced apartments in Hengqin:				493	240,424	—
Total of major completed hotel properties and serviced apartments:				1,032	492,625	—

Properties Under Development

						Approximate attributable GFA (Square feet)					No. of car-parking spaces attributable to the Group
						Commercial/ Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Property name	Location	Group interest	Stage of construction	Expected completion date	Approximate site area Square feet (Note 1)						
Guangzhou											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	50.53%	Construction work in progress	H1 2023	90,708	52,634	240,857	—	—	293,491	154
Subtotal of major properties under development in Guangzhou:						52,634	240,857	—	—	293,491	154
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	50.53%	Construction work in progress	Phase 3: Q3 2020 Phase 4: Q3 2021	2,547,298 (Note 2)	66,443	—	—	994,264	1,060,707	731
Subtotal of major properties under development in Zhongshan:						66,443	—	—	994,264	1,060,707	731
Shanghai											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	50.53%	Construction work in progress	H2 2022	107,223	47,586	302,890	—	—	350,476	280
Subtotal of major properties under development in Shanghai:						47,586	302,890	—	—	350,476	280
Hengqin											
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai	40.42%	Construction work substantially completed	H1 2020 (Note 3)	1,401,184 (Note 2)	—	238,702	174,642	—	413,344	—
Novotown Phase II	East side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road, Hengqin New Area, Zhuhai	50.53%	Construction work in progress	2023	1,547,523	1,563,926	—	—	—	1,563,926	511
Subtotal of major properties under development in Hengqin:						1,563,926	238,702	174,642	—	1,977,270	511
Total of major properties under development:						1,730,589	782,449	174,642	994,264	3,681,944	1,676

Notes:

1. On project basis
2. Including portions of the projects that have been completed for sale/sold/leased
3. Pending for the filing of as-built inspection with relevant construction administrative department of the Chinese government

Completed Properties Held for Sale

			Approximate attributable GFA (Square feet)				No. of car-parking spaces attributable to the Group
Property name	Location	Group interest	Commercial/ Retail	Residential	Office	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	50.53%	17,028	131,889	—	148,917	614
Subtotal of major completed properties held for sale in Zhongshan:			17,028	131,889	—	148,917	614
Hengqin							
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai	40.42%	—	61,006	—	61,006	—
Subtotal of major completed properties held for sale in Hengqin:			—	61,006	—	61,006	—
Shanghai							
Wuli Bridge Project	Wuliqiao Road, 104 Jie Fang, Huangpu District	50.53%	—	39,341	—	39,341	48
May Flower Plaza	Sujiaxiang, Jing'an District	50.53%	—	—	—	—	231
Regents Park, Phase II	88 Huichuan Road, Changning District	48.00%	—	—	—	—	119
Subtotal of major completed properties held for sale in Shanghai:			—	39,341	—	39,341	398
Guangzhou							
Eastern Place Phase V	787 Dongfeng East Road, Yuxiu District	50.53%	—	—	—	—	7
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	25.27%	—	—	—	—	9
King's Park	Donghua Dong Road, Yuxiu District	50.53%	—	—	—	—	7
West Point	Zhongshan Qi Road, Liwan District	50.53%	—	—	—	—	61
Subtotal of major completed properties held for sale in Guangzhou:			—	—	—	—	84
Total of major completed properties held for sale:			17,028	232,236	—	249,264	1,096

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively) throughout the six months ended 31 January 2020 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, subject to re-election.

None of the existing non-executive Directors (“**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**”) as a Director (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 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**”). Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its Board meeting held on 22 January 2019 for improving transparency around the nomination process. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

Board

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

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely the Executive Committee, the Audit Committee and the Remuneration Committee. Specific responsibilities have been delegated to the above Committees.

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

Corporate Governance *(continued)*

Board (continued)

The Board currently comprises nine members, of whom four are Executive Directors, one is NED and the remaining four are INEDs. The current composition of the Board, two out of its nine members being women, is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills. The current Directors have extensive experience and skills in, including but not limited to, property development and investment, hospitality as well as media and entertainment businesses, corporate advisory, business development and investment banking, laws, accounting and auditing services and corporate finance, etc.

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

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

Chairman and Chief Executive

During the six months ended 31 January 2020 and up to the date of this Interim Report, Mr. Low Chee Keong (an INED) is the Chairman of the Board and Mr. Lui Siu Tsuen, Richard (an Executive Director) is the Chief Executive Officer of the Company. This segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's businesses. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2020.

Share Option Schemes

(1) The Company

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

Upon the closing of the Company's offers on 22 August 2018, all outstanding share options under the 2005 Scheme and the 2015 Scheme had lapsed or had been cancelled. Since then and as at 31 January 2020, no share options have been granted under the 2015 Scheme. Further details of the said schemes are disclosed in Note 14 to the Condensed Consolidated Interim Financial Statements.

Share Option Schemes *(continued)*

(2) *Media Asia Group Holdings Limited (“MAGHL”)*

On 18 December 2012, MAGHL, a company listed on GEM of the Stock Exchange and a non-wholly-owned subsidiary of the Company since 9 June 2011, adopted a share option scheme (“**MAGHL Scheme**”) which was also approved by the Shareholders at a special general meeting of the Company (“**SGM**”) held on 18 December 2012. The MAGHL Scheme will remain in force for a period of 10 years commencing on its adoption date.

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

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

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

On 18 December 2012, Lai Fung, a non-wholly-owned subsidiary of the Company listed on the Main Board of the Stock Exchange, adopted a new share option scheme (“**2012 Lai Fung Scheme**”) and terminated its share option scheme adopted on 21 August 2003 (“**2003 Lai Fung Scheme**”). Upon the termination of the 2003 Lai Fung Scheme, no more share options will be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable. The adoption of the 2012 Lai Fung Scheme and the termination of the 2003 Lai Fung Scheme were also approved by the Shareholders at a SGM held on 18 December 2012.

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

On 8 August 2018, the shareholders of Lai Fung at its extraordinary general meeting and the Shareholders at the SGM approved certain amendments to the 2003 Lai Fung Scheme and the affirmation of the continuing effectiveness of the share options granted pursuant to the 2003 Lai Fung Scheme. Details of the amendments are set out in the Company’s circular dated 23 July 2018.

As at 31 January 2020, share options comprising a total of 11,124,526 underlying Lai Fung Shares were outstanding, of which a share option comprising 900,000 underlying Lai Fung Shares was granted under the 2003 Lai Fung Scheme (as amended on 8 August 2018) and share options comprising 10,224,526 underlying Lai Fung Shares were granted under the 2012 Lai Fung Scheme.

Share Option Schemes (continued)

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

The movements of the share options granted under the 2003 Lai Fung Scheme (as amended on 8 August 2018) and the 2012 Lai Fung Scheme during the six months ended 31 January 2020 are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) <i>(Note 1)</i>	Number of underlying Lai Fung Shares comprised in share options				As at 31 January 2020	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK\$) <i>(Note 2)</i>
		As at 1 August 2019	Granted during the period	Exercised during the period	Lapsed during the period			
Directors of Lai Fung								
Chew Fook Aun	12/06/2012	1,009,591	—	(109,591) <i>(Note 3)</i>	—	900,000	12/06/2012 – 11/06/2020	6.65
Lam Hau Yin, Lester	18/01/2013	3,219,182	—	—	—	3,219,182	18/01/2013 – 17/01/2023	11.40
Cheng Shin How	18/01/2013	643,836	—	—	—	643,836	18/01/2013 – 17/01/2023	11.40
Lee Tze Yan, Ernest	18/01/2013	640,000	—	—	—	640,000	18/01/2013 – 17/01/2023	11.40
Tham Seng Yum, Ronald	19/08/2019	—	500,000 <i>(Note 4)</i>	—	—	500,000	19/08/2019 – 18/08/2029	6.784
Subtotal		5,512,609	500,000	(109,591)	—	5,903,018		
Employees and other eligible participants (in aggregate)								
Batch 1	18/01/2013	3,871,508 <i>(Note 5)</i>	—	—	(80,000)	3,791,508	18/01/2013 – 17/01/2023	11.40
Batch 2	26/07/2013	220,000	—	—	—	220,000	26/07/2013 – 25/07/2023	9.50
Batch 3	16/01/2015	180,000	—	—	—	180,000	16/01/2015 – 15/01/2025	8.00
Batch 4	19/01/2018	450,000	—	—	—	450,000	19/01/2018 – 18/01/2028	13.52
Batch 5	22/01/2019	580,000	—	—	—	580,000	22/01/2019 – 21/01/2029	10.18
Subtotal		5,301,508	—	—	(80,000)	5,221,508		
Total		10,814,117	500,000	(109,591)	(80,000)	11,124,526		

Notes:

- The above share options were vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Lai Fung's share capital.
- The closing price of each Lai Fung Share immediately before the exercise date of the share option was HK\$7.04.
- The closing price of each Lai Fung Share immediately before the date on which the share option was granted (19 August 2019) was HK\$6.76.
- Dr. Lam Kin Ngok, Peter (“**Dr. Peter Lam**”), a substantial shareholder of Lai Fung (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of Laws of Hong Kong (“**SFO**”))), was granted a share option to subscribe for a total of 321,918 Lai Fung Shares (after the effect of the Share Consolidation) on 18 January 2013.

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Lai Fung Scheme (as amended on 8 August 2018) and the 2012 Lai Fung Scheme during the six months ended 31 January 2020. Further details of the said Lai Fung Schemes are disclosed in Note 14 to the Condensed Consolidated Interim Financial Statements.

Directors' and Chief Executive's Interests

The following Directors and chief executive of the Company who held office on 31 January 2020 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Securities Code; or (d) as otherwise known by the Directors:

(I) Interests in the Company

Name of Director	Capacity	Long positions in the Shares and underlying Shares				Approximate percentage of total issued Shares
		Number of Shares		Number of underlying Share	Total	
		Personal interests	Corporate interests			
		Personal interests	Corporate interests	Personal interests	Total	
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	2,794,443	0.19%

Note: The total number of issued Shares as at 31 January 2020 (1,491,854,598 Shares) has been used in the calculation of the approximate percentage.

(II) Interests in Associated Corporations

(a) Lai Sun Garment (International) Limited ("**LSG**")

Long positions in ordinary shares of LSG (“LSG Shares”) and underlying LSG Shares						
Name of Directors	Capacity	Number of LSG Shares		Number of underlying LSG Shares	Total	Approximate percentage of total issued LSG Shares
		Personal interests	Corporate interests	Personal interests		
				(Note 1)	(Note 2)	
Lam Hau Yin, Lester	Beneficial owner	12,366,937	Nil	7,571,626	19,938,563	5.15%
		(Note 3)				
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	202,422	3,819,204	4,021,626	1.04%
			(Note 4)			
Lui Siu Tsuen, Richard	Beneficial owner	185,600	Nil	Nil	185,600	0.05%
U Po Chu	Beneficial owner	825,525	Nil	Nil	825,525	0.21%

Directors' and Chief Executive's Interests (continued)

(II) Interests in Associated Corporations (continued)

(a) Lai Sun Garment (International) Limited ("LSG") (continued)

Notes:

- These interests in underlying LSG Shares represent the interests in share options granted to the Directors under the share option schemes of LSG, particulars of which are as follows:

Name of Directors	Date of grant (dd/mm/yyyy)	Number of underlying LSG Shares comprised in share options	Option period (dd/mm/yyyy)	Exercise price per LSG Share (HK\$)
Lam Hau Yin, Lester	18/01/2013	3,752,422	18/01/2013 – 17/01/2023	6.05
	19/06/2017	3,819,204	19/06/2017 – 18/06/2027	15.00
Chew Fook Aun	19/06/2017	3,819,204	19/06/2017 – 18/06/2027	15.00

- The total number of issued LSG Shares as at 31 January 2020 (386,879,622 LSG Shares) has been used in the calculation of the approximate percentage.

On 13 February 2020, LSG allotted and issued 1,603,337 new ordinary shares ("**LSG Scrip Shares**") pursuant to its scrip dividend scheme in relation to the final dividend for the year ended 31 July 2019 ("**LSG Scrip Dividend Scheme**"), thereby increasing the total number of issued LSG Shares from 386,879,622 to 388,482,959.

- On 13 February 2020, Mr. Lester Lam has elected to receive a total of 92,271 LSG Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his interests in LSG Shares from 12,366,937 to 12,459,208.
- Mr. FA Chew was deemed to be interested in the 202,422 LSG Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.

Directors' and Chief Executive's Interests (continued)

(II) Interests in Associated Corporations (continued)

(b) Lai Sun Development Company Limited ("LSD")

Long positions in ordinary shares of LSD ("LSD Shares") and underlying LSD Shares						
Name of Directors	Capacity	Number of LSD Shares		Number of underlying LSD Shares	Total	Approximate percentage of total issued LSD Shares
		Personal interests	Corporate interests	Personal interests		
				(Note 1)		(Note 2)
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	4,173,081	4,173,081	0.69%
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	400,000 (Note 3)	3,773,081	4,173,081	0.69%
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	104,000	104,000	0.02%
U Po Chu	Beneficial owner	26,919	Nil	Nil	26,919	0.01%

Notes:

- These interests in underlying LSD Shares represent the interests in share options granted to the Directors under a share option scheme of LSD, particulars of which are as follows:

Name of Directors	Date of grant (dd/mm/yyyy)	Number of underlying LSD Shares comprised in share options	Option period (dd/mm/yyyy)	Exercise price per LSD Share (HK\$)
Chew Fook Aun	05/06/2012	3,773,081	05/06/2012 – 04/06/2022	5.35
Lam Hau Yin, Lester	18/01/2013	4,173,081	18/01/2013 – 17/01/2023	16.10
Lui Siu Tsuen, Richard	18/01/2013	104,000	18/01/2013 – 17/01/2023	16.10

- The total number of issued LSD Shares as at 31 January 2020 (606,464,125 LSD Shares) has been used in the calculation of the approximate percentage.

On 13 February 2020, LSD allotted and issued 3,803,900 new ordinary shares ("LSD Scrip Shares") pursuant to its scrip dividend scheme in relation to the final dividend for the year ended 31 July 2019, thereby increasing the total number of issued LSD Shares from 606,464,125 to 610,268,025.

- Mr. FA Chew was deemed to be interested in the 400,000 LSD Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.

Directors' and Chief Executive's Interests (continued)

(II) Interests in Associated Corporations (continued)

(c) Lai Fung

		Long positions in Lai Fung Shares and underlying Lai Fung Shares					
Name of Directors	Capacity	Number of Lai Fung Shares		Number of underlying Lai Fung Shares		Total	Approximate percentage of total issued Lai Fung Shares
		Personal interests	Corporate interests	Personal interests			
(Note 1)							
(Note 2)							
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	3,219,182	3,219,182		0.98%
Chew Fook Aun	Beneficial owner and owner of controlled corporation	Nil	709,591	900,000	1,609,591		0.49%

Notes:

- These interests in underlying Lai Fung Shares represent the interests in share options granted to the Directors under share option schemes of Lai Fung, particulars of which are shown in the section headed "Share Option Scheme" of this Interim Report.
- The total number of issued Lai Fung Shares as at 31 January 2020 (327,496,556 Lai Fung Shares) has been used in the calculation of the approximate percentage.

On 13 February 2020, Lai Fung allotted and issued 3,536,887 new ordinary shares pursuant to its scrip dividend scheme in relation to the final dividend for the year ended 31 July 2019, thereby increasing the total number of issued Lai Fung Shares from 327,496,556 to 331,033,443.

- Mr. FA Chew was deemed to be interested in the 709,591 Lai Fung Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.

Save as disclosed above, as at 31 January 2020, none of the Directors and the chief executive of the Company and their respective close associates had, or was deemed to have, any interest in the long or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the Company and the Stock Exchange pursuant to the SFO, or recorded in the Register of Directors and Chief Executive, or notified to the Company and the Stock Exchange under the Securities Code or otherwise known by the Directors.

Substantial Shareholders' and Other Persons' Interests

As at 31 January 2020, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals, who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO (“**Register of Shareholders**”) or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (“**Voting Entitlements**”) (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Name	Capacity	Long positions in the Shares and underlying Shares	
		Number of Shares and underlying Shares held	Approximate Percentage of total issued Shares
(Note 1)			
Substantial Shareholders			
Lai Sun Development Company Limited (Note 2)	Owner of controlled corporation	1,113,260,072	74.62% (Note 4)
Lai Sun Garment (International) Limited (Note 3)	Owner of controlled corporations	1,113,260,072	74.62% (Note 4)
Dr. Lam Kin Ngok, Peter	Beneficial owner and owner of controlled corporations	1,116,054,515	74.81% (Note 4)
Other Persons			
Mr. Yu Cheuk Yi	Beneficial owner	148,982,000	9.99% (Note 5)
Ms. Yu Siu Yuk	Beneficial owner	148,982,000	9.99% (Note 5)

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

Notes:

1. The total number of issued Shares as at 31 January 2020 (1,491,854,598 Shares) has been used in the calculation of the approximate percentage.
2. As at 31 January 2020, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, were also executive directors of LSD. Madam U, a NED, was also a non-executive director of LSD.
3. As at 31 January 2020, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, and Madam U, a NED, were also executive directors of LSG. Mr. Yip Chai Tuck, an Executive Director, was also the chief executive officer of LSG.
4. These interests in the Company represented all the Shares beneficially owned by Transtrend Holdings Limited, an indirect wholly-owned subsidiary of LSD. As at 31 January 2020, LSG and Dr. Peter Lam were deemed to be interested in the same 1,113,260,072 Shares (approximately 74.62% of the total issued Shares) indirectly owned by LSD by virtue of his personal and deemed interests of approximately 41.96% (excluding share option) of the total issued LSG Shares; LSD was approximately 56.07% directly and indirectly owned by LSG; and LSG was approximately 12.52% (excluding share option) owned by Dr. Peter Lam and approximately 29.44% owned by Wisdoman Limited ("**Wisdoman**"), which in turn 100% beneficially owned by Dr. Peter Lam.

Upon receiving LSG Scrip Shares and LSD Scrip Shares on 13 February 2020, LSD was approximately 56.30% directly and indirectly owned by LSG. LSG was approximately 12.56% (excluding share option) owned by Dr. Peter Lam and approximately 29.54% owned by Wisdoman.

As at 31 January 2020, Dr. Peter Lam also holds 2,794,443 Shares as beneficial owner.

5. Based on the disclosure of interests notices received by the Company, as at 31 January 2020, Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 148,982,000 Shares (approximately 9.99% of the total issued Shares), which were held jointly by them.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) which/who, as at 31 January 2020, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 31 January 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 30 October 2018, an indirect non-wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement pursuant to which a 5-year term loan facility of an amount up to HK\$700,000,000 was granted to the borrower. The facility agreement was amended on 22 October 2019, pursuant to which LSD shall maintain its 20% direct or indirect holding interest (excluding the portion indirectly held through the Company) in the borrower. Upon a breach of this covenant, the lender may, *inter alia*, declare that the outstanding liability under the facility becomes immediately due.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report for the year ended 31 July 2019 are set out as follows:

The Group usually considers adjusting basic salaries and pays discretionary bonuses in January. Directors' remuneration for the six months ended 31 January 2020 and 2019 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2020				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	90	2,073	7	2,170 *
Chew Fook Aun	—	4,673	18	4,691 **
Lam Hau Yin, Lester	—	862	9	871 ^
Yip Chai Tuck	90	1,327	18	1,435 ^^
	180	8,935	52	9,167
<i>Non-executive Director:</i>				
U Po Chu	—	2,125	—	2,125 ^
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	363	30	—	393
Lo Kwok Kwei, David	145	30	—	175
Ng Lai Man, Carmen	195	30	—	225
Alfred Donald Yap	145	30	—	175
	848	120	—	968
Total	1,028	11,180	52	12,260

* The amounts included salaries and pension scheme contributions of HK\$347,000 paid by Lai Fung and fees of HK\$90,000 paid by MAGHL.

** The amounts included salaries and pension scheme contributions of HK\$2,345,000 paid by Lai Fung.

^ The amounts were paid by Lai Fung.

^^ The amounts included salaries and pension scheme contributions of HK\$762,000 paid by MAGHL.

Update on Directors' Information *(continued)*

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
Six months ended 31 January 2019				
<i>Executive Directors:</i>				
Lui Siu Tsuen, Richard	60	2,155	7	2,222 *
Chew Fook Aun	—	5,182	18	5,200 **
Lam Hau Yin, Lester	—	938	9	947 ^
Yip Chai Tuck	—	1,379	18	1,397 ^^
	60	9,654	52	9,766
<i>Non-executive Directors:</i>				
U Po Chu	—	2,137	—	2,137 ^
Andrew Y. Yan #	126	10	—	136
	126	2,147	—	2,273
<i>Independent Non-executive Directors:</i>				
Low Chee Keong	363	30	—	393
Lo Kwok Kwei, David	145	30	—	175
Ng Lai Man, Carmen	195	35	—	230
Alfred Donald Yap	145	35	—	180
	848	130	—	978
Total	1,034	11,931	52	13,017

* The amounts included salaries and pension scheme contributions of HK\$359,000 paid by Lai Fung and fees of HK\$60,000 paid by MAGHL.

** The amounts included salaries and pension scheme contributions of HK\$2,600,000 paid by Lai Fung.

^ The amounts were paid by Lai Fung.

^^ The amounts included salaries and pension scheme contributions of HK\$698,000 paid by MAGHL.

Mr. Andrew Y. Yan has resigned as a non-executive director of the Company with effect from 8 January 2019.

Employees and Remuneration Policies

As at 31 January 2020, the Group employed a total of around 2,770 (31 January 2019: 1,990) 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.

Since 1 August 2019, the Company has met with a number of research analysts and investors as well as attended non-deal roadshows and conferences as follows:

Month	Event	Organiser	Location
September 2019	HSBC 3rd Annual Asia Credit Conference	HSBC	Hong Kong
October 2019	J.P. Morgan Asia Credit Conference	J.P. Morgan	Hong Kong
November 2019	Post results non-deal roadshow	DBS	Hong Kong
November 2019	Post results non-deal roadshow	DBS	Singapore
November 2019	Post results non-deal roadshow	DBS	New York/Philadelphia/ Los Angeles/ San Francisco
November 2019	Post results non-deal roadshow	DBS	London
January 2020	Daiwa Hong Kong Expert Series — Hengqin & its position in the Greater Bay Area	Daiwa	Hong Kong

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

Review of Interim Report

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed this Interim Report (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2020, 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, 27 March 2020