



L A I S U N D E V E L O P M E N T

Lai Sun Development Company Limited
(Stock Code: 488)

Interim Report

For the six months ended 31 January 2020



Corporate Information

PLACE OF INCORPORATION

Hong Kong

BOARD OF DIRECTORS

Executive Directors

Lam Kin Ngok, Peter, *GBS (Chairman)*

Chew Fook Aun (*Deputy Chairman*)

Lau Shu Yan, Julius (*Chief Executive Officer*)

Lam Hau Yin, Lester

Tham Seng Yum, Ronald

(*appointed with effect from 19 August 2019*)

Non-executive Directors

Lam Kin Ming

U Po Chu

Independent Non-executive Directors

Ip Shu Kwan, Stephen, *GBS, JP*

Lam Bing Kwan

Leung Shu Yin, William

Leung Wang Ching, Clarence, *JP*

AUDIT COMMITTEE

Leung Shu Yin, William (*Chairman*)

Lam Bing Kwan

Leung Wang Ching, Clarence, *JP*

REMUNERATION COMMITTEE

Leung Shu Yin, William (*Chairman*)

Chew Fook Aun

Lam Bing Kwan

COMPANY SECRETARY

Chow Kwok Wor

REGISTERED OFFICE / PRINCIPAL OFFICE

11th Floor

Lai Sun Commercial Centre

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Kowloon, Hong Kong

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AUTHORISED REPRESENTATIVES

Chew Fook Aun

Chow Kwok Wor

SHARE REGISTRAR AND TRANSFER OFFICE

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 (Hong Kong) Limited

The Bank of East Asia, Limited

China Construction Bank (Asia) Corporation Limited

DBS Bank Ltd.

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Limited

Shanghai Pudong Development Bank Co., Ltd.

Standard Chartered Bank (Hong Kong) Limited

United Overseas Bank Limited

SHARES INFORMATION

Place of Listing

The Main Board of The Stock Exchange
of Hong Kong Limited

Stock Code / Board Lot

488 / 300 Shares

American Depositary Receipt

CUSIP Number: 50731V102

Trading Symbol: LSNVY

ADR to Ordinary Share Ratio: 1:8

Depository Bank: The Bank of
New York Mellon

WEBSITE

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INVESTOR RELATIONS

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The board of directors (the “**Board**”) of Lai Sun Development Company Limited (the “**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (the “**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	2,751,592	3,760,743
Cost of sales		(1,617,678)	(2,375,975)
Gross profit		1,133,914	1,384,768
Other revenue		192,614	117,696
Selling and marketing expenses		(107,672)	(114,826)
Administrative expenses		(498,868)	(483,764)
Other operating expenses		(967,675)	(547,727)
Fair value (losses)/gains on investment properties, net		(870,968)	304,219
Loss on remeasurement of existing interest in an associate upon business combination		—	(2,930,325)
Gain on bargain purchase on acquisition of subsidiaries		—	6,666,994
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	5	(1,118,655)	4,397,035
Finance costs	6	(336,235)	(240,063)
Share of profits and losses of associates		(287)	(4,368)
Share of profits and losses of joint ventures		(96,658)	744,642
(LOSS)/PROFIT BEFORE TAX		(1,551,835)	4,897,246
Tax	7	(71,598)	(95,449)
(LOSS)/PROFIT FOR THE PERIOD		(1,623,433)	4,801,797
Attributable to:			
Owners of the Company		(1,109,167)	5,076,304
Non-controlling interests		(514,266)	(274,507)
		(1,623,433)	4,801,797
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		HK\$(1.829)	HK\$8.376
Diluted		HK\$(1.829)	HK\$8.344

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)/PROFIT FOR THE PERIOD	(1,623,433)	4,801,797
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
<i>Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange realignments	(294,801)	397,511
Share of other comprehensive (expense)/income of associates	(1,232)	29
Share of other comprehensive income of joint ventures	452	10,329
	(295,581)	407,869
<i>Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair values of financial assets at fair value through other comprehensive income	(5,896)	(31,095)
Release of reserves upon remeasurement of existing interest in an associate upon business combination	—	215,211
Release of reserve upon winding-up and disposal of subsidiaries	—	(10,621)
	—	204,590
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	(301,477)	581,364
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	(1,924,910)	5,383,161
Attributable to:		
Owners of the Company	(1,123,764)	5,421,531
Non-controlling interests	(801,146)	(38,370)
	(1,924,910)	5,383,161

Condensed Consolidated Statement of Financial Position

As at 31 January 2020

	Notes	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,616,463	10,337,776
Prepaid land lease payments		—	1,623,441
Right-of-use assets		5,898,869	—
Investment properties		38,555,822	38,807,637
Properties under development		2,931,184	3,044,000
Film rights		22,918	24,608
Film products		71,240	75,022
Music catalogs		40,705	56,718
Goodwill		224,161	227,033
Other intangible assets		112,280	113,945
Investments in associates		348,267	344,433
Investments in joint ventures		7,442,098	7,411,355
Financial assets at fair value through other comprehensive income		1,901,838	1,907,735
Financial assets at fair value through profit or loss		702,897	645,631
Derivative financial instruments		58,769	53,784
Deposits, prepayments and other receivables		339,743	311,266
Deferred tax assets		13,916	39,371
Pledged and restricted bank balances and time deposits		85,565	81,345
Total non-current assets		66,366,735	65,105,100
CURRENT ASSETS			
Properties under development		2,537,621	3,807,868
Completed properties for sale		3,202,648	2,264,763
Films under production and film investments		419,296	417,242
Inventories		63,127	58,443
Financial assets at fair value through profit or loss		168,188	230,273
Debtors	9	306,043	300,468
Deposits, prepayments and other receivables		1,102,089	1,082,648
Prepaid tax		25,086	42,031
Pledged and restricted bank balances and time deposits		1,526,184	1,452,156
Cash and cash equivalents		2,839,864	3,722,107
Assets classified as held for sale		12,190,146	13,377,999
		34,879	142,883
Total current assets		12,225,025	13,520,882

Condensed Consolidated Statement of Financial Position

(Continued)

As at 31 January 2020

	Notes	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
CURRENT LIABILITIES			
Creditors, other payables and accruals	10	3,136,314	3,187,571
Deposits received, deferred income and contract liabilities		1,402,560	1,674,695
Lease liabilities		245,348	—
Tax payable		362,844	298,297
Bank borrowings		2,236,685	4,282,923
Other borrowings		41,148	41,440
Total current liabilities		7,424,899	9,484,926
NET CURRENT ASSETS		4,800,126	4,035,956
TOTAL ASSETS LESS CURRENT LIABILITIES		71,166,861	69,141,056
NON-CURRENT LIABILITIES			
Lease liabilities		1,139,903	—
Bank borrowings		12,172,499	8,988,292
Other borrowings		264,702	262,894
Guaranteed notes		5,710,164	5,736,654
Derivative financial instruments		3,660	—
Deferred tax liabilities		5,280,061	5,470,430
Other payables	10	83,049	87,410
Long-term deposits received		226,147	241,286
Total non-current liabilities		24,880,185	20,786,966
		46,286,676	48,354,090
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,081,774	4,081,774
Reserves		30,605,300	31,745,927
		34,687,074	35,827,701
Non-controlling interests		11,599,602	12,526,389
		46,286,676	48,354,090

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2020

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Fair value reserve HK\$'000	Share option reserve HK\$'000	Capital reduction reserve HK\$'000	General reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		
At 1 August 2019 (Audited)	4,081,774	1,663,216*	58,760*	4,692*	646,700*	(32,509)*	2,312*	(531,399)*	29,934,155*	35,827,701	12,526,389	48,354,090
Loss for the period	—	—	—	—	—	—	—	—	(1,109,167)	(1,109,167)	(514,266)	(1,623,433)
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:												
Exchange realignments	—	—	—	—	—	—	—	(7,677)	—	(7,677)	(287,124)	(294,801)
Share of other comprehensive (expense)/income of associates	—	—	—	—	—	—	—	(1,252)	—	(1,252)	20	(1,232)
Share of other comprehensive income of joint ventures	—	—	—	—	—	—	—	228	—	228	224	452
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:												
Changes in fair values of financial assets at fair value through other comprehensive income	—	(5,896)	—	—	—	—	—	—	—	(5,896)	—	(5,896)
Total comprehensive expense for the period	—	(5,896)	—	—	—	—	—	(8,701)	(1,109,167)	(1,123,764)	(801,146)	(1,924,910)
Final 2019 dividend declared [†]	—	—	—	—	—	—	—	—	(65,498)	(65,498)	—	(65,498)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	47,733	—	—	—	47,733	(98,896)	(51,163)
Equity-settled share option arrangements	—	—	3,248	—	—	—	—	—	—	3,248	674	3,922
Release of reserve upon lapse of share options	—	—	(841)	—	—	—	—	—	956	115	(115)	—
Shares issued by a subsidiary upon exercise of share options	—	—	—	—	—	(2,461)	—	—	—	(2,461)	3,190	729
Transfer to statutory reserve	—	—	—	—	—	—	6,472	—	(6,472)	—	—	—
Dividends payable to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(32,402)	(32,402)
Capital contributions from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	2,308	2,308
Repayment to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	(400)	(400)
At 31 January 2020 (Unaudited)	4,081,774	1,657,320*	61,167*	4,692*	646,700*	12,763*	8,784*	(540,100)*	28,753,974*	34,687,074	11,599,602	46,286,676

* These reserve accounts comprise the consolidated reserves of HK\$30,605,300,000 (31 July 2019: HK\$31,745,927,000) in the condensed consolidated statement of financial position.

† On 20 December 2019, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.108 per share payable in cash with a scrip dividend alternative for the year ended 31 July 2019 (the "2019 Final Dividend"). The 2019 Final Dividend was settled subsequently in February 2020.

Further details are set out in the Company's circular dated 8 January 2020.

^ The amounts arose from the acquisition of 20% equity interest in Rosy Commerce Holdings Limited (a non-wholly-owned subsidiary of the Company) from Sunny Horizon Investments Limited (an indirect wholly-owned subsidiary of eSun Holdings Limited ("eSun")) for a consideration of HK\$557,250,000 during the six months ended 31 January 2020.

Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 31 January 2020

	Attributable to owners of the Company										Total HK\$'000	
	Share capital HK\$'000	Fair value reserve HK\$'000	Share option reserve HK\$'000	Capital reduction reserve HK\$'000	General reserve HK\$'000	Other reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		Non- controlling interests HK\$'000
At 1 August 2018 (Audited)	4,076,816	1,765,632	64,490	4,692	646,700	203,296	54,581	(437,161)	24,779,647	31,158,693	459,988	31,618,681
Profit/(loss) for the period	—	—	—	—	—	—	—	—	—	—	—	—
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:	—	—	—	—	—	—	—	—	—	—	—	—
Exchange realignments	—	—	—	—	—	—	—	161,915	—	161,915	235,596	397,511
Share of other comprehensive (expense)/income of associates	—	—	—	—	—	—	—	(3)	—	(3)	32	29
Share of other comprehensive income of joint ventures	—	—	—	—	—	—	—	3,863	—	3,863	6,466	10,329
Other comprehensive (expense)/income that will not be reclassified to profit or loss in subsequent periods:	—	—	—	—	—	—	—	—	—	—	—	—
Changes in fair values of financial assets at fair value through other comprehensive income	—	(31,748)	—	—	—	—	—	—	—	(31,748)	653	(31,095)
Release of reserves upon remeasurement of existing interest in an associate upon business combination	—	383	—	—	—	—	—	214,828	—	215,211	—	215,211
Release of reserves upon winding-up and disposal of subsidiaries	—	—	—	—	—	—	—	(4,011)	—	(4,011)	(6,610)	(10,621)
Total comprehensive income/(expense) for the period	—	(31,365)	—	—	—	—	—	376,592	5,076,304	5,421,531	(38,370)	5,383,161
Final 2018 dividend declared*	—	—	—	—	—	—	—	—	(65,456)	(65,456)	—	(65,456)
Dividends paid/payable to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	(33,712)	(33,712)
Repayment to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(5)	(5)
Capital contributions from non-controlling interests of subsidiary	—	—	—	—	—	—	—	—	—	—	858	858
Release of reserve upon cancellation and lapse of share options issued by a subsidiary	—	—	—	—	—	—	—	—	15,054	15,054	(15,054)	—
Equity-settled share option arrangements of a subsidiary	—	—	—	—	—	—	—	—	—	—	2,322	2,322
Transfer to statutory reserve	—	—	—	—	—	—	6,975	—	(6,975)	—	—	—
Release of reserves upon deregistration of a joint venture	—	—	—	—	—	—	(69,114)	—	69,114	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	12,400,728	12,400,728
Acquisition of additional interests in a subsidiary	—	—	—	—	—	(21,477)	—	—	—	(21,477)	(16,342)	(37,819)
Release of reserves upon remeasurement of existing interest in an associate upon business combination	—	—	(5,730)	—	—	(207,233)	(54,581)	—	267,544	—	—	—
At 31 January 2019 (Unaudited)	4,076,816	1,734,267	58,760	4,692	646,700	(25,414)	(62,139)	(60,569)	30,135,232	36,508,345	12,760,413	49,268,758

* On 21 December 2018, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.108 per share payable in cash with a scrip dividend alternative for the year ended 31 July 2018 (the "2018 Final Dividend"). The 2018 Final Dividend was settled subsequently in February 2019.

Further details are set out in the Company's circular dated 10 January 2019.

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	(507,968)	(903,357)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(311,784)	(986,910)
Additions to investment properties	(810,258)	(900,254)
Deposits paid for additions to investment properties	(5,439)	(17,204)
Acquisition of financial assets at fair value through other comprehensive income	—	(249,875)
Acquisition of subsidiaries	—	1,400,920
Proceeds from disposal of an associate	—	23,800
Advances to associates	(13,474)	(651)
Advances to joint ventures	(276,533)	(1,300)
Repayment from joint ventures	145,980	213,812
Dividends received from financial assets at fair value through other comprehensive income	20,777	16,100
Dividend received from a joint venture	—	1,540,176
Increase in pledged and restricted bank balances and time deposits	(78,248)	(26,423)
Decrease in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	39,309	—
Others	(38,535)	(59,318)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(1,328,205)	952,873
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	5,581,397	3,900,058
Repayment of bank borrowings	(4,429,441)	(3,672,371)
Bank financing charges	(39,760)	(10,509)
Principal portion of lease payments	(144,245)	—
Proceeds from issue of shares of a subsidiary	729	—
Loans from a joint venture	—	462,834
Repayment of loans from a joint venture	—	(825,225)
Increase in other borrowings	—	41,560
Increase in put option liabilities	—	280,532
Acquisition of additional interests in a subsidiary	—	(37,819)
Dividend paid to non-controlling interests of subsidiaries	—	(1,405)
Capital contribution from non-controlling interests of a subsidiary	2,308	858
Amount received from a potential non-controlling interest	110,963	—
Others	(400)	—
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,081,551	138,513

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 31 January 2020

	Six months ended	
	31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(754,622)	188,029
Cash and cash equivalents at beginning of period	3,682,798	3,958,416
Effect of foreign exchange rate changes, net	(88,312)	64,211
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,839,864	4,210,656
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	2,564,491	3,206,873
Non-pledged and non-restricted time deposits	275,373	1,003,783
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	2,839,864	4,210,656

Notes to Condensed Consolidated Interim Financial Statements

31 January 2020

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2020 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 (the “**Stock Exchange**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the year ended 31 July 2019 that is included in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2020 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The condensed consolidated interim financial statements have not been audited by the Company’s auditor but have been reviewed by the Company’s audit committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group’s audited consolidated financial statements for the year ended 31 July 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”), which are effective for the Group’s financial year beginning on 1 August 2019.

New and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s unaudited financial statements:

Amendments to HKFRS 9 HKFRS 16	<i>Prepayment Features with Negative Compensation 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 to HKFRSs 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 application of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and revised HKFRSs (Continued)

Adoption of HKFRS 16

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 has 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.

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, shop units 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 lease 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).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and revised HKFRSs (Continued)

Adoption of HKFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impact on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted 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 3.83%. The Group elected to present the lease liabilities separately in the condensed consolidated statement of financial position.

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 condensed 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 in the condensed consolidated statement of financial position as at 31 July 2019 were reclassified to right-of-use assets on 1 August 2019. The Group elected to present the right-of-use assets separately in the 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/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 initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and revised HKFRSs (Continued)

Adoption of HKFRS 16 (Continued)

Financial impact at 1 August 2019

The impact arising from the adoption of HKFRS 16 as at 1 August 2019 was as follows:

	Increase/(decrease) (Unaudited) HK\$'000
Assets	
Right-of-use assets	5,811,886
Property, plant and equipment	(2,887,251)
Prepaid land lease payments	(1,623,441)
Deposits, prepayments and other receivables	(4,544)
Increase in total assets	1,296,650
Liabilities	
Lease liabilities	1,347,454
Creditors, other payables and accruals	(50,804)
Increase in total liabilities	1,296,650

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

	(Unaudited) HK\$'000
Operating lease commitments as at 31 July 2019	1,627,815
Add: Payments for optional extension periods not recognised as at 31 July 2019	71,094
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	(140,634)
Total future interest expenses	(210,821)
Discounted operating lease commitments and lease liabilities as at 1 August 2019	1,347,454

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and revised HKFRSs (Continued)

Adoption of HKFRS 16 (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. 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 "Properties under development" and "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.

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

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3. SEGMENT INFORMATION

The following table presents revenue and results for the Group's reportable segments:

	Six months ended 31 January (Unaudited)																					
	Property development and sales		Property investment		Hotel operation		Restaurant operation		Media and entertainment		Film production and distribution		Cinema operation		Others		Eliminations		Consolidated			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:																						
Sales to external customers	744,841	1,751,268	683,516	673,893	478,532	280,620	233,355	269,828	202,827	233,062	111,354	240,257	194,566	214,277	102,601	97,488	—	—	—	—	2,751,592	3,760,743
Intersegment sales	—	—	20,890	20,329	676	1,018	56	130	86	28	5,252	7,161	686	845	17,442	15,996	(45,088)	(45,088)	—	—	—	—
Other revenue	54,107	4,854	10,963	23,713	736	1,274	884	227	4,605	3,349	1,671	4,069	18,700	10,673	13,602	40,104	—	—	—	105,268	88,263	—
Total	798,948	1,756,122	715,369	717,975	479,944	282,912	234,295	270,185	207,518	236,439	118,277	251,487	213,952	225,795	133,645	153,598	(45,088)	(45,088)	(45,507)	(45,507)	2,856,860	3,849,006
Segment results	(60,282)	367,943	297,709	432,134	(103,414)	(136,051)	(42,257)	(2,102)	8,156	14,420	(17,849)	(36,610)	(153,957)	(48,246)	(61,131)	(21,823)	—	—	—	—	(133,025)	569,665
Unallocated other revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	87,346	29,433
Fair value (losses)/gains on investment properties, net	—	—	(870,968)	304,219	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(870,968)	304,219
Unallocated expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(202,008)	(242,951)
Loss on remeasurement of existing interest in an associate upon business combination	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,930,325)
Gain on bargain purchase on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,666,994
(Loss)/profit from operating activities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,118,655)	4,397,035
Finance costs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(336,235)	(240,063)
Share of profits and losses of associates	53	45	(8)	23	(221)	(180)	(260)	(6)	(30)	(34)	27	113	—	463	282	261	—	—	—	—	(157)	685
Share of profits and losses of associates — unallocated	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(130)	(5,053)
Share of profits and losses of joint ventures	61,848	551,477	(158,597)	194,675	—	—	—	—	869	(766)	(778)	(744)	—	—	—	—	—	—	—	—	(96,658)	744,642
(Loss)/profit before tax	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,551,835)	4,897,246
Tax	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(71,598)	(95,449)
(Loss)/profit for the period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,623,433)	4,801,797

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

3. SEGMENT INFORMATION (CONTINUED)

The following table presents the total assets and liabilities for the Group's reportable segments:

	Property development and sales		Property investment		Hotel operation		Restaurant operation		Media and entertainment		Film production and distribution		Cinema operation		Others		Consolidated	
	31 January 2020	31 July 2019	31 January 2020	31 July 2019	31 January 2020	31 July 2019	31 January 2020	31 July 2019	31 January 2020	31 July 2019	31 January 2020	31 July 2019	31 January 2020	31 July 2019	31 January 2020	31 July 2019	31 January 2020	31 July 2019
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	8,962,314	9,432,089	40,958,916	41,153,140	9,760,861	9,394,633	692,683	568,971	388,814	474,906	895,607	877,035	1,543,451	719,620	3,619,849	4,292,515	66,822,495	66,912,909
Interests in associates	2,308	2,251	1,165	58,04	178,645	182,812	(10,071)	(10,105)	—	—	—	—	—	—	2,405	2,975	174,452	183,737
Interests in associates — unallocated	—	—	—	—	—	—	—	—	12,142	17,804	1,228	2,071	—	—	—	—	173,815	160,696
Interests in joint ventures	1,250,904	1,329,107	5,903,777	6,062,373	274,047	—	—	—	—	—	—	—	—	—	—	—	7,442,098	7,411,355
Unallocated assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,944,021	3,814,402
Assets classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	34,879	142,883
Total assets	1,089,225	1,325,075	1,128,504	1,495,079	1,102,485	664,478	226,487	61,600	97,202	181,195	481,131	417,061	1,145,742	205,151	447,524	469,519	5,718,300	4,819,158
Segment liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bank borrowings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Guaranteed notes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other borrowings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	32,305,084	30,271,892															78,591,760	78,625,982

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

4. TURNOVER

An analysis of 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	744,841	1,751,268
Building management fee income	97,300	96,746
Income from theme park operation	13,949	—
Income from hotel operation	478,532	280,620
Income from restaurant operation	233,355	269,828
Entertainment event income	66,886	77,354
Distribution commission income from, licence fee income from and sales of 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	194,566	214,277
Artiste management fee income	7,413	9,768
Advertising income	1,410	2,045
Sale of game products	84,681	103,132
Others	102,601	97,498
	2,179,325	3,183,556
Turnover from other source:		
Rental income	572,267	577,187
Total turnover	2,751,592	3,760,743
Timing of recognition of turnover from contracts with customers		
At a point in time	1,856,933	2,952,194
Over time	322,392	231,362
	2,179,325	3,183,556

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

5. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended	
	31 January 2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment [®]	238,916	192,012
Depreciation of right-of-use assets [®]	217,667	—
Interest income from bank deposits	(18,790)	(23,265)
Other interest income	(14,306)	(14,057)
Dividend income from financial assets at fair value through other comprehensive income	(20,777)	(16,100)
Foreign exchange gains, net*	(32,530)	(15,858)
Amortisation of film rights [#]	1,826	1,730
Amortisation of film products [#]	39,631	197,283
Amortisation of music catalogs [#]	16,013	13,362
Amortisation of other intangible assets [^]	199	539
Impairment of property, plant and equipment [^]	97,050	9,505
Write-down of property under development to net realisable value [^]	229,470	—
Gain on disposal of an associate [^]	—	(19,705)
Loss on disposal of assets classified as held for sale [^]	5,204	—
Fair value losses on financial assets at fair value through profit or loss [^]	15,300	—
Fair value (gains)/losses on cross currency swaps	(4,984)*	8,479 [^]
Fair value losses on foreign currency forward contract [^]	3,660	—

[®] Depreciation charge of approximately HK\$413,594,000 (Six months ended 31 January 2019: HK\$174,866,000) is included in "other operating expenses" on the face of the unaudited condensed consolidated income statement.

* These items are included in "other revenue" 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.

[^] These items are included in "other operating expenses" on the face of the unaudited condensed consolidated income statement.

(b) Other than those mentioned in note 5(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operation in Vietnam of approximately HK\$26,828,000 (Six months ended 31 January 2019: HK\$18,854,000).

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

6. FINANCE COSTS

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank borrowings	284,628	275,930
Interest on guaranteed notes	158,914	157,540
Interest on other borrowings	2,881	2,895
Interest on loans from a joint venture	—	7,112
Interest on lease liabilities	29,819	—
Bank financing charges	27,701	38,095
Interest expenses arising from revenue contracts	7,191	28,695
	511,134	510,267
Less: Amount capitalised in construction in progress	(17,680)	(98,027)
Amount capitalised in properties under development	(64,776)	(102,489)
Amount capitalised in investment properties under construction	(92,443)	(69,688)
	336,235	240,063

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places 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 tax		
Hong Kong	19,577	70,715
Mainland China	99,027	97,410
Overseas	12,555	8,899
	131,159	177,024
Deferred tax	(60,894)	(79,243)
Prior periods' underprovision/(overprovision)		
Hong Kong	(99)	(52)
Mainland China	(150)	(3)
Overseas	1,582	(2,277)
	1,333	(2,332)
Tax charge for the period	71,598	95,449

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

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

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	(1,109,167)	5,076,304
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	606,464	606,077
Effect of dilutive potential ordinary shares arising from share options (Note)	—	2,265
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	606,464	608,342

Note:

No adjustment has been made to the basic loss per share amount presented for the period ended 31 January 2020 in respect of a dilution as the impact of the share options of the Company and 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 amount presented.

9. DEBTORS

The 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 restaurant charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

The trading terms of the eSun and its subsidiaries (the "**eSun 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 eSun 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 eSun 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 eSun Group as the customer bases of the eSun Group's debtors are widely dispersed in different sectors and industries.

Other than rental deposits received, the Group does not hold any collateral or other credit enhancements over these balances.

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

9. DEBTORS (CONTINUED)

An ageing analysis of the debtors, net of loss allowance, based on the payment due date, as at the end of the reporting period, is as follows:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Debtors:		
Not yet due or less than 30 days past due	227,248	239,202
31 — 60 days past due	19,050	28,133
61 — 90 days past due	24,625	7,390
Over 90 days past due	35,120	25,743
	306,043	300,468

10. CREDITORS, OTHER PAYABLES AND ACCRUALS

An ageing analysis of the creditors, based on the date of receipt of the good and services purchased/payment due date, as at the end of the reporting period, is as follows:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Creditors:		
Not yet due or less than 30 days past due	290,684	995,612
31 — 60 days past due	12,449	7,644
61 — 90 days past due	5,109	6,376
Over 90 days past due	30,557	10,261
	338,799	1,019,893
Other payables and accruals	2,537,319	1,975,368
Dividend payable	65,498	—
Put option liabilities	277,747	279,720
	3,219,363	3,274,981
Less: Portion classified as current	(3,136,314)	(3,187,571)
Non-current portion	83,049	87,410

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

11. SHARE OPTION SCHEMES

The Company

The Company adopted a new share option scheme on 11 December 2015 and terminated the share option scheme previously adopted on 22 December 2006. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme.

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

	Number of the Company's underlying shares comprised in the Company's share options
Outstanding as at 1 August 2019	14,359,534
Granted during the period	800,000
Lapsed during the period	(166,400)
Outstanding and exercisable as at 31 January 2020	14,993,134

The closing price of the Company's shares immediately before the date of grant of the Company's share options during the period was HK\$9.520 per share.

The fair value of the share options granted by the Company during the period was approximately HK\$3,248,000, HK\$4.060 each, of which the Group recognised the entire amount as a share option expense for the six months ended 31 January 2020.

The fair value of equity-settled share options granted by the Company during the period was estimated as at the date of acceptance using the Binomial Option Pricing Model ("**Binomial Model**"), taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of valuation	20 August 2019
Closing share price (HK\$ per the Company's share)	9.750
Exercise price (HK\$ per the Company's share)	9.920
Option life (years)	10
Risk-free interest rate (%)	1.035
Dividend yield (%)	0.982
Expected volatility (%)	38.839
Historical volatility (%)	38.839
Forfeiture rate (%)	0.0

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

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

11. SHARE OPTION SCHEMES (CONTINUED)

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 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 Lai Fung's underlying 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 and exercisable as at 31 January 2020	11,124,526

The closing price of Lai Fung's shares immediately before the date of grant of Lai Fung's share options during the period was HK\$6.76 per Lai Fung's share.

The fair value of the share options granted by Lai Fung during the period was approximately HK\$674,000, HK\$1.348 each (six months ended 31 January 2019: HK\$2,322,000, HK\$4.0033 each) which was recognised as a share option expense of approximately HK\$674,000 (six months ended 31 January 2019: HK\$2,322,000) and HK\$303,000 (six months ended 31 January 2019: HK\$743,000) (before and after capitalisation to properties under development/investment properties under construction/construction in progress, respectively) for the six months ended 31 January 2020.

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

Date of valuation	20 August 2019	22 January 2019
Closing share price (HK\$ per Lai Fung's share)	6.610	10.180
Exercise price (HK\$ per Lai Fung's share)	6.784	10.180
Option life (years)	10	10
Risk-free interest rate (%)	1.035	2.0202
Dividend yield (%)	2.020	2.0202
Expected volatility (%)	39.134	46.8070
Historical volatility (%)	39.134	46.8070
Forfeiture rate (%)	0.0	2.5329

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

Notes to Condensed Consolidated Interim Financial Statements

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31 January 2020

12. CAPITAL COMMITMENTS

The Group had the following commitments not provided for in the condensed consolidated interim financial statements at the end of the reporting period:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Contracted, but not provided for		
Purchase of items of property, plant and equipment	9,091	11,460
Additions to investment properties	14,792	9,773
Construction, development and resettlement costs	407,635	1,288,365
	431,518	1,309,598

13. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following material transactions with related parties during the period:

(a) Transactions with related parties

		Six months ended 31 January 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Rental expenses and building management fees paid or payable to*:			
— Lai Sun Garment (International) Limited ("LSG")	(Note)	684	865
— an associate of LSG	(Note)	886	1,230
Interest income received or receivable from advance to joint ventures	(Note)	6,225	5,579
Interest expenses paid or payable from loans from joint ventures	(Note)	—	7,112
Production fee paid or payable to joint ventures	(Note)	770	1,200
Management and other service fees paid or payable to a subsidiary of a substantial shareholder of Lai Fung	(Note)	4,695	5,015
Sharing of corporate salaries on a cost basis allocated to LSG		5,403	5,870
Sharing of administrative expenses on a cost basis allocated to LSG		884	2,657
Sharing of corporate salaries on a cost basis allocated from LSG		4,043	3,914

Note: These transactions were entered into based on the agreements or contracts and were charged on bases mutually agreed by the respective parties.

* Right-of-use assets of approximately HK\$3,660,000 and lease liabilities of approximately HK\$3,692,000 upon adoption of HKFRS 16 related to the leases with related parties 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 approximately HK\$552,000 and finance costs on lease liabilities of approximately HK\$31,000 were recognised in unaudited condensed consolidated income statement.

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

13. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel of the Group

	Six months ended	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	37,098	35,802
Pension scheme contributions	189	167
Equity-settled share option expenses	3,922	—
Total compensation paid to key management personnel	41,209	35,969

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments for which fair value is disclosed

Except for the guaranteed notes with a fair value in aggregate of approximately HK\$5,666,848,000 (31 July 2019: HK\$5,686,417,000), of which the fair value was determined by reference to the closing prices of the guaranteed notes published by a leading global financial market data provider as at the end of the reporting period, the directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximate to their fair values as at the end of the reporting period.

Financial instruments measured at fair value

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 31 January 2020				
Financial assets				
Financial assets at fair value through other comprehensive income	42,913	—	1,858,925	1,901,838
Financial assets at fair value through profit or loss	33,465	743,825	93,796	871,086
Derivative financial instruments — cross currency swaps (“CCSs”)	—	—	58,769	58,769
Financial assets included in deposits, prepayments and other receivables	—	—	28,578	28,578
Film investments	—	—	9,096	9,096
	76,378	743,825	2,049,164	2,869,367
Financial liabilities				
Derivative financial instruments — foreign currency forward contract	—	3,660	—	3,660

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2020

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments measured at fair value (Continued)

	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	Total (Audited) HK\$'000
As at 31 July 2019				
Financial assets				
Financial assets at fair value through other comprehensive income	44,298	—	1,863,437	1,907,735
Financial assets at fair value through profit or loss	34,106	748,457	93,341	875,904
Derivative financial instruments — CCSs	—	—	53,784	53,784
Financial assets included in deposits, prepayments and other receivables	—	—	17,899	17,899
Film investments	—	—	8,466	8,466
	78,404	748,457	2,036,927	2,863,788

During the six months ended 31 January 2020, there were no transfer of fair value measurement between Level 1 and Level 2 (Six months ended 31 January 2019: Nil).

During the six months ended 31 January 2020, there were no transfer of fair value measurements into or out of Level 3. During the six months ended 31 January 2019, fair value measurement of a financial asset at fair value through other comprehensive income had been transferred out of Level 3 to Level 1 because there was a quoted market price in an active market.

The movements in fair value measurements in Level 3 of the principal financial instruments during the period are as follows:

Financial assets at fair value through other comprehensive income

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
At beginning of period	1,863,437	1,809,743
Total (losses)/gains recognised in other comprehensive income	(4,512)	34,202
Additions	—	97,102
Transfer to Level 1	—	(119,336)
At end of period	1,858,925	1,821,711

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques

Fair value measurement using significant unobservable inputs (Level 2)

The fair values of certain financial assets at fair value through profit or loss are based on the fair values of the underlying investment portfolio provided by the fund managers.

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.

Fair value measurement using significant unobservable inputs (Level 3)

Each year, the Group's management appoints external valuers to be responsible for the external valuations of the Group's financial instruments (the "**Financial Instrument Valuers**"). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the Financial Instrument Valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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

- (i) Fair value of the equity interest in an investee company, classified as financial assets at fair value through other comprehensive income, has been estimated using the fair value of investment properties held by the investee company, which is determined by the market approach and income approach. The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analysing such sales, which qualify as "arms-length" transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available. The income approach is an approach to valuation that provides an indication of value by converting future cash flows to a single current capital value. The current capital value is projected based on discounted cash flow method. It is a process of valuing an investment property or asset by undertaking an estimation of future cash flows and taking into account the time value of money.
- (ii) Derivative financial instruments — CCSs are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves as well as other unobservable inputs. The carrying amounts of the derivative financial instruments are the same as their fair values.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

31 January 2020

14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques (Continued)

Information about fair value measurement using significant unobservable inputs (Level 3)

	Valuation technique	Significant unobservable inputs	Value of unobservable inputs	Notes
31 January 2020				
Financial assets at fair value through other comprehensive income	Income approach	Average monthly market rent per square foot	HK\$152	1
		Capitalisation rate	2.85%	2
Derivative financial instruments — CCSs	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$1.21 million to HK\$32.05 million	3
		Expected exposure at default — the Group	HK\$0.09 million to HK\$22.45 million	4
		Credit spread — counterparty	6.52 basis points to 96.44 basis points	5
		Credit spread — the Group	15.46 basis points to 520.06 basis points	6
		Loss given default ratio — counterparty non-performance risk	80%	7
		Loss given default ratio — own credit risk	60%	8
31 July 2019				
Financial assets at fair value through other comprehensive income	Income approach	Average monthly market rent per square foot	HK\$158	1
		Capitalisation rate	2.85%	2
Derivative financial instruments — CCSs	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$1.58 million to HK\$37.93 million	3
		Expected exposure at default — the Group	HK\$0.33 million to HK\$33.13 million	4
		Credit spread — counterparty	9.07 basis points to 106.44 basis points	5
		Credit spread — the Group	18.59 basis points to 517.02 basis points	6
		Loss given default ratio — counterparty non-performance risk	80%	7
		Loss given default ratio — own credit risk	60%	8

Notes:

1. The higher the market rent, the higher the fair value
2. The higher the capitalisation rate, the lower the fair value
3. The higher the expected exposure at default — counterparty, the lower the fair value of CCS
4. The higher the expected exposure at default — the Group, the higher the fair value of CCS
5. The higher the credit spread — counterparty, the lower the fair value of CCS
6. The higher the credit spread — the Group, the higher the fair value of CCS
7. The higher the loss given default ratio — counterparty, the lower the fair value of CCS
8. The higher the loss given default ratio — the Group, the higher the fair value of CCS

Notes to Condensed Consolidated Interim Financial Statements

(Continued)

31 January 2020

15. EVENT AFTER THE REPORTING PERIOD

On 21 February 2020, Holy Unicorn Limited ("**Offeror**", a wholly-owned subsidiary of the Company) 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 the Company, the Offeror or the other wholly-owned subsidiaries of the Company), including the Lai Fung shares owned by eSun, 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, LSG, eSun, Lai Fung and the Offeror dated 21 February 2020.

Interim Ordinary Dividend

The Board of the Company has resolved not to declare the payment of an interim ordinary dividend for the financial year ending 31 July 2020. No interim ordinary dividend was declared in respect of the last corresponding period.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Global economy in 2019 had been preoccupied by events including the trade disputes between the United States and China, the ongoing development of Brexit, as well as the prolonged social unrest in Hong Kong. Heading into 2020, the outbreak of the novel coronavirus (COVID-19) and the oil price war between Russia and Saudi Arabia had taken global investors by surprise. Particularly, the rapid escalation of the novel coronavirus to a global pandemic had triggered temporary disruptions in business operations and panic selloffs in financial markets. While the long term impact of such events remains difficult to be quantified as the situation is dynamically changing, especially since March 2020, investor confidence in the near term has inevitably been negatively affected. In unprecedented times like now, the Group has been proactive in preparation for the challenges ahead, and will work closely with its stakeholders, and continue to prudently manage its financial position to weather the storm.

Hong Kong and Overseas Property Market

During the six months ended 31 January 2020 (“**Period Under Review**”), the Group’s Hong Kong investment properties performed relatively steady, contributing approximately HK\$285.4 million in turnover, compared to HK\$274.8 million for the six months ended 31 January 2019 (“**Last Corresponding Period**”). Subsequent to its official commencement of operations on 19 February 2019, the Hong Kong Ocean Park Marriott Hotel (“**Ocean Park Marriott Hotel**”) added a total of 471 rooms and approximately 365,974 square feet of attributable rental space to the rental portfolio of the Group. Despite the challenging market conditions brought to the Hong Kong economy, and particularly tourism and hotel industries due to the social unrest in 2019, which had led to a significant decline in number of visitors to Hong Kong, especially tourists from Mainland China, Ocean Park Marriott Hotel still managed to deliver an average occupancy rate of approximately 68% during the Period Under Review. This is largely attributable to the fact that over half of guests of Ocean Park Marriott Hotel during the Period Under Review were local Hong Kong residents, as compared to inbound tourists. On 16 September 2019, the Group also managed to secure a HK\$3,600 million 4-year secured term loan facility with 18 leading banks to finance Ocean Park Marriott Hotel. The facility was the first green loan solely used to finance a hotel property in Hong Kong and received a total commitment of HK\$12,200 million, representing approximately 339% of the total facility amount.

The Group continued to monitor the market conditions in London for the potential redevelopment of the three properties on Leadenhall Street in London, comprising 100, 106 and 107 Leadenhall Street (together, the “**Leadenhall Properties**”). Planning consent with respect to the potential redevelopment of the Leadenhall Properties had been approved by the City of London’s Planning and Transportation Committee, and all leases of the Leadenhall Properties had been aligned to expire in 2023. During the Period Under Review, the Group had further expanded its hotel portfolio subsequent to its acquisition of 50% interest in Fairmont St. Andrews resort in Fife, Scotland in December 2019. This 211-bedroom five-star hotel, sitting on 520 acres of land with two private Manor Homes of four bedrooms each enjoys spectacular cliff-top views and boasts two championship golf courses in addition to a 10-treatment room spa, five restaurants and bars, as well as 3,000 square meters of conference and event space.

Management Discussion and Analysis *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(CONTINUED)*

Hong Kong and Overseas Property Market *(Continued)*

Ground investigations for the site located at Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong had been completed during the Period Under Review and demolition works are in progress. Upon its expected completion in 2024, this residential project is expected to add a total Gross Floor Area (“GFA”) of approximately 42,200 square feet to the development portfolio of the Group. Meanwhile, the Group had also completed the ground investigations for the site located at Nos. 12-30 Hang On Street, Kwun Tong, Hong Kong during the Period Under Review and piling foundation works are in progress. Upon its expected completion in 2023, this residential project is expected to add approximately 64,000 square feet of the development portfolio of the Group.

The sale and handover of 584 units in Alto Residences have been completed, achieving an average selling price of approximately HK\$17,400 per square foot and handover of sold units have been substantially completed. The Group has released in total 110 car-parking spaces of Alto Residences for sale since March 2019. Up to 22 March 2020, 64 car-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$173.3 million.

The sale and handover of all 209 residential units of 93 Pau Chung Street have been completed, achieving an average selling price of approximately HK\$16,400 per square foot. The Group released the commercial units of 93 Pau Chung Street for sale in July 2018. Up to 22 March 2020, all 7 commercial units with saleable area of approximately 15,900 square feet have been sold and handed over at an average selling price of approximately HK\$23,500 per square foot. Car-parking spaces of 93 Pau Chung Street were launched for sale in July 2019. Up to 22 March 2020, 3 out of 20 car-parking spaces and 3 out of 5 motor-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$5.3 million.

Construction of Novi, the Ki Lung Street project in Sham Shui Po, Kowloon, Hong Kong, has been completed with the Occupation Permit issued by the Buildings Department in July 2019. Handover of 137 out of 138 residential units that was pre-sold has been completed. The Group released the 4 commercial units of Novi for sale in October 2019.

The Sai Wan Ho Street project with the Urban Renewal Authority in Shau Kei Wan, Hong Kong, named “Monti” providing 144 residential units with a total saleable area of 45,856 square feet was launched for pre-sale in August 2018. Up to 22 March 2020, the Group has pre-sold 93 units in Monti with saleable area of approximately 28,800 square feet at an average selling price of approximately HK\$20,700 per square foot. Construction of Monti was completed by the end of 2019, with the Occupation Permit issued by the Buildings Department in October 2019. The Certificate of Compliance has been issued by the Lands Department in March 2020 and handover of the pre-sold residential units will commence soon.

The Group will continue its prudent and flexible approach and will continue to participate in government tenders to grow the pipeline.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

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 in the Mainland 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. Subsequent to the Period Under Review, on 12 March 2020, the World Health Organisation officially declared the outbreak of the novel coronavirus a pandemic as confirmed cases surged to over 118,000 in 114 countries, posing a threat to the global supply chain. 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 in Mainland China will remain as the primary drivers for the rental 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.

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 alliance 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.

Management Discussion and Analysis *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(CONTINUED)*

Mainland China Property Market *(Continued)*

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, its existing presence in the relevant cities, and allocation of risks etc.

The Group's acquisition ("**Novotown Phase I Acquisition**") of the 20% equity interest in Novotown Phase I from eSun Holdings Limited ("**eSun**", and together with its subsidiaries "**eSun Group**"), which has been approved by shareholders of eSun and completed in September 2019, enabled the Group to leverage their extensive resources and experience in property investment and development as well as consolidate its exposure in the Hengqin project and thereby strengthen its presence in the Greater Bay Area. As at the date of this Report, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by the Group.

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 since early 2020. While the social unrest had led to a decline in the number of tourist arrivals and, particularly, visitors from Mainland China, and in the foot traffic at shopping malls in Hong Kong, the outbreak of 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, eSun Group's business performance as well, during the Period Under Review, and may have lingering effects into the rest of 2020.

In response to such unprecedented events, eSun Group had implemented certain measures aimed to contain the spread of the novel coronavirus, and to ensure eSun 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 eSun Group in Hong Kong have been closed temporarily, since 28 March 2020. eSun 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, eSun 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, eSun 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.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

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

- 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. eSun 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. eSun Group will continue to work with prominent local and Asian artistes for concert promotion.
- 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 music products with Tencent Music Entertainment (Shenzhen) Co., Ltd. and Warner Music continue to provide stable income streams to eSun 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. eSun 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 — eSun 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 a total box office revenue of HK\$792.5 million, representing a decrease of approximately 10.0% as compared to the Last Corresponding Period. The decline in eSun Group’s box office revenue for the Period Under Review as compared to the Last Corresponding Period 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, eSun 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 Hong Kong, 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. eSun 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.

Management Discussion and Analysis *(Continued)*

BUSINESS REVIEW AND OUTLOOK *(CONTINUED)*

Other Business Updates

The public float of the Company has fallen below 25% of the total issued shares of the Company due to the increase in the shareholding of Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk, being the substantial shareholders and core connected persons of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). The Company is considering steps to restore the public float at the minimum prescribed percentage in accordance with the Listing Rules.

On 21 February 2020, the Company launched a conditional voluntary general cash offer ("**LFH Offers**") through its wholly-owned subsidiary, Holy Unicorn Limited ("**Offeror**"), to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by the Company, the Offeror or the other wholly-owned subsidiaries of the Company) and to cancel all the outstanding share options of Lai Fung. As at the date of this Report, Lai Fung, being the flagship Mainland China property arm of the Group, is a 50.99% owned subsidiary of the eSun and the property businesses of the Group are carried out both directly by the Group and indirectly through the Lai Fung Group. Upon completion of the LFH Offers and acceptance of the LFH Offers by eSun, the property businesses will be directly aligned with the Group and the remaining eSun Group will be transformed into a pure-play cinema and media and entertainment company. The LFH Offers will constitute a major acquisition and a number of connected transactions for the Company and will be subject to the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. A circular containing, amongst other things, details of the LFH Offers is expected to be despatched to shareholders of the Company on or about 24 April 2020.

As at 31 January 2020, the Group's consolidated cash and bank deposits amounted to HK\$4,451.6 million (HK\$1,347.2 million excluding eSun Group) with undrawn facilities of HK\$5,974.1 million (HK\$2,150.0 million excluding eSun Group). The net debt to equity ratio as at 31 January 2020 increased to 46.1% (31 July 2019: 39.2%). The Group's gearing excluding the net debt of eSun Group was approximately 26.9%. The Group's gearing excluding the net debt of eSun Group and the net debt of the London portfolio which have a positive carry net of financing costs is 24.8%. The Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

Management Discussion and Analysis (Continued)

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2020, the Group recorded turnover of HK\$2,751.6 million (2019: HK\$3,760.7 million) and a gross profit of HK\$1,133.9 million (2019: HK\$1,384.8 million). The decrease is primarily due to a decrease in recognition of property sales during the Period Under Review from completed residential projects in Hong Kong. Set out below is the turnover by segment:

	Six months ended 31 January			
	2020 (HK\$ million)	2019 (HK\$ million)	Difference (HK\$ million)	% change
Property investment	683.5	673.9	9.6	1.4
Property development and sales	744.8	1,751.3	(1,006.5)	-57.5
Restaurant operation	233.4	269.8	(36.4)	-13.5
Hotel operation	478.5	280.6	197.9	70.5
Media and entertainment	202.8	233.1	(30.3)	-13.0
Film production and distribution	111.4	240.3	(128.9)	-53.6
Cinema operation	194.6	214.3	(19.7)	-9.2
Others	102.6	97.4	5.2	5.3
Total	2,751.6	3,760.7	(1,009.1)	-26.8

For the six months ended 31 January 2020, net loss attributable to owners of the Company was approximately HK\$1,109.2 million, as compared to net profit attributable to owners of the Company of HK\$5,076.3 million for the Last Corresponding Period. The significant decrease is primarily due to (i) the absence of the net gain on bargain purchase on acquisition of subsidiaries during the Period Under Review; (ii) the decrease in fair value of the investment properties owned by the Group and held through joint ventures of the Group, which result in the recognition of significant fair value losses arising from revaluation of the Group's investment properties and share of losses from joint ventures of the Group for the Period Under Review; and (iii) lower profit contribution from the property sales of a joint venture project of the Group during the Period Under Review as compared to the Last Corresponding Period. Net loss per share was HK\$1.829 (2019: net profit per share of HK\$8.376).

Excluding the effect of property revaluations during the Period Under Review, net loss attributable to owners of the Company was approximately HK\$324.3 million (2019: net profit of HK\$4,398.4 million). Net loss per share excluding the effect of property revaluations was HK\$0.535 (2019: net profit per share of HK\$7.257).

Excluding the effect of property revaluations and non-recurring transactions during the Period Under Review, net loss attributable to owners of the Company was approximately HK\$324.3 million (2019: net profit of HK\$661.7 million). Net loss per share excluding the effect of property revaluations and non-recurring transactions during the Period Under Review was HK\$0.535 (2019: net profit per share of HK\$1.092).

Management Discussion and Analysis (Continued)

OVERVIEW OF INTERIM RESULTS (CONTINUED)

	Six months ended	
	31 January	
	2020	2019
Profit/(loss) attributable to owners of the Company	HK\$ million	HK\$ million
Reported	(1,109.2)	5,076.3
Less: Adjustments in respect of revaluation of investment properties held by		
— the Company and subsidiaries	633.7	(498.5)
— associates and joint ventures	208.9	(150.1)
— deferred tax on investment properties	(37.4)	(29.4)
— non-controlling interests' share of revaluation movements less deferred tax	(20.3)	0.1
Net profit/(loss) after tax excluding revaluation of investment properties	(324.3)	4,398.4
Less: Adjustments in respect of non-recurring transactions		
— loss on remeasurement of existing interest in an associate upon business combination	—	2,930.3
— gain on bargain purchase on acquisition of subsidiaries	—	(6,667.0)
Net profit/(loss) after tax excluding revaluation of investment properties and excluding non-recurring transactions	(324.3)	661.7

Equity attributable to owners of the Company as at 31 January 2020 amounted to HK\$34,687.1 million, as compared to HK\$35,827.7 million as at 31 July 2019. Net asset value per share attributable to owners of the Company decreased slightly to HK\$57.196 per share as at 31 January 2020 from HK\$59.076 per share as at 31 July 2019.

Management Discussion and Analysis (Continued)

PROPERTY PORTFOLIO COMPOSITION

The Group maintained a property portfolio with attributable GFA of approximately 7.5 million square feet as at 31 January 2020. All major properties of the Group in Mainland China are held through Lai Fung Group, except Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by the Group, and all major properties in Hong Kong and overseas are held by the Group excluding eSun Group. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces are set out as follows:

	Commercial/ Retail	Office	Hotel/ Serviced Apartments	Residential	Industrial	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
GFA of major properties and number of car-parking spaces of Lai Fung Group (on attributable basis¹)							
Completed Properties Held for Rental ²	919	402	—	—	—	1,321	857
Completed Hotel Properties and Serviced Apartments ²	—	—	368	—	—	368	—
Properties under Development ³	1,291	584	130	742	—	2,747	1,250
Completed Properties Held for Sale	13	—	—	173	—	186	818
Subtotal	2,223	986	498	915	—	4,622	2,925
GFA of major properties and number of car-parking spaces of the Group excluding Lai Fung Group (on attributable basis)							
Completed Properties Held for Rental ²	737	1,030	—	—	64	1,831	1,443
Completed Hotel Properties and Serviced Apartments ²	—	—	583	—	—	583	16
Properties under Development ³	8	118	86	166	—	378	8
Completed Properties Held for Sale	35	—	—	81	—	116	65
Subtotal	780	1,148	669	247	64	2,908	1,532
Total GFA attributable to the Group	3,003	2,134	1,167	1,162	64	7,530	4,457

Notes:

1. As at 31 January 2020, Lai Fung is a 50.53%-owned subsidiary of eSun and eSun is a 74.62%-owned subsidiary of the Company.
2. Completed and rental generating properties.
3. All properties under construction.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT

Rental Income

During the Period Under Review, the Group's rental operations recorded a turnover of HK\$683.5 million (2019: HK\$673.9 million) comprising turnover of HK\$285.4 million, HK\$56.5 million and HK\$341.6 million from rental properties in Hong Kong, London and Mainland China, respectively. Breakdown of rental turnover by major investment properties of the Group is as follows:

	Six months ended 31 January			Period end occupancy (%)
	2020 HK\$ million	2019 HK\$ million	% Change	
Hong Kong				
Cheung Sha Wan Plaza (including car-parking spaces)	168.0	160.0	5.0	96.8
Causeway Bay Plaza 2 (including car-parking spaces)	91.6	88.1	4.0	94.1
Lai Sun Commercial Centre (including car-parking spaces)	23.1	24.0	-3.8	95.1
Others	2.7	2.7	0.0	
Subtotal:	285.4	274.8	3.9	
London, United Kingdom				
107 Leadenhall Street	24.6	25.5	-3.5	100.0
100 Leadenhall Street	28.7	29.2	-1.7	100.0
106 Leadenhall Street	3.2	3.3	-3.0	100.0
Subtotal:	56.5	58.0	-2.6	
Mainland China				
<i>Shanghai</i>				
Shanghai Hong Kong Plaza	151.9	167.9	-9.5	Retail: 97.5 Office: 90.4
Shanghai May Flower Plaza	19.2	15.4	24.7	Retail: 100.0
Shanghai Regents Park	11.7	10.6	10.4	100.0
<i>Guangzhou</i>				
Guangzhou May Flower Plaza	60.7	65.1	-6.8	98.3
Guangzhou West Point	12.7	13.2	-3.8	99.9
Guangzhou Lai Fung Tower	61.5	62.9	-2.2	Retail: 100.0 Office: 98.9 ¹
<i>Zhongshan</i>				
Zhongshan Palm Spring	2.2	3.2	-31.3	Retail: 84.4 ¹
<i>Hengqin</i>				
Hengqin Novotown Phase I	0.1	—	N/A	Retail: 75.8 ²
Others	21.6	2.8	671.4	
Subtotal:	341.6	341.1	0.1	
Total:	683.5	673.9	1.4	

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

	Six months ended 31 January			Period end occupancy (%)
	2020 HK\$ million	2019 HK\$ million	% Change	
Rental proceeds from joint venture projects				
Hong Kong				
CCB Tower ³ (50% basis)	70.0	69.6	0.6	100.0
Alto Residences ⁴ (50% basis)	7.1	0.3	2,266.7	37.8
8 Observatory Road ⁵ (50% basis)	—	27.6	-100.0	N/A
Total:	77.1	97.5	-20.9	

Notes:

1. Excluding self-use area.
2. Including cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin.
3. CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of the Group and CCB has an effective 50% interest. For the six months ended 31 January 2020, the joint venture recorded rental proceeds of approximately HK\$140.0 million (2019: HK\$139.3 million).
4. Alto Residences is a joint venture project with Empire Group in which each of the Group and Empire Group has an effective 50% interest. For the six months ended 31 January 2020, the joint venture recorded rental proceeds of approximately HK\$14.2 million (2019: HK\$0.6 million).
5. Disposal of 8 Observatory Road was completed on 11 March 2019.

Set out below is the breakdown of turnover by usage of the Group’s major rental properties:

	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)
Hong Kong						
Cheung Sha Wan Plaza	100%			100%		
Commercial		86.1	233,807		84.0	233,807
Office		73.2	409,896		65.9	409,896
Car-parking spaces		8.7	N/A		10.1	N/A
Subtotal:		168.0	643,703		160.0	643,703
Causeway Bay Plaza 2	100%			100%		
Commercial		61.6	109,770		57.8	109,770
Office		28.3	96,268		27.8	96,268
Car-parking spaces		1.7	N/A		2.5	N/A
Subtotal:		91.6	206,038		88.1	206,038
Lai Sun Commercial Centre	100%			100%		
Commercial		11.8	95,063		11.9	95,063
Office		2.2	74,181		2.4	74,181
Car-parking spaces		9.1	N/A		9.7	N/A
Subtotal:		23.1	169,244		24.0	169,244
Others		2.7	63,592 ¹		2.7	63,592 ¹
Subtotal:		285.4	1,082,577¹		274.8	1,082,577¹

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

	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)
London, United Kingdom						
107 Leadenhall Street	100%			100%		
Commercial		2.0	48,182		2.2	48,182
Office		22.6	98,424		23.3	98,424
Subtotal:		24.6	146,606		25.5	146,606
100 Leadenhall Street	100%			100%		
Office		28.7	177,700		29.2	177,700
106 Leadenhall Street	100%			100%		
Commercial		0.6	3,540		0.6	3,540
Office		2.6	16,384		2.7	16,384
Subtotal:		3.2	19,924		3.3	19,924
Subtotal:		56.5	344,230		58.0	344,230
Mainland China						
Shanghai						
Shanghai Hong Kong Plaza	37.71%			37.76%		
Retail		97.4	468,434		106.9	468,434
Office		51.5	362,096		57.9	362,096
Car-parking spaces		3.0	N/A		3.1	N/A
Subtotal:		151.9	830,530		167.9	830,530
Shanghai May Flower Plaza	37.71%			37.76%		
Retail		17.3	320,314		13.5	320,314
Car-parking spaces		1.9	N/A		1.9	N/A
Subtotal:		19.2	320,314		15.4	320,314
Shanghai Regents Park	35.82%			35.87%		
Retail		10.6	82,062		8.9	82,062
Car-parking spaces		1.1	N/A		1.7	N/A
Subtotal:		11.7	82,062		10.6	82,062
Guangzhou						
Guangzhou May Flower Plaza	37.71%			37.76%		
Retail		52.8	357,424		57.2	357,424
Office		6.5	79,431		6.6	79,431
Car-parking spaces		1.4	N/A		1.3	N/A
Subtotal:		60.7	436,855		65.1	436,855
Guangzhou West Point	37.71%			37.76%		
Retail		12.7	171,968		13.2	171,968
Guangzhou Lai Fung Tower	37.71%			37.76%		
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
Subtotal:		61.5	738,113		62.9	705,549

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

	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)
Zhongshan						
Zhongshan Palm Spring Retail	37.71%	2.2	147,408	37.76%	3.2	147,408
Hengqin						
Novotown Phase I Retail	50.16%	0.1	682,076 ²		—	—
Others	N/A	21.6	N/A	37.76%	2.8	N/A
Subtotal:		341.6	3,409,326		341.1	2,694,686
Total:		683.5	4,836,133		673.9	4,121,493
Joint Venture Projects						
Hong Kong						
CCB Tower ³ (50% basis)	50%			50%		
Office		69.7	114,603 ⁴		69.3	114,603 ⁴
Car-parking spaces		0.3	N/A		0.3	N/A
Subtotal:		70.0	114,603⁴		69.6	114,603⁴
Alto Residence ⁵ (50% basis)	50%			50%		
Commercial		1.6	43,217 ⁶		0.3	43,217 ⁶
Residential units ⁷		5.4	19,452 ⁸		—	—
Car-parking spaces		0.1	N/A		—	N/A
Subtotal:		7.1	62,669		0.3	43,217
8 Observatory Road ⁹ (50% basis)				50%		
Commercial		—	—		21.9	45,312
Office		—	—		4.5	37,273
Car-parking spaces		—	—		1.2	N/A
Subtotal:		—	—		27.6	82,585
Total:		77.1	177,272		97.5	240,405

Notes:

1. Excluding 10% interest in AIA Central.
2. Excluding the cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin.
3. CCB Tower is a joint venture project with CCB in which each of the Group and CCB has an effective 50% interest. For the six months ended 31 January 2020, the joint venture recorded rental proceeds of approximately HK\$140.0 million (2019: HK\$139.3 million).
4. GFA attributable to the Group. The total GFA of CCB Tower is 229,206 square feet.
5. Alto Residences is a joint venture project with Empire Group in which each of the Group and Empire Group has an effective 50% interest. For the six months ended 31 January 2020, the joint venture recorded rental proceeds of approximately HK\$14.2 million (2019: HK\$0.6 million).
6. GFA attributable to the Group. Total GFA is 86,434 square feet.
7. Referring to those sold residential units offering early occupation benefit which allows the purchasers to move in earlier before completion of the sale.
8. Saleable area attributable to the Group. The total saleable area is 38,903 square feet.
9. Disposal of 8 Observatory Road was completed on 11 March 2019.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

The average Sterling exchange rate for the Period Under Review depreciated by approximately 2.0% compared with the Last Corresponding Period. Excluding the effect of currency translation, the Sterling denominated turnover from London properties decreased slightly by 0.8% during the Period Under Review. Breakdown of rental turnover of London portfolio for the six months ended 31 January 2020 is as follows:

	2020 HK\$'000	2019 HK\$'000	% Change	2020 GBP'000	2019 GBP'000	% Change
107 Leadenhall Street	24,626	25,505	-3.4	2,482	2,520	-1.5
100 Leadenhall Street	28,644	29,222	-2.0	2,888	2,888	0.0
106 Leadenhall Street	3,214	3,347	-4.0	324	331	-2.1
Total:	56,484	58,074	-2.7	5,694	5,739	-0.8

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza

The asset comprises an 8-storey and a 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of 643,703 square feet (excluding car-parking spaces). The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.

Causeway Bay Plaza 2

The asset comprises a 28-storey commercial/office building with car-parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of 206,038 square feet (excluding car-parking spaces). Key tenants include a HSBC branch and commercial offices and major restaurants.

Lai Sun Commercial Centre

The asset comprises a 13-storey commercial/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of 169,244 square feet (excluding car-parking spaces).

CCB Tower

This is a 50:50 joint venture between the Group and CCB involving the redevelopment of the former Ritz-Carlton Hotel in Central. This 27-storey office tower is a landmark property in Central featuring underground access to the Central MTR station. The property has a total GFA of 229,206 square feet (excluding car-parking spaces). CCB Tower was completed in 2012 and added 114,603 square feet of attributable GFA to the rental portfolio of the Group. CCB Tower is now fully leased out with 20 floors of the office floors and 2 banking hall floors leased to CCB for its Hong Kong operations.

AIA Central

The Group has 10% interest in AIA Central which is situated in the central business district of Hong Kong and commands spectacular views over Victoria Harbour, to Kowloon Peninsula to the north, and across Charter Garden and The Peak to the south. This 38-storey office tower provides prime office space with a total GFA of approximately 428,962 square feet (excluding car-parking spaces).

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties (Continued)

Overseas Properties

107 Leadenhall Street, London EC3, United Kingdom

In April 2014, the Group acquired a property located at the core of the insurance district in the City of London, surrounded by 30 St Mary Axe (commonly known as the Gherkin), Lloyd's of London and the Willis Building at 51 Lime Street. It is a freehold commercial property housing commercial, offices and retail space. The building comprises 146,606 square feet gross internal area of office accommodation extending over basement, ground, mezzanine and seven upper floors. The building is currently fully leased out.

100 Leadenhall Street, London EC3, United Kingdom

Following the acquisition of 107 Leadenhall Street in April 2014, the Group announced the acquisition of 100 Leadenhall Street in November 2014 which was completed in January 2015. This property comprises a basement, a lower ground floor, ground floor and nine upper floors and provides 177,700 square feet gross internal area of offices and ancillary accommodation. The property is currently fully let to Chubb Market Company Limited.

106 Leadenhall Street, London EC3, United Kingdom

In December 2015, the Group acquired the property located adjacent to 100 and 107 Leadenhall Street, namely 106 Leadenhall Street, which is a multi-tenanted asset with approximately 19,924 square feet gross internal area of commercial and offices including ancillary space. The property is currently fully leased out.

The City of London's Planning and Transportation Committee has approved a resolution to grant Planning Consent to the Group to redevelop the Leadenhall Properties. The Leadenhall Properties currently have a combined GFA of approximately 344,230 square feet. The Planning Consent would allow the Group to redevelop the Leadenhall Properties into a 56 storey tower with i) approximately 1,068,510 square feet gross internal area of office space as well as new retail space of approximately 8,730 square feet; ii) a free, public viewing gallery of approximately 19,967 square feet at levels 55 and 56 of the building which offers 360 degree views across London; and iii) new pedestrian routes between Leadenhall Street, Bury Street and St Mary Axe, and new public spaces around the base of the building. Including ancillary facilities of approximately 178,435 square feet, the total gross internal area of the proposed tower is expected to be approximately 1,275,642 square feet upon completion. All leases of the Leadenhall Properties have been aligned to expire in 2023. The Group will continue to monitor the market conditions in London closely.

Mainland China Properties

Except for the Group's 20% interest in Novotown Phase I in Hengqin, all major rental properties of the Group in Mainland China are held through Lai Fung Group.

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 of the date of this Report, include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki, etc.

Lai Fung Group owns 100% of this property.

Management Discussion and Analysis *(Continued)*

PROPERTY INVESTMENT *(CONTINUED)*

Review of major investment properties *(Continued)*

Mainland China Properties (Continued)

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. Lai Fung Group secured a lease with Hema Fresh (盒馬鮮生), which is one of the first supermarkets opened in 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.

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.

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.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Review of major investment properties (Continued)

Mainland China Properties (Continued)

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. As at the date of this Report, Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by the Group. The GFA breakdown by usage of the 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 workshop (for sale)	432,025
Cultural studios (for sale)	198,391
Total:	2,743,560

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 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.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT

For the six months ended 31 January 2020, recognised turnover from sales of properties was HK\$744.8 million (2019: 1,751.3 million). Set out below is a breakdown of turnover from sales of properties:

Hong Kong

	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price ¹ (HK\$/square foot)	Turnover (HK\$ million)
Novi				
Residential units	137	28,507	18,861	566.2
93 Pau Chung Street				
Car-parking spaces	5	N/A	N/A	3.4
Subtotal				569.6

Mainland China

	No. of Units	Approximate GFA (Square feet)	Average Selling Price ² (HK\$/square foot)	Turnover ³ (HK\$ million)
Zhongshan Palm Spring				
Residential high-rise units	13	17,556	1,667	27.9
Residential house units	10	21,105	2,565	51.5
Hengqin Novotown Phase I				
Cultural studios	7	22,315	4,175	88.7
Shanghai Regents Park				
Car-parking spaces	6	N/A	N/A	3.8
Guangzhou Eastern Place				
Car-parking spaces	2	N/A	N/A	2.1
Guangzhou West Point				
Car-parking spaces	2	N/A	N/A	1.2
Subtotal				175.2
Total				744.8

Recognised sales from joint venture project

Hong Kong

	No. of Units	Approximate Saleable Area (Square feet)	Average Selling Price ¹ (HK\$/square foot)	Turnover (HK\$ million)
Alto Residences (50% basis)				
Residential units	5	5,895	24,572	144.9
Car-parking spaces	8	N/A	N/A	19.2
Total				164.1

Notes:

1. Excluding the financing component for sale of completed properties in accordance with Hong Kong Financial Reporting Standard 15 "Revenue from Contracts with Customers".
2. Before PRC business tax and value-added tax inclusive.
3. After PRC business tax and value-added tax exclusive.

Management Discussion and Analysis (Continued)

Review of major projects for sale and under development

Hong Kong

339 Tai Hang Road, Hong Kong

The Group wholly owns the development project located at 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of approximately 30,400 square feet (excluding car-parking spaces). Up to the date of this Report, 8 out of 9 units of this project have been sold.

Ocean One, 6 Shung Shun Street, Yau Tong

The Group wholly owns this development project, namely "Ocean One" located at No. 6 Shung Shun Street, Yau Tong, Kowloon. This property is a residential-cum-commercial property with a total GFA of about 122,000 square feet (excluding car-parking spaces) or 124 residential units and 2 commercial units. All units have been sold other than 2 shops and 7 car-parking spaces.

Alto Residences

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of 229,338 square feet with a total GFA of 573,268 square feet split into 458,874 square feet for residential use and 114,394 square feet for commercial use. Construction has been completed with the Occupation Permit issued by the Buildings Department in May 2018. The Certificate of Compliance was issued by the Lands Department in September 2018.

This project providing 605 flats, including 23 detached houses was named "Alto Residences" and was launched for pre-sale in October 2016. Up to 22 March 2020, the Group has sold 584 units in Alto Residences with saleable area of approximately 360,600 square feet at an average selling price of approximately HK\$17,400 per square foot. Handover of the sold residential units has been substantially completed. The Group released in total 110 car-parking spaces of Alto Residences for sale since March 2019. Up to 22 March 2020, 64 car-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$173.3 million.

93 Pau Chung Street

In April 2014, the Group was successful in its bid for the development right to the San Shan Road/Pau Chung Street project from the Urban Renewal Authority in Ma Tau Kok, Kowloon, Hong Kong. The lot has an area of 12,599 square feet with a total GFA of 111,354 square feet split into 94,486 square feet for residential use and 16,868 square feet for commercial use. The construction was completed with the Occupation Permit issued by the Buildings Department in July 2018 and the Certificate of Compliance issued by the Lands Department in November 2018.

This project was named "93 Pau Chung Street" and launched for pre-sale in September 2016. The sale and handover of 209 residential units has been completed, achieving an average selling price of approximately HK\$16,400 per square foot. The Group released the commercial units of 93 Pau Chung Street for sale in July 2018. Up to 22 March 2020, all 7 commercial units with saleable area of approximately 15,900 square feet have been sold and the average selling price was approximately HK\$23,500 per square foot.

Novi

On 16 May 2016, the Group has completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon. The site locates at 50 Ki Lung Street and has a combined site area of 5,054 square feet. It was planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,851 square feet. The construction works have been completed with the Occupation Permit issued by the Buildings Department in July 2019.

This project was named "Novi" and all 138 flats, including studios, one and two-bedroom units with total saleable area of approximately 28,800 square feet have been pre-sold, achieving an average selling price of HK\$18,900 per square foot. Handover of 137 out of 138 residential units that was pre-sold has been completed. The Group released the 4 commercial units of Novi for sale in October 2019.

Management Discussion and Analysis *(Continued)*

PROPERTY DEVELOPMENT *(CONTINUED)*

Review of major projects for sale and under development *(Continued)*

Hong Kong (Continued)

Monti

The Group was successful in its bid for the development rights to the Sai Wan Ho Street project in September 2015 from the Urban Renewal Authority in Shau Kei Wan, Hong Kong. The project site covers an area of 7,642 square feet. Upon completion, it is planned to provide about 144 residential units with a total residential GFA of 59,799 square feet. The total development cost is estimated to be approximately HK\$0.9 billion. Construction work was completed by the end of 2019, with the Occupation Permit issued by the Buildings Department in October 2019.

This project was named “Monti” and launched for pre-sale in August 2018. Up to 22 March 2020, the Group has pre-sold 93 units in Monti with saleable area of approximately 28,800 square feet at an average selling price of approximately HK\$20,700 per square foot. The Certificate of Compliance has been issued by the Lands Department in March 2020 and handover of the pre-sold residential units will commence soon.

Tai Kei Leng project

In March 2019, the Group successfully tendered for and secured a site located at Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong for HK\$209.8 million. This site is designated for private residential purposes and expected to add a maximum GFA of approximately 42,200 square feet to the development portfolio of the Group. Demolition work is in progress and construction work is expected to be completed in 2024.

Hang On Street project

In April 2019, the Group successfully secured the Urban Renewal Authority project covering a site area of approximately 8,500 square feet at Nos. 12-30 Hang On Street, Kwun Tong, Hong Kong which will be developed into approximate 64,000 square feet of residential spaces. Piling foundation works are in progress and construction work is expected to be completed in 2023.

Mainland China

All major properties in Mainland China for sale and under development of the Group are held through Lai Fung Group except Hengqin Novotown Phase I which is 80% owned by Lai Fung Group and 20% owned by the Group.

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 complete 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.

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

Review of major projects for sale and under development (Continued)

Mainland China (Continued)

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.

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.

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, a total of 13 car-parking spaces of this development remained unsold.

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.

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.

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. 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 expenses 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 and 1,215 unsold car-parking spaces. 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

Management Discussion and Analysis *(Continued)*

PROPERTY DEVELOPMENT *(CONTINUED)*

Review of major projects for sale and under development *(Continued)*

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 and cultural workshop tower with relevant construction administrative department of the Chinese government.

Sales of the cultural studios of Hengqin 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. Completed cultural studios held for sale in this development as at 31 January 2020 amounted to approximately 150,916 square feet.

Novotown Phase I is 80% owned by Lai Fung Group and 20% owned by the Group.

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.

Management Discussion and Analysis (Continued)

RESTAURANT OPERATION

For the six months ended 31 January 2020, restaurant operations contributed HK\$233.4 million to the Group's turnover (2019: HK\$269.8 million). Up to the date of this Report, restaurant operations include the Group's interests in 22 restaurants in Hong Kong and Mainland China and 1 restaurant in Macau under management. Details of each existing restaurant of the Group are as follows:

Cuisine	Restaurant	Location	Attributable interest to the Group	Award
Owned restaurants				
Western/				
International Cuisine	8 th Otto e Mezzo BOMBANA Hong Kong	Hong Kong	37%	Three Michelin stars (2012-2020)
	8 th Otto e Mezzo BOMBANA Shanghai	Shanghai	13%	Two Michelin stars (2017-2020)
	Opera BOMBANA	Beijing	20%	
	CIAK — In The Kitchen	Hong Kong	62%	One Michelin star (2015-2017)
	CIAK — All Day Italian	Hong Kong	67%	Michelin Bib Gourmand (2017-2020)
	Beefbar	Hong Kong	62%	One Michelin star (2017-2020)
	Takumi by Daisuke Mori	Hong Kong	63%	One Michelin star (2018-2020)
	Prohibition ^(Note)	Hong Kong	100%	
	Zest by Konishi	Hong Kong	67%	One Michelin star (2020)
Asian Cuisine	China Tang Landmark	Hong Kong	50%	The Plate Michelin (2019-2020)
	China Tang Harbour City	Hong Kong	60%	The Plate Michelin (2019-2020)
	Howard's Gourmet	Hong Kong	50%	
	Beijing Howard's Gourmet	Beijing	67%	
	Chiu Tang Central	Hong Kong	67%	
	Old Bazaar Kitchen	Hong Kong	63%	
	Sun's Bazaar Pacific Place	Hong Kong	67%	
	Sun's Bazaar KiKi Tea Telford Plaza	Hong Kong	69%	
	Canton Bistro ^(Note)	Hong Kong	100%	
	KiKi Noodle Bar IFC	Hong Kong	67%	
	KiKi Noodle Bar K11 MUSEA	Hong Kong	67%	
	KiKi Noodle Bar Shanghai Hong Kong Plaza	Shanghai	67%	
Japanese Cuisine	Sushi Masataka	Hong Kong	63%	The Plate Michelin (2019-2020)
Managed restaurant				
Western Cuisine	8 th Otto e Mezzo BOMBANA, Macau	Macau	N/A	One Michelin star (2016-2020)

Note: Performance of these two restaurants in Ocean Park Marriott Hotel has been included in the hotel operation segment for segment reporting purposes.

Management Discussion and Analysis (Continued)

HOTEL AND SERVICED APARTMENT OPERATIONS

The hotel and serviced apartment operations of the Group include the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam and the Ocean Park Marriott Hotel in Hong Kong, as well as Lai Fung Group's hotel and serviced apartment operations in Shanghai and Hengqin in Mainland China. The hotel project in Phuket, Thailand that the Group invested in June 2017 is still at the planning stage and the Group will provide material updates on this project as and when available. For the six months ended 31 January 2020, the hotel and serviced apartment operations contributed HK\$478.5 million to the Group's turnover (2019: HK\$280.6 million).

Breakdown of turnover for the six months ended 31 January 2020 from hotel and serviced apartment operations is as follows:

	Location	Attributable interest to the Group	No. of Rooms ¹	Total GFA (square feet)	Turnover (HK\$ million)	Period end occupancy rate (%)	
Hotel and serviced apartment							
	Ocean Park Marriott Hotel	Hong Kong	100%	471	365,974	187.4	52.0
	Ascott Huaihai Road Shanghai	Shanghai	37.71%	308	355,267	56.0	64.1
	STARR Hotel Shanghai	Shanghai	37.71%	239	143,846	16.5	57.7
	Hyatt Regency Hengqin	Hengqin	50.16%	493	594,756	5.6	Note 2
	Caravelle Hotel	Ho Chi Minh City	26.01%	335	378,225	212.0	48.7
Subtotal			1,846	1,838,068	477.5		
Hotel management fee					1.0		
Total					478.5		

Note:

1. On 100% basis
2. 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

Ocean Park Marriott Hotel officially commenced its operations on 19 February 2019, adding a total of 471 rooms and approximately 365,974 square feet of attributable rental space to the rental portfolio of the Group. Despite the impact on the hotel industry in Hong Kong due to the social unrest and the novel coronavirus, the Group remains cautiously optimistic about the prospects of the Ocean Park Marriott Hotel project given the popularity of Ocean Park.

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Ho Chi Minh City, Vietnam. It is an elegant 24-storey tower with a mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floors, Signature Lounge and a specially equipped room for the disabled. Total GFA attributable to the Group is 98,376 square feet.

The hotel operation team of the Group has extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will continue to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung Group in Shanghai, Guangzhou, Zhongshan and Hengqin. The hotel division of the Group manages Lai Fung's serviced apartments in Shanghai under the "STARR" brand.

Management Discussion and Analysis (Continued)

HOTEL AND SERVICED APARTMENT OPERATIONS (CONTINUED)

The 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.

Lai Fung Group also owns 100% interest in the Ascott Huaihai Road in Shanghai Hong Kong Plaza which 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 has 308 contemporary apartments of various sizes: studios (640-750 square feet), one-bedroom apartments (915-1,180 square feet), two-bedroom apartments (1,720 square feet), three-bedroom apartments (2,370 square feet) and two luxurious penthouses on the highest two floors (4,520 square feet).

Hyatt Regency Hengqin soft opened on 31 December 2019 is located in Novotown Phase I in Hengqin, Zhuhai, 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 square feet to 2,580 square feet, a wide range of dining options, as well as banqueting and conference facilities of over 40,000 square feet.

MEDIA AND ENTERTAINMENT

The media and entertainment businesses are operated by eSun Group. For the six months ended 31 January 2020, this segment recorded a turnover of HK\$202.8 million (2019: HK\$233.1 million).

Live Entertainment

During the Period Under Review, eSun 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, eSun Group released 12 (2019: 36) albums, including titles by Sammi Cheng, Tang Siu Hau, Jay Fung, Chan Kin On and Nowhere Boys. eSun Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

eSun 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\$17.8 million (2019: a loss of HK\$36.6 million).

During the Period Under Review, a total of 4 films produced/invested by eSun Group was theatrically released, namely *Bodies at Rest*, *Fagara*, *The Climbers* and *A Witness Out of the Blue*. eSun 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*.

Management Discussion and Analysis (Continued)

CINEMA OPERATION

The cinema operation is managed by eSun Group. 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\$154.0 million (2019: HK\$48.2 million). The substantial increase in segmental losses of the cinema operation of eSun 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 Report, eSun 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 eSun 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

Management Discussion and Analysis (Continued)

INTERESTS IN JOINT VENTURES

During the period ended 31 January 2020, losses from joint ventures amounted to HK\$96.7 million, as compared to profits of HK\$744.6 million for the same period in 2019. This is primarily due to the decrease in fair value of CCB Tower and lower profit contribution from property sale of Alto Residence during the Period Under Review.

	Six months ended 31 January	
	2020	2019
	(HK\$ million)	(HK\$ million)
Revaluation gains/(losses)	(208.9)	150.1
Operating profits	112.2	594.5
Contribution/(losses) from joint ventures	(96.7)	744.6

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2020, cash and bank balances and undrawn facilities held by the Group amounted to HK\$4,451.6 million and HK\$5,974.1 million, respectively. Cash and bank balances held by the Group of which about 43.0% was denominated in Hong Kong dollars and United States dollars, and about 49.5% was denominated in Renminbi. Cash and bank balances and undrawn facilities held by the Group excluding eSun Group as at 31 January 2020 were HK\$1,347.2 million and HK\$2,150.0 million, respectively.

The Group's sources of funding comprise mainly internal funds generated from the Group's business operations, loan facilities provided by banks and guaranteed notes issued to investors.

As at 31 January 2020, the Group had bank borrowings of approximately HK\$14,409.2 million, guaranteed notes of approximately HK\$5,710.2 million and other borrowings of approximately HK\$305.8 million. As at 31 January 2020, the maturity profile of the bank borrowings of HK\$14,409.2 million is well spread with HK\$2,236.7 million repayable within 1 year, HK\$5,098.2 million repayable in the second year and HK\$5,951.5 million repayable in the third to fifth years, and HK\$1,122.8 million repayable beyond the fifth year.

The Group issued guaranteed notes in an aggregate principal amount of US\$750 million. The guaranteed notes have terms of five years and bear a fixed interest rate of 4.6% and 5.65% per annum with interest payable semi-annually in arrears. The guaranteed notes are listed on the Stock Exchange and were issued for refinancing the previous notes and for general corporate purposes. The Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk.

Approximately 69% and 30% of the Group's total borrowings carried interest on a floating rate basis and fixed rate basis, respectively, and the remaining 1% of Group's borrowings were interest-free.

The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company, was approximately 46.1%. Excluding the net debt of eSun Group, the Group's gearing ratio was approximately 26.9%. Excluding the net debt of the London portfolio which had a positive carry net of financing costs, and the net debt of eSun Group, the Group's gearing ratio was approximately 24.8%.

Management Discussion and Analysis *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

As at 31 January 2020, certain investment properties with carrying amounts of approximately HK\$29,610.5 million, certain right-of-use assets with carrying amounts of approximately HK\$1,577.4 million, certain property, plant and equipment with carrying amounts of approximately HK\$3,271.4 million, certain completed properties for sale of approximately HK\$1,089.4 million, certain property under development of approximately HK\$899.2 million, certain serviced apartments and related leasehold improvements of approximately HK\$1,894.1 million, and certain bank balances and time deposits with banks of approximately HK\$1,466.8 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group. Shares in a joint venture held by the Group were pledged to a bank to secure banking facility granted to a joint venture of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars, United States dollars, Pounds Sterling and Renminbi. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. The Group has investments in United Kingdom with the assets and liabilities denominated in Pounds Sterling. These investments were primarily financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. Lai Fung has a net exchange exposure to Renminbi as Lai Fung's assets are principally located in Mainland China and the revenues are predominantly in Renminbi. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Euro, Malaysian Ringgit and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the additional need arise.

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

Property Name	Location	Attributable Interest to the Group	Tenure	Approximate Attributable GFA (square feet)			Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
Hong Kong								
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	233,807	409,896	—	643,703	355
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D,E,G,H,K,L,M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	109,770	96,268	—	206,038	57
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	95,063	74,181	—	169,244	538
CCB Tower	3 Connaught Road Central, Hong Kong (Inland Lot No. 8736)	50%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	114,603	—	114,603	19
Alto Residences	29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong	50%	The property is held for a term of 50 years commencing from 17 December 2012	51,291	—	—	51,291	77
Wylar Centre, Phase II (20/F and 27/F and car-parking spaces nos. 17, 18 and 59 on 2/F)	192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	47,932	47,932	3
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	—	42,896	—	42,896	6
Metropolitan Factory and Warehouse Building (Units A and B on 10/F and car-parking space nos. 1,2, 13 and 14 on G/F)	30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and has been extended upon expiry until 30 June 2047	—	—	11,370	11,370	4
Luen Fa Loong Factory Building (4/F)	19 Cheung Lee Street, Chai Wan, Hong Kong	100%	The property is held for a term of 75 years commencing on 4 November 1963 renewable for a further term of 75 years	—	—	4,290	4,290	—
Subtotal of major completed properties held for rental in Hong Kong:				489,931	737,844	63,592	1,291,367	1,059

Particulars of Major Properties (Continued)

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Tenure	Approximate Attributable GFA (square feet)			Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
United Kingdom								
107 Leadenhall Street London ¹	107 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	48,182	98,424	—	146,606	—
100 Leadenhall Street London ¹	100 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	—	177,700	—	177,700	15
106 Leadenhall Street London ¹	106 Leadenhall Street, London EC3, United Kingdom	100%	The property is held freehold	3,540	16,384	—	19,924	—
Subtotal of major completed properties held for rental in United Kingdom:				51,722	292,508	—	344,230	15

Particulars of Major Properties (Continued)

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Tenure	Approximate Attributable GFA (square feet)			Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Industrial		
Mainland China								
Shanghai								
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	37.71%	The property is held for a term of 50 years commencing on 16 September 1992	176,626	136,530	—	313,156	132
May Flower Plaza	Sujiaxiang, Jing'an District	37.71%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	120,776	—	—	120,776	—
Regents Park	88 Huichuan Road, Changning District	35.82%	The property is held for a term of 70 years commencing on 4 May 1996	29,395	—	—	29,395	—
Subtotal of major completed properties held for rental in Shanghai:				326,797	136,530	—	463,327	132
Guangzhou								
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	37.71%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	134,768	29,949	—	164,717	51
West Point	Zhongshan Qi Road, Liwan District	37.71%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	64,841	—	—	64,841	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	37.71%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	42,340	235,969	—	278,309	118
Subtotal of major completed properties held for rental in Guangzhou:				241,949	265,918	—	507,867	169
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	37.71%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses.	55,581	—	—	55,581	—
Subtotal of major completed properties held for rental in Zhongshan:				55,581	—	—	55,581	—
Hengqin								
Novotown Phase I ²	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	50.16%	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	489,288 ³	—	—	489,288	925
Subtotal of major completed properties held for rental in Hengqin:				489,288	—	—	489,288	925
Subtotal of major completed properties held for rental in Mainland China:				1,113,615	402,448	—	1,516,063	1,226
Total of major completed properties held for rental:				1,655,268	1,432,800	63,592	3,151,660	2,300

Notes:

- Gross internal area.
- As at 31 January 2020, Novotown Phase I was 80% owned by Lai Fung Group and 20% owned by the Group.
- Including cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin.

Particulars of Major Properties (Continued)

COMPLETED HOTEL PROPERTIES AND SERVICED APARTMENTS

Property Name	Location	Attributable Interest to the Group	Tenure	No. of rooms	Approximate Attributable GFA (square feet)	No. of car-parking spaces attributable to the Group
Hong Kong						
Hong Kong Ocean Park Marriott Hotel	180 Wong Chuk Hang Road, Ocean Park, Hong Kong	100%	The property is held for a term of 75 years commencing from 22 December 1972	471	365,974	16
Vietnam						
Caravelle Hotel	19 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	26.01%	The property is held under a land use right due to expire on 8 October 2040	335	98,376	—
Mainland China						
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	37.71%	The property is held for a term of 50 years commencing on 16 September 1992	300	133,955	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	37.71%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	54,238	—
Hengqin						
Hyatt Regency Hengqin	1295 Qisecaihong Road, Hengqin, Zhuhai	50.16%	The property is held for a term of 40 years commencing on 31 December 2013	493	298,355	—
Subtotal of major completed hotel properties and serviced apartments in Mainland China:				1,032	486,548	—
Total of major completed hotel properties and serviced apartments:				1,838	950,898	16

Particulars of Major Properties (Continued)

PROPERTIES UNDER DEVELOPMENT

Property Name	Location	Attributable Interest to the Group	Stage of Construction	Expected Completion Date	Approximate Site Area (square feet) ¹	Approximate Attributable GFA (square feet)					Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Hotel/Serviced Apartments	Residential			
Hong Kong												
Monti	9 Sai Wan Ho Street, Shau Kei Wan, Hong Kong	100%	Superstructure works completed	Note 2	7,642	—	—	—	59,799	59,799	8	
Hang On Street project	12-30 Hang On Street, Kwun Tong, Hong Kong	100%	Piling foundation works in progress	2023	8,500	8,100	—	—	63,600	71,700	—	
Tai Kei Leng project	Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, Hong Kong	100%	Demolition works in progress	2024	12,000	—	—	—	42,200	42,200	—	
Subtotal of major properties under development in Hong Kong:						8,100	—	—	165,599	173,699	8	
Mainland China												
Guangzhou												
Haizhu Plaza	Chang Di Main Road, Yuexiu District	37.71%	Construction work in progress	H1 2023	90,708	39,275	179,727	—	—	219,002	115	
Subtotal of major properties under development in Guangzhou:						39,275	179,727	—	—	219,002	115	
Zhongshan												
Palm Spring	Caihong Planning Area, Western District	37.71%	Construction work in progress	Phase 3: Q3 2020 Phase 4: Q3 2021	2,547,298 ²	49,580	—	—	741,920	791,500	545	
Subtotal of major properties under development in Zhongshan:						49,580	—	—	741,920	791,500	545	
Shanghai												
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	37.71%	Construction work in progress	H2 2022	107,223	35,509	226,017	—	—	261,526	209	
Subtotal of major properties under development in Shanghai:						35,509	226,017	—	—	261,526	209	

Particulars of Major Properties (Continued)

PROPERTIES UNDER DEVELOPMENT (CONTINUED)

Property Name	Location	Attributable Interest to the Group	Stage of Construction	Expected Completion Date	Approximate Site Area (square feet) ¹	Approximate Attributable GFA (square feet)				Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
						Commercial/Retail	Office	Hotel/ Serviced Apartments	Residential		
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	50.16%	Construction work substantially completed	H1 2020 ⁴	1,401,184 ³	—	296,218	216,723	—	512,941	—
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	37.71%	Construction work in progress	2023	1,547,523	1,167,002	—	—	—	1,167,002	381
Subtotal of major properties under development in Hengqin:						1,167,002	296,218	216,723	—	1,679,943	381
Subtotal of major properties under development in Mainland China:						1,291,366	701,962	216,723	741,920	2,951,971	1,250
Total of major properties under development:						1,299,466	701,962	216,723	907,519	3,125,670	1,258

Notes:

1. On project basis.
2. The Occupation Permit was issued by the Buildings Department in October 2019 and the Certificate of Compliance was issued by the Lands Department in March 2020.
3. Including portions of the projects that have been completed for sale/sold/leased.
4. Pending for the filing of as-built inspection with relevant construction administrative department of the Chinese government.

Particulars of Major Properties (Continued)

COMPLETED PROPERTIES HELD FOR SALE

Property Name	Location	Attributable Interest to the Group	Approximate Attributable GFA (square feet)			No. of car-parking spaces attributable to the Group
			Commercial/Retail	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Hong Kong						
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	27,306	—	27,306	7
339 Tai Hang Road	339 Tai Hang Road, Hong Kong	100%	—	6,458	6,458	3
Alto Residences	29 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong	50%	—	44,018	44,018	37
93 Pau Chung Street	20-32 San Shan Road and 93 Pau Chung Street, Ma Tau Kok, Kowloon, Hong Kong	100%	2,035	—	2,035	18
Novi	50 Ki Lung Street, Kowloon, Hong Kong	100%	5,196	408	5,604	—
Subtotal of major completed properties held for sale in Hong Kong:			34,537	50,884	85,421	65
Mainland China						
Zhongshan						
Palm Spring	Caihong Planning Area, Western District	37.71%	12,706	98,416	111,122	458
Subtotal of major completed properties held for sale in Zhongshan:			12,706	98,416	111,122	458
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	50.16%	—	75,706	75,706	—
Subtotal of major completed properties held for sale in Hengqin:			—	75,706	75,706	—
Shanghai						
Wuli Bridge Project	Wuliqiao Road, 104 Jie Fang, Huangpu District	37.71%	—	29,356	29,356	36
May Flower Plaza	Sujiaxiang, Jing'an District	37.71%	—	—	—	172
Regents Park, Phase II	88 Huichuan Road, Changning District	35.82%	—	—	—	89
Subtotal of major completed properties held for sale in Shanghai:			—	29,356	29,356	297
Guangzhou						
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	37.71%	—	—	—	5
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	18.86%	—	—	—	7
King's Park	Donghua Dong Road, Yuexiu District	37.71%	—	—	—	5
West Point	Zhongshan Qi Road, Liwan District	37.71%	—	—	—	46
Subtotal of major completed properties held for sale in Guangzhou:			—	—	—	63
Subtotal of major completed properties held for sale in Mainland China:			12,706	203,478	216,184	818
Total of major completed properties held for sale:			47,243	254,362	301,605	883

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) throughout the six months ended 31 January 2020 save for the deviation from code provisions A.4.1, A.5.1 and E.1.2.

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

None of the existing non-executive directors (“**NEDs**”, including the independent non-executive Directors (“**INEDs**”)) of the Company is appointed for a specific term. However, all directors of the Company (“**Directors**”) are subject to the retirement provisions of the Articles of Association of the Company (“**Articles of Association**”), 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 as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company (“**AGM**”) and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy would/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. The Company has achieved and maintained diversity of the Board including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service which meet the Company’s business model and specific needs. 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. 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 (“**EDs**”). In January 2019, the Company adopted the Nomination Policy which set out the criteria, process and procedures by which the Company will select candidates for possible inclusion in the Board. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended to by Dr. Lam Kin Ngok, Peter, the Chairman, he was not present at the AGM held on 20 December 2019. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

Corporate Governance and Other Information *(Continued)*

CORPORATE GOVERNANCE *(CONTINUED)*

Board

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

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

The Board currently comprises eleven members, of whom five are EDs, two are NEDs and four are INEDs. The current composition of the Board is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills.

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 in a timely manner 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 Officer

During the six months ended 31 January 2020 and up to the date of this Report, Dr. Lam Kin Ngok, Peter (an ED) was the Chairman of the Company while Mr. Chew Fook Aun (an ED) and Mr. Lau Shu Yan, Julius (an ED) was the Deputy Chairman and Chief Executive Officer of the Company, respectively. The 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 defined.

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.

Corporate Governance and Other Information *(Continued)*

DIRECTORS' INTERESTS

The following Directors and the 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 interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“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 otherwise notified to the Company and the Stock Exchange pursuant to the Securities Code; or (d) as known by the Directors:

(1) The Company

Long positions in the ordinary shares of the Company (“Shares”) and the underlying Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Shares <i>(Note 1)</i>
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	429,232 <i>(Note 2)</i>	Nil	340,023,572 <i>(Note 2)</i>	417,308 <i>(Note 5)</i>	340,870,112	56.21% <i>(Note 2)</i>
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	400,000 <i>(Note 4)</i>	3,773,081 <i>(Note 5)</i>	4,173,081	0.69%
Lau Shu Yan, Julius	Beneficial owner	263,500	Nil	Nil	2,086,540 <i>(Note 5)</i>	2,350,040	0.39%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	4,173,081 <i>(Note 5)</i>	4,173,081	0.69%
Tham Seng Yum, Ronald	Beneficial owner	Nil	Nil	Nil	800,000 <i>(Note 5)</i>	800,000	0.13%
U Po Chu <i>(Note 3)</i>	Beneficial owner	26,919 <i>(Note 3)</i>	Nil	Nil	Nil	26,919	0.01%

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(1) The Company (Continued)

Notes:

(1) The percentage has been compiled based on the total number of issued Shares for the six months ended 31 January 2020 (i.e. 606,464,125 Shares).

(2) Lai Sun Garment (International) Limited ("**LSG**") and two of its wholly-owned subsidiaries, namely Zimba International Limited ("**Zimba International**") and Joy Mind Limited ("**Joy Mind**"), beneficially owned 340,023,572 Shares, representing approximately 56.07% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 41.96% in the issued share capital of LSG. LSG is approximately 12.52% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.44% owned by Wisdoman Limited which in turn is 100% beneficially owned by Dr. Lam Kin Ngok, Peter.

LSG pledged approximately 208,513,987 Shares held by LSG, Zimba International and Joy Mind as security pursuant to its 7.70% secured guaranteed notes due 2018 under a Share Charge dated 24 July 2014. The amount has been repaid in full.

On 20 December 2019, the Shareholders approved a final dividend of HK\$0.108 per Share payable in cash with a scrip dividend alternative ("**Scrip Dividend Scheme**") for the year ended 31 July 2019.

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

On 13 February 2020, LSG, Zimba International and Joy Mind have elected to receive 743,571, 2,319,984 and 505,894 Scrip Shares in lieu of cash respectively, increasing their shareholding interests in the Company from 56.07% to 56.30% immediately after the allotment of Scrip Shares.

On 13 February 2020, Dr. Lam Kin Ngok, Peter has elected to receive 4,505 Scrip Shares in lieu of cash, increasing his total number of shares held in the Company from 429,232 Shares to 433,737 Shares.

(3) Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 3,957,189 Shares, representing approximately 0.65% of the issued share capital of the Company.

(4) The 400,000 Shares were owned by The Orchid Growers Association Limited. By virtue of his 100% interest in the issued share capital of The Orchid Growers Association Limited, Mr. Chew Fook Aun was deemed to be interested in these 400,000 shares.

(5) A share option was granted by the Company to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius, Mr. Lam Hau Yin, Lester and Mr. Tham Seng Yum, Ronald, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price per Share
Lam Kin Ngok, Peter	18/01/2013	417,308	18/01/2013-17/01/2023	HK\$16.100
Chew Fook Aun	05/06/2012	3,773,081	05/06/2012-04/06/2022	HK\$5.350
Lau Shu Yan, Julius	18/01/2013	2,086,540	18/01/2013-17/01/2023	HK\$16.100
Lam Hau Yin, Lester	18/01/2013	4,173,081	18/01/2013-17/01/2023	HK\$16.100
Tham Seng Yum, Ronald	19/08/2019	800,000	19/08/2019-18/08/2029	HK\$9.920

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations

- (i) Lai Sun Garment (International) Limited (“LSG”) – the ultimate holding company of the Company

Long positions in the ordinary shares of LSG (“LSG Shares”) and the underlying LSG shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued LSG Shares (Note 1)
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	48,441,476 (Note 2)	Nil	113,891,650 (Note 2)	708,575 (Note 6)	163,041,701	42.14%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	202,422 (Note 3)	3,819,204 (Note 6)	4,021,626	1.04%
Lam Hau Yin, Lester	Beneficial owner	12,366,937 (Note 4)	Nil	Nil	7,571,626 (Note 6)	19,938,563	5.15%
Lam Kin Ming	Beneficial owner	1,013,879 (Note 5)	Nil	Nil	Nil	1,013,879	0.26%
U Po Chu	Beneficial owner	825,525	Nil	Nil	Nil	825,525	0.21%

Notes:

- (1) The percentage has been compiled based on the total number of issued LSG Shares for the six months ended 31 January 2020 (i.e. 386,879,622 LSG Shares).
- (2) On 20 December 2019, the LSG shareholders approved a final dividend of HK\$0.074 per share payable in cash with a scrip dividend alternative (“**LSG Scrip Dividend Scheme**”) for the year ended 31 July 2019.

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

On 13 February 2020, Wisdoman Limited has elected to receive a total of 849,766 LSG Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing Wisdoman’s interests in LSG from 113,891,650 LSG Shares to 114,741,416 LSG Shares. Dr. Lam Kin Ngok, Peter was deemed to be interested in 114,741,416 LSG Shares (representing approximately 29.54% of LSG’s issued share capital) by virtue of his 100% interests in the issued share capital of Wisdoman Limited.

On 13 February 2020, Dr. Lam Kin Ngok, Peter has elected to receive a total of 361,430 LSG Scrip Shares in lieu of cash dividend pursuant to the LSG Scrip Dividend Scheme, increasing his personal interests in LSG from 48,441,476 LSG Shares to 48,802,906 LSG Shares.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(i) Lai Sun Garment (International) Limited (“LSG”) – the ultimate holding company of the Company (Continued)

Notes: (Continued)

- (3) The 202,422 LSG Shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun. Mr. Chew Fook Aun was deemed to be interested in these 202,422 LSG Shares.
- (4) On 13 February 2020, Mr. Lam Hau Yin, Lester 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 personal interests in LSG from 12,366,937 LSG Shares to 12,459,208 LSG Shares.
- (5) On 13 February 2020, Dr. Lam Kin Ming has elected to receive a total of 7,564 LSG Scrip Shares in lieu of cash dividend pursuant to the Scrip Dividend Scheme of LSG, increasing his personal interests in LSG from 1,013,879 LSG Shares to 1,021,443 LSG Shares.
- (6) Share options were granted by LSG to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying LSG shares comprised in the option	Option period	Subscription price per LSG Share
Lam Kin Ngok, Peter	18/01/2013	375,242	18/01/2013-17/01/2023	HK\$6.05
	19/06/2017	333,333	19/06/2017-18/06/2027	HK\$15.00
Chew Fook Aun	19/06/2017	3,819,204	19/06/2017-18/06/2027	HK\$15.00
Lam Hau Yin, Lester	18/01/2013	3,752,422	18/01/2013-17/01/2023	HK\$6.05
	19/06/2017	3,819,204	19/06/2017-18/06/2027	HK\$15.00

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(ii) eSun Holdings Limited (“eSun”) – a subsidiary of the Company

Long positions in the ordinary shares of eSun (“eSun Shares”) and the underlying eSun Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued eSun Shares (Note 1)
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	1,113,260,072 (Note 2)	Nil	1,116,054,515	74.81%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	Nil	2,794,443	0.19%

Notes:

- (1) The percentage has been compiled based on the total number of issued eSun Shares for the six months ended 31 January 2020 (i.e. 1,491,854,598 eSun Shares).
- (2) LSG was interested in 340,023,572 Shares in the Company, representing approximately 56.07% of the issued share capital of the Company. Transtrend Holdings Limited (“**Transtrend**”), a wholly-owned subsidiary of the Company, was interested in 1,113,260,072 shares in eSun, representing approximately 74.62% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 1,113,260,072 shares in eSun by virtue of, in aggregate, his personal (including underlying shares) and deemed interests of approximately 42.14% and 56.21% in the issued share capital of LSG and the Company, respectively.

With reference to the Company’s announcements dated 27 May 2018, 22 July 2018, 25 July 2018, 8 August 2018 and 22 August 2018 (“**Announcements**”) and the composite offer and response document jointly issued by the Company, Transtrend and eSun dated 23 July 2018, the eSun Offers (as defined in the Announcements) had become unconditional in all respects on 8 August 2018.

Transtrend received valid acceptances in respect of 603,369,886 eSun Shares in relation to its offer for eSun Shares from 23 July 2018 to 22 August 2018, which increased the total number of eSun Shares in which the Company is deemed to be interested to 1,154,410,072.

On 11 February 2019, Transtrend has completed the sale of an aggregate of 41,150,000 eSun Shares, which decreased the total number of eSun Shares in which the Company is deemed to be interested to 1,113,260,072. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 1,113,260,072 eSun Shares, representing approximately 74.62% of the issued share capital of eSun.

Corporate Governance and Other Information *(Continued)*

DIRECTORS' INTERESTS *(CONTINUED)*

(2) Associated Corporations *(Continued)*

(iii) Lai Fung Holdings Limited (“Lai Fung”) – a subsidiary of eSun

Long positions in the ordinary shares of Lai Fung (“Lai Fung Shares”) and the underlying Lai Fung Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued Lai Fung Shares <i>(Note 1)</i>
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	165,502,573 <i>(Note 2)</i>	321,918 <i>(Note 4)</i>	165,824,491	50.63%
Chew Fook Aun	Beneficial owner/ Owner of controlled corporations	Nil	Nil	709,591 <i>(Note 3)</i>	900,000 <i>(Note 4)</i>	1,609,591	0.49%
Lau Shu Yan, Julius	Beneficial owner	235	Nil	Nil	965,754 <i>(Note 4)</i>	965,989	0.29%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	3,219,182 <i>(Note 4)</i>	3,219,182	0.98%
Tham Seng Yum, Ronald	Beneficial owner	Nil	Nil	Nil	500,000 <i>(Note 4)</i>	500,000	0.15%

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporations (Continued)

(iii) Lai Fung Holdings Limited (“Lai Fung”) – a subsidiary of eSun (Continued)

Notes:

- (1) The percentage has been compiled based on the total number of issued Lai Fung Shares for the six months ended 31 January 2020 (i.e. 327,496,556 Lai Fung Shares).
- (2) On 20 December 2019, the Lai Fung shareholders approved a final dividend of HK\$0.20 per share payable in cash with a scrip dividend alternative (“**Lai Fung Scrip Dividend Scheme**”) for the year ended 31 July 2019.

On 13 February 2020, Lai Fung allotted and issued 3,536,887 new ordinary shares pursuant to the Lai Fung Scrip Dividend Scheme in relation to the final dividend for the year ended 31 July 2019, (“**Lai Fung Scrip Shares**”) increasing the total number of issued Lai Fung Shares from 327,496,556 to 331,033,443.

On 13 February 2020, Silver Glory Securities Limited and Merit Worth Limited have elected to receive 1,554,371 and 1,752,690 Lai Fung Scrip Shares respectively, increasing eSun's shareholding interest in Lai Fung from 50.53% to 50.99% immediately after the allotment of the Lai Fung Scrip Shares.

Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 165,485,406 Lai Fung Shares by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 74.81% in the issued share capital of eSun.

Transtrend received valid acceptances in respect of 17,167 Lai Fung Shares in relation to its offer for Lai Fung Shares from 15 August 2018 to 13 September 2018 and has elected to receive 343 Lai Fung Scrip Shares on 13 February 2020, which increased the total number of Lai Fung Shares in which Dr. Peter Lam was deemed to be interested to 168,809,977, representing approximately 50.99% of the issued share capital of Lai Fung.

- (3) Mr. Chew Fook Aun was deemed to be interested in 709,591 Lai Fung Shares. These shares were held by The Orchid Growers Association Limited, a company wholly-owned by Mr. Chew Fook Aun.
- (4) A share option was granted by Lai Fung to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius, Mr. Lam Hau Yin, Lester and Mr. Tham Seng Yum, Ronald, the particulars of which are set out below:

Registered Name	Date of grant	Number of underlying Lai Fung shares in the option	Option period	Subscription price per Lai Fung Share
Lam Kin Ngok, Peter	18/01/2013	321,918	18/01/2013-17/01/2023	HK\$11.400
Chew Fook Aun	12/06/2012	900,000*	12/06/2012-11/06/2020	HK\$6.650
Lau Shu Yan, Julius	18/01/2013	965,754	18/01/2013-17/01/2023	HK\$11.400
Lam Hau Yin, Lester	18/01/2013	3,219,182	18/01/2013-17/01/2023	HK\$11.400
Tham Seng Yum, Ronald	19/08/2019	500,000	19/08/2019-18/08/2029	HK\$6.784

* Mr. Chew Fook Aun's 1,009,591 share options reduced to 900,000 share options after his exercise of 109,591 share options on 6 August 2019.

Corporate Governance and Other Information *(Continued)*

DIRECTORS' INTERESTS *(CONTINUED)*

(2) Associated Corporations *(Continued)*

(iv) Media Asia Group Holdings Limited ("MAGHL") — a subsidiary of eSun

Long positions in the shares of MAGHL ("MAGHL Shares") and underlying MAGHL Shares

Name of Director	Capacity	Number of MAGHL Shares held	Number of underlying MAGHL Shares held	Total number of issued MAGHL Shares and underlying MAGHL Shares	Approximate % of total interests to total issued MAGHL Shares
Lam Kin Ngok, Peter	Owner of controlled corporations	1,443,156,837 (Note 1)	Nil	1,443,156,837	67.56%

Note:

- (1) As at 31 January 2020, these interests in MAGHL represented the shares beneficially owned by Perfect Sky Holdings Limited, a wholly-owned subsidiary of eSun, representing approximately 67.56% of the issued share capital of MAGHL. eSun is owned as to approximately 74.62% by the Company which in turn is owned as to approximately 56.07% by LSG. As LSG is approximately 12.70% owned by Dr. Lam Kin Ngok, Peter and approximately 29.44% owned by Wisdoman Limited which is turn 100% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 1,443,156,837 shares in MAGHL.

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 was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, or recorded in the Register of Directors and Chief Executive as aforesaid, notified under the Securities Code or otherwise known by the Directors.

Corporate Governance and Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at 31 January 2020, so far as was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (are being a Director), who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under 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:

Long positions in the Shares and the underlying Shares of the Company

Name	Capacity	Nature of interests	Number of Shares and underlying Shares	Approximate % of Shares in issue
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	340,023,572 (Note 1)	56.07%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Personal and corporate	340,870,112 (Note 1)	56.21%
Yu Cheuk Yi	Beneficial owner	Personal	121,473,210 (Note 2)	20.03%
Yu Siu Yuk	Beneficial owner	Personal	121,473,210 (Note 2)	20.03%

Notes:

- (1) LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited ("**Zimba International**") and Joy Mind Limited, ("**Joy Mind**") beneficially owned 340,023,572 Shares, representing approximately 56.07% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 340,023,572 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 41.96% in the issued share capital of LSG.
- (2) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk jointly held 121,473,210 Shares (20.03%) according to shareholding shown in last Individual Substantial Notice (Form 1) filed for an event on 11 December 2019. As at the date of this Report, Mr. Yu Cheuk Yi held 134,611,110 Shares (22.06%, including his jointly holding with Ms. Yu Siu Yuk) according to shareholding shown in his last Individual Substantial Notice (Form 1) filed for an event on 26 March 2020.

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) who, as at 31 January 2020, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

Corporate Governance and Other Information *(Continued)*

SHARE OPTION SCHEME

(1) The Company

At the annual general meeting of the Company held on 11 December 2015, the shareholders of the Company approved the adoption of a new share option scheme ("**New Scheme**"). The share option scheme adopted by the Company on 22 December 2006 ("**Old Scheme**") terminated when the New Scheme became effective on 23 December 2015 ("**Effective Date**"). No more options will be granted under the Old Scheme but the subsisting options granted prior to its termination will continue to be valid and exercisable in accordance with the terms of the Old Scheme.

The purpose of the New Scheme is to recognize the contribution or future contribution of (i) any employee of any member of the Company together with its subsidiaries ("**Group**") or of any of LSG, eSun, Lai Fung and MAGHL together with its subsidiaries ("**Affiliated Group**") that is affiliated with the Company ("**Relevant Companies**"); (ii) any director, officer or consultant of any member of the Relevant Companies; and (iii) any other group or classes of participants which the Directors, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of the Group ("**Eligible Participants**"), for their contribution to the Group by granting Options to them as incentives or rewards and to attract, retain or motivate Eligible Participants in line with the performance goals of the Relevant Companies. Unless otherwise altered or terminated, the New Scheme will be valid and effective for a period of 10 years commencing on the Effective Date.

During the six-month period ended 31 January 2020, share options comprising a total of 14,993,134 underlying shares were outstanding, of which 14,073,134 underlying shares were granted under the Old Scheme and share options comprising 920,000 underlying shares were granted under the New Scheme.

During the six-month period ended 31 January 2020, there were 800,000 options granted to Mr. Tham Seng Yum, Ronald under the New Scheme and 166,400 options granted under the Old Scheme to an eligible employee lapsed. Apart from that, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the schemes during the six-month period ended 31 January 2020.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

(1) The Company (Continued)

Particulars of the outstanding options at the beginning and at the end of the financial period are as follows:

Name and category of participant	Date of grant of options	Number of underlying shares comprised in share options						*Outstanding at 31/01/2020	Exercisable period of share options
		Outstanding at 01/08/2019	Granted during the period	Exercise price of share options HK\$ per share	Exercised during the period	Lapsed during the period			
Directors									
Lam Kin Ngok, Peter	18/01/2013	417,308	—	16.100	—	—	417,308	18/01/2013 - 17/01/2023	
Chew Fook Aun	05/06/2012	3,773,081	—	5.350	—	—	3,773,081	05/06/2012 - 04/06/2022	
Lau Shu Yan, Julius	18/01/2013	2,086,540	—	16.100	—	—	2,086,540	18/01/2013 - 17/01/2023	
Lam Hau Yin, Lester	18/01/2013	4,173,081	—	16.100	—	—	4,173,081	18/01/2013 - 17/01/2023	
Tham Seng Yum, Ronald	19/08/2019	—	800,000 (Note 1)	9.920	—	—	800,000	19/08/2019-18/08/2029	
Other employees	18/01/2013	3,477,524	—	16.100	—	(166,400) (Note 2)	3,311,124	18/01/2013 - 17/01/2023	
Other employees	26/07/2013	83,200	—	11.250	—	—	83,200	26/07/2013 - 25/07/2023	
Other employees	21/01/2015	228,800	—	8.350	—	—	228,800	21/01/2015 - 20/01/2025	
Other employees	22/01/2016	60,000	—	4.700	—	—	60,000	22/01/2016 - 21/01/2026	
Other employees	20/01/2017	60,000	—	8.150	—	—	60,000	20/01/2017 - 19/01/2027	
Total:		14,359,534	800,000	—	—	(166,400)	14,993,134		

Notes:

1. Mr. Tham Seng Yum, Ronald has been appointed an executive director of the Company with effect from 19 August 2019. He was granted an option to subscribe for a total of 800,000 ordinary shares at an exercise price of HK\$9.920 per share during the exercisable period from 19 August 2019 to 18 August 2029.
2. In September 2019, there were 166,400 options lapsed which is granted on 18 January 2013.

Corporate Governance and Other Information *(Continued)*

SHARE OPTION SCHEME *(CONTINUED)*

(2) eSun

On 11 December 2015, eSun adopted a new share option scheme ("**2015 Scheme**") and terminated its share option scheme adopted on 23 December 2005 ("**2005 Scheme**"). Upon the termination of the 2005 Scheme, no further share options was granted thereunder but the subsisting options granted prior to the termination continued to be valid and exercisable. The 2015 Scheme which became effective on 23 December 2015 remains in force for a period of 10 years commencing on its adoption date. The maximum number of eSun's shares ("**eSun 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 eSun'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.

(3) Lai Fung

On 18 December 2012, the shareholders of Lai Fung approved the adoption of a new share option scheme ("**2012 Share Option Scheme**") and the termination of the share option scheme adopted by Lai Fung on 21 August 2003 ("**2003 Share Option Scheme**") to the effect that no more share options will be granted under the 2003 Share Option Scheme but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

On 8 August 2018, the shareholders of Lai Fung approved certain amendments to the 2003 Share Option Scheme and the affirmation of the continuing effectiveness of the share options granted pursuant to the 2003 Share Option Scheme.

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 Share Option Scheme (as amended on 8 August 2018) and share options comprising 10,224,526 underlying Lai Fung Shares were granted under the 2012 Share Option Scheme.

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEME (CONTINUED)

(3) Lai Fung (Continued)

The movement of the share options granted under the 2003 Share Option Scheme (as amended on 8 August 2018) and the 2012 Share Option Scheme during the six months ended 31 January 2020 is as follows:

Name or category of participant	Date of grant ^(Note 1)	Number of underlying Lai Fung Shares comprised in share options				Outstanding at 31/01/2020	Exercise period	Exercise price per share (HK\$) ^(Note 2)
		Outstanding at 01/08/2019	Granted during the period	Exercised during the period	Lapsed during the period			
Directors ^(Note 3)								
Lam Kin Ngok, Peter	18/01/2013	321,918	—	—	—	321,918	18/01/2013-17/01/2023	11.40
Chew Fook Aun	12/06/2012	1,009,591	—	(109,591)	—	900,000	12/06/2012-11/06/2020	6.65
Lau Shu Yan, Julius	18/01/2013	965,754	—	—	—	965,754	18/01/2013-17/01/2023	11.40
Lam Hau Yin, Lester	18/01/2013	3,219,182	—	—	—	3,219,182	18/01/2013-17/01/2023	11.40
Tham Seng Yum, Ronald	19/08/2019	—	500,000	—	—	500,000	19/08/2019-18/08/2029	6.784
other eligible participants (in aggregate) ^(Note 6)								
Batch 1	18/01/2013	3,867,672	—	—	(80,000)	3,787,672	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
Total:		10,814,117	500,000	(109,591)	(80,000)	11,124,526		

Notes:

- The share options 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.
- Directors refer to Directors of the Company.
- During the six months ended 31 January 2020, a total of 109,591 ordinary shares of Lai Fung were issued in respect of a share option exercised under the 2003 Share Option Scheme at an exercise price of HK\$6.65 per share. The closing price of Lai Fung's shares immediately before the exercise date was HK\$7.04 per share.
- During the six months ended 31 January 2020, a share option was granted to Mr. Tham Seng Yum, Ronald under the 2012 Share Option Scheme which enabling him to subscribe for a total of 500,000 ordinary shares of the Lai Fung at an exercise price of HK\$6.784 per share during the exercisable period from 19 August 2019 to 18 August 2029. The closing price of the Lai Fung's shares immediately before the exercise date was HK\$6.760 per share.
- Other Eligible Participants include directors of Lai Fung.

Corporate Governance and Other Information *(Continued)*

SHARE OPTION SCHEME *(CONTINUED)*

(3) Lai Fung *(Continued)*

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Share Option Scheme (as amended on 8 August 2018) and the 2012 Share Option Scheme during the Year.

(4) MAGHL

On 18 December 2012, MAGHL, a company listed on GEM of the Stock Exchange and a non-wholly-owned subsidiary of eSun since 9 June 2011, adopted a share option scheme ("**MAGHL Scheme**") which was also approved by the Shareholders at a special general meeting of eSun 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.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 31 January 2020, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

Corporate Governance and Other Information *(Continued)*

UPDATE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' and Chief Executive Officer's information since the disclosure made in the Company's annual report 2018-2019 are set out as follows:

- (1) 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	Employee share option benefits HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
For the six months ended 31 January 2020					
EDs:					
Lam Kin Ngok, Peter (<i>Chairman</i>) (<i>note a</i>)	90	15,151	—	9	15,250
Chew Fook Aun (<i>Deputy Chairman</i>) (<i>note b</i>)	—	9,345	—	27	9,372
Lau Shu Yan, Julius (<i>Chief Executive Officer</i>)	—	2,720	—	117	2,837
Lam Hau Yin, Lester (<i>note c</i>)	—	1,809	—	18	1,827
Tham Seng Yum, Ronald (<i>note d</i>)	—	4,163	3,922	18	8,103
	90	33,188	3,922	189	37,389
NEDs:					
Lam Kin Ming (<i>note e</i>)	125	570	—	—	695
U Po Chu (<i>note f</i>)	125	2,125	—	—	2,250
	250	2,695	—	—	2,945
INEDs:					
Ip Shu Kwan, Stephen	175	—	—	—	175
Lam Bing Kwan (<i>note g</i>)	350	—	—	—	350
Leung Shu Yin, William	175	—	—	—	175
Leung Wang Ching, Clarence	175	—	—	—	175
	875	—	—	—	875
	1,215	35,883	3,922	189	41,209

Corporate Governance and Other Information (Continued)

UPDATE OF DIRECTORS' INFORMATION (CONTINUED)

(1) (Continued)

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Employee share option benefits HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
For the six months ended 31 January 2019					
EDs:					
Lam Kin Ngok, Peter (Chairman) (note a)	60	16,969	—	9	17,038
Chew Fook Aun (Deputy Chairman) (note b)	—	10,364	—	27	10,391
Lau Shu Yan, Julius (Chief Executive Officer)	—	2,735	—	113	2,848
Lam Hau Yin, Lester (note c)	—	1,967	—	18	1,985
	60	32,035	—	167	32,262
NEDs:					
Lam Kin Ming (note e)	125	570	—	—	695
U Po Chu (note f)	125	2,137	—	—	2,262
	250	2,707	—	—	2,957
INEDs:					
Ip Shu Kwan, Stephen	150	—	—	—	150
Lam Bing Kwan (note g)	300	—	—	—	300
Leung Shu Yin, William	150	—	—	—	150
Leung Wang Ching, Clarence	150	—	—	—	150
	750	—	—	—	750
	1,060	34,742	—	167	35,969

Notes:

- The amounts included fees, salaries and pension scheme contributions paid by eSun and its subsidiaries (the "eSun Group") of HK\$7,665,000 (six months ended 31 January 2019: paid by the eSun Group of HK\$8,545,000).
- The amounts included salaries and pension scheme contributions paid by the eSun Group of HK\$4,691,000 (six months ended 31 January 2019: paid by the eSun Group of HK\$5,200,000).
- The amounts included salaries and pension scheme contributions paid by the eSun Group of HK\$871,000 (six months ended 31 January 2019: paid by the eSun Group of HK\$947,000).
- Mr Tham Seng Yum, Ronald was appointed as an executive director with effect from 19 August 2019. The amounts included salaries, employee share option benefits and pension scheme contributions paid by the eSun Group of HK\$2,764,000 (six months ended 31 January 2019: Nil).
- The amounts included salaries paid by the eSun Group of HK\$570,000 (six months ended 31 January 2019: paid by the eSun Group of HK\$570,000).
- The amounts included salaries paid by the eSun Group of HK\$2,125,000 (six months ended 31 January 2019: paid by the eSun Group of HK\$2,137,000).
- The amounts included fees paid by the eSun Group of HK\$175,000 (six months ended 31 January 2019: paid by the eSun Group of HK\$150,000).

Corporate Governance and Other Information *(Continued)*

UPDATE OF DIRECTORS' INFORMATION *(CONTINUED)*

- (2) Dr. Lam Kin Ngok, Peter
- (a) was re-appointed as a non-official member of the Trade and Industry Advisory Board for a term of two years from 1 January 2020 to 31 December 2021; and
 - (b) ceased to act as the non-official member of the Lantau Development Advisory Committee on 31 January 2020 following the expiry of the terms of appointment.
- (3) Mr. Tham Seng Yum, Ronald was appointed the Chairman of the Registration and Practising Committee of the Hong Kong Institute of Certified Public Accountants on 24 January 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2020, the Group employed a total of approximately 4,900 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 and attended non-deal roadshows 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

Corporate Governance and Other Information *(Continued)*

INVESTOR RELATIONS *(CONTINUED)*

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@laisun.com.

REVIEW OF INTERIM REPORT

The audit committee of the Company ("**Audit Committee**") currently comprises three INEDs, Mr. Leung Shu Yin, William, Mr. Lam Bing Kwan and Mr. Leung Wang Ching, Clarence. The Audit Committee has reviewed the interim report (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2020.

By Order of the Board
Lam Kin Ngok, Peter
Chairman

Hong Kong, 31 March 2020