THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in **eSun Holdings Limited**, you should at once hand this circular to the purchaser(s) or transferee(s), or to the licensed securities dealer, registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

VERY SUBSTANTIAL ACQUISITION

(ACQUISITION OF LAND USE RIGHTS)

A letter from the Board is set out on pages 4 to 9 of this circular.

26 February 2019

TABLE OF CONTENTS

This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at www.esun.com and the Stock Exchange at www.hkexnews.hk.

In this circular and the appendices to it, the following expressions shall have the following respective meanings unless the context otherwise requires:

"Board"	the board of Directors;
"Company"	eSun Holdings Limited (豐德麗控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 571);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Directors"	the directors of the Company;
"Greater Bay Area"	the Guangdong–Hong Kong–Macao Greater Bay Area;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Joint Announcement"	the joint announcement of the Company, LSG, LSD and Lai Fung dated 27 December 2018 in relation to the acquisition of land use rights of the Land;
"Lai Fung"	Lai Fung Holdings Limited (麗豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1125);
"Lai Fung Group"	Lai Fung and its subsidiaries;
"Land"	two parcels of land located at 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 City, Guangdong Province of the PRC* (中國廣東省珠海市横琴新區藝文二道東側、香江路南側、藝文一道西側、智水路北側) with a total site area of 143,768.37 sq.m. and a maximum plot ratio of 2 times, being the land required for the Project;
"Land Acquisition"	the acquisition of land use rights of the Land through the Listing-For-Sale Process and the signing of the Land Use Rights Grant Contract;

"Land Use Rights Grant Contract"	the state-owned construction land use rights grant contract* (國有建設用地使用權出讓合同) in respect of the Land was entered into between Zhuhai Land Bureau and Supreme Motion on 29 December 2018;
"Latest Practicable Date"	19 February 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing-For-Sale Process"	the online listing-for-sale process conducted by Zhuhai Land Bureau for the sale of the land use rights of the Land;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"LSD"	Lai Sun Development Company Limited (麗新發展有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 488);
"LSD Group"	LSD and its subsidiaries;
"LSG"	Lai Sun Garment (International) Limited (麗新製衣國際有限公司), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 191);
"LSG Group"	LSG and its subsidiaries;
"Macau"	the Macau Special Administrative Region of the PRC;
"Percentage Ratio(s)"	has the meaning ascribed to it in Rule 14.07 of the Listing Rules;
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
"PRC Governmental Body"	has the meaning ascribed to it in Rule 19A.04 of the Listing Rules;
"PRC Law"	has the meaning ascribed to it in Rule 19A.04 of the Listing Rules;
"Project"	the development project, to be owned, undertaken and operated by the Project Company on the Land, which is currently expected to include the development of Real Madrid LBE and ILA Hengqin, subject to finalisation of the development proposal;
"Project Company"	珠海橫琴麗新創新方發展有限公司, a company established as a wholly-foreign-owned enterprise in the PRC and a direct wholly-owned subsidiary of Supreme Motion;

"Qualified Property Acquisition"	has the meaning ascribed to it in Rule 14.04(10C) of the Listing Rules;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
"Share(s)"	the ordinary share(s) of HK$0.50 each in the share capital of the Company;
"Shareholder(s)"	the duly registered holder(s) of the Shares;
"sq.m."	square metre;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"Supreme Motion"	Supreme Motion Limited (卓動有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Lai Fung;
"US$" or "USD"	the United States dollars, the lawful currency of the United States of America;
"Zhuhai Land Bureau"	The Land and Resources Bureau of Zhuhai (珠海市國土資源局); and
"%"	per cent.

In this circular, amounts in RMB are converted into HK$ on the basis of RMB1=HK$1.1327. The conversion rate is for illustrative purpose only and should not be taken as a representation that RMB could actually be converted in HK$ at such rate or at all.

* *All the English translation of certain Chinese names or words in this circular is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

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

Non-executive Director:
Madam U Po Chu

Independent Non-executive Directors:
Mr. Low Chee Keong *(Chairman)*
Mr. Lo Kwok Kwei, David
Dr. Ng Lai Man, Carmen
Mr. Alfred Donald Yap

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

26 February 2019

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

(ACQUISITION OF LAND USE RIGHTS)

INTRODUCTION

Reference is made to the Joint Announcement, where it was announced that, among other things, Supreme Motion succeeded in the bid of land use rights of the Land offered for sale by Zhuhai Land Bureau through the Listing-For-Sale Process on 26 December 2018.

The purpose of this circular is to provide you with further details of the Land Acquisition for information purposes.

THE LAND ACQUISITION

On 26 December 2018, Supreme Motion succeeded in the bid of land use rights of the Land offered for sale by Zhuhai Land Bureau through the Listing-For-Sale Process for RMB761,972,361 (equivalent to approximately HK$863,086,000). On 29 December 2018, Supreme Motion entered into the Land Use Rights Grant Contract with Zhuhai Land Bureau. The Project Company was established as a wholly-foreign-owned enterprise in the PRC within 1 month after the date of successful bid of the land use rights of the Land, and is wholly-owned by Supreme Motion, for holding the land use rights of the Land and owning, undertaking and operating the Project.

PRINCIPAL TERMS OF THE LAND USE RIGHTS GRANT CONTRACT

Date

29 December 2018

Parties

(1) Supreme Motion; and

(2) Zhuhai Land Bureau.

To their best knowledge, information and beliefs having made all reasonable enquiries, the Directors confirm that Zhuhai Land Bureau and its ultimate beneficial owners are independent of the Company and its connected persons under the Listing Rules.

Information about the Land

The Land is situated at 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 City, Guangdong Province of the PRC* (中國廣東省珠海市橫琴新區藝文二道東側、香江路南側、藝文一道西側、智水路北側) with a total site area of 143,768.37 sq.m. and a maximum plot ratio of 2 times.

The Land is for cultural facilities, retail and commercial, as well as business and financial uses. The land use rights of the Land have been granted for a term of 50 years for cultural facility use, 40 years for retail and commercial use and 40 years for business and financial use.

Prior to the establishment of the Project Company, Supreme Motion has entered into the Land Use Rights Grant Contract with Zhuhai Land Bureau. The Project Company has entered into an amendment contract with Supreme Motion and Zhuhai Land Bureau for the change of the grantee of the land use rights of the Land from Supreme Motion to the Project Company on 31 January 2019.

Land premium and payment

The land premium payable for the land use rights of the Land is RMB761,972,361 (equivalent to approximately HK$863,086,000) with accommodation value of approximately RMB2,650 per sq.m. (equivalent to approximately HK$3,000 per sq.m.).

The land premium was arrived at as a result of successful bidding of the land use rights of the Land by Supreme Motion through the Listing-For-Sale Process. In tendering the bid, Supreme Motion has taken into account, among other matters, the initial bidding price required under the listing-for-sale documents, prevailing market conditions, location of the Land and land price in the surrounding area.

A deposit in the amount of RMB380,990,000 (equivalent to approximately HK$431,547,000), representing the deposit required in order for Supreme Motion to qualify for tendering the bid through the Listing-For-Sale Process, has been paid by Supreme Motion on 21 December 2018 before the bid was awarded.

The relevant listing-for-sale documents provide that the deposit mentioned above will be applied towards payment of the land premium payable for the land use rights of the Land. The relevant listing-for-sale documents further provide that the land premium payable can be settled in full within 1 month from the date of signing of the Land Use Rights Grant Contract, or in two instalments whereby the first instalment has to be paid within 1 month from the date of signing of the Land Use Rights Grant Contract, and the second instalment being the remaining balance of the land premium payable has to be paid within 6 months from the date of signing of the Land Use Rights Grant Contract. If the land premium payable is not settled in full within 1 month from the date of signing of the Land Use Rights Grant Contract, interest will be charged against the remaining balance of the land premium payable at an interest rate equivalent to the interest rate of loans published by People's Bank of China (中國人民銀行) on the day whereby the first instalment of the land premium payable is paid and for the period commencing on the first day of the second month from the date of signing of the Land Use Rights Grant Contract and ending on the date of full payment of the second instalment, which shall be settled together with the payment of the second instalment. On 31 January 2019, the Project Company, Supreme Motion and Zhuhai Land Bureau entered into an amendment contract to the Land Use Rights Grant Contract (國有建設用地使用權出讓變更合同) for the change of the grantee of the land use rights of the Land from Supreme Motion to the Project Company ("**Amendment Contract**"). The Project Company paid on 1 February 2019 the land premium in full (excluding the above-mentioned deposit which was already paid on 21 December 2018). As the Project Company settled the remaining balance of the land premium in accordance with the time prescribed in the Amendment Contract, the Project Company is not required to pay the interest arising from the overdue payment of land premium.

The Directors consider that the terms and conditions of the Land Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Other Commitments

According to the Land Use Rights Grant Contract, Supreme Motion undertakes, among other things, that the total amount of investment for the Project, including the land premium, shall not be less than RMB3,500,000,000 (equivalent to approximately HK$3,964,450,000).

The sources of funding by Lai Fung to finance the Project will be internal and external resources including but not limited to bank financing.

Lai Fung Group is in the process of finalising the master layout plan for the Project with the PRC government. As such, the development plan and therefore the total development costs of the Project have yet to be finalised. Details of the development plan for the Project will be formulated and Lai Fung Group will provide an update on the development plan when appropriate.

INFORMATION OF THE PROJECT COMPANY, SUPREME MOTION, LAI FUNG, THE COMPANY, LSD AND LSG

The Project Company is established as a wholly-foreign-owned enterprise in the PRC and is principally engaged in the holding of the land use rights of the Land and owning, undertaking and operating the Project. It is wholly-owned by Supreme Motion.

Supreme Motion is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

Lai Fung is an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activity of Lai Fung is investment holding. The principal activities of Lai Fung's subsidiaries include property development for sale and property investment for rental purposes, and development and operation of and investment in cultural, leisure, entertainment and related facilities in the PRC.

The Company is an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed and traded on the Main Board of the Stock Exchange. The Company acts as an investment holding company and the principal activities of its subsidiaries include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products, cinema operation, property development for sale and property investment for rental purposes, as well as the development, operation of and investment in cultural, leisure, entertainment and related facilities. As at the Latest Practicable Date, the Company owns approximately 50.55% of the total issued shares of Lai Fung.

LSD is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSD Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding. As at the Latest Practicable Date, LSD owns approximately 74.62% of the total issued Shares.

LSG is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. The principal activities of the LSG Group include property investment, property development, investment in and operation of hotels and restaurants and investment holding. As at the Latest Practicable Date, LSG owns approximately 56.07% of the total issued shares of LSD.

INFORMATION OF ZHUHAI LAND BUREAU

Zhuhai Land Bureau is a PRC Governmental Body.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION

Lai Fung successfully secured the land use rights of the land for Phase I of the Novotown project in Hengqin ("**Novotown**") in September 2013. The construction work of Phase I of Novotown which is 80% owned by Lai Fung and 20% by the Company is now progressing at a good pace and expected to complete in the first half of 2019. The Land is situated adjacent to Phase I and has been designated for the development of Phase II of Novotown.

Lai Fung Group is in the process of finalising the master layout plan for the Project with the PRC government. As such, the development plan of the Project and therefore the total development costs of the Project have yet to be finalised. Lai Fung has secured certain key partners for Novotown Phase II subject to the successful acquisition of the land use rights of the Land. In June 2017, Lai Fung Group entered into a licence agreement with Real Madrid Club de Futbol ("**Real Madrid**") 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 sq.m., 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 Innovation Leadership Academy Hengqin ("**ILA Hengqin**") in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and when it first opens in September 2020, the ILA Hengqin 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 on 27 December 2018 with Ducati Motor Holding S.p.A ("**Ducati**") in relation to the development and operation of a motorcycle themed experience centre ("**Ducati Experience Centre**") in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 sq.m. and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions. Real Madrid World, ILA Hengqin and Ducati Experience Centre are expected to be the key elements in Novotown Phase II. Details of the development plan for the Project will be formulated and upon finalisation of the master layout plan for the Project with the PRC government, Lai Fung Group will provide an update on the development plan when appropriate.

With the opening of the Hong Kong-Zhuhai-Macau Bridge and the close proximity of the Land with Hong Kong, Macau and other cities in the Greater Bay Area, Novotown is expected to benefit from the strong momentum of the tourism development in the Greater Bay Area.

FINANCIAL EFFECTS OF THE LAND ACQUISITION

Immediately upon completion of Land Acquisition, as the remaining balance of the land premium of RMB380,982,361 (equivalent to approximately HK$431,539,000) payable under the Land Use Rights Grant Contract is satisfied by the internal resources of Lai Fung Group, the Directors consider that there will not be any material effect on the total assets, total liabilities and earnings of the Group.

LISTING RULES IMPLICATIONS

As the applicable Percentage Ratios in respect of the Land Acquisition are greater than 100% for the Company, the Land Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules.

The Land Acquisition is a Qualified Property Acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of governmental land in the PRC from a PRC Governmental Body through a tender, auction or listing-for-sale governed by the PRC Law. The Board confirms that the Land Acquisition is in the Group's ordinary and usual course of business and is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Under Rule 14.33A of the Listing Rules, the Land Acquisition is exempt from shareholders' approval of the Company as it was undertaken on a sole basis by the Company (through its subsidiaries) in its ordinary and usual course of business.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

In case of any inconsistency between the English and Chinese versions of this circular, the English version will prevail.

Yours faithfully,
For and on behalf of the Board of
eSun Holdings Limited
Lui Siu Tsuen, Richard
Executive Director and
Chief Executive Officer

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements and the independent auditor's report of the Group (i) for the year ended 31 July 2016 are disclosed on pages 61 to 192 of the annual report of the Company for the year ended 31 July 2016 published on 16 November 2016; (ii) for the year ended 31 July 2017 are disclosed on pages 77 to 212 of the annual report of the Company for the year ended 31 July 2017 published on 15 November 2017; and (iii) for the year ended 31 July 2018 are disclosed on pages 85 to 220 of the annual report of the Company for the year ended 31 July 2018 published on 21 November 2018.

The above annual reports of the Company have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.esun.com).

INDEBTEDNESS

As at 31 December 2018, being the latest practicable date for ascertaining certain information relating to this indebtedness statement, the Group had outstanding consolidated total borrowings (after intra-group elimination) of approximately HK$8,855 million, comprising unsecured and unguaranteed other borrowings from a former Shareholder, including accrued interest, of approximately HK$260 million, secured bank loans of approximately HK$3,952 million, unsecured bank loans of approximately HK$1,173 million, unsecured guaranteed notes of approximately HK$2,720 million and unsecured and unguaranteed loans from a wholly-owned subsidiary of LSD, a substantial shareholder of the Company, of approximately HK$750 million.

As at 31 December 2018, certain properties (including investment properties, properties under development, serviced apartments (including related leasehold improvements) and construction in progress) and certain bank balances and time deposits were pledged to banks to secure bank loan facilities of the Group. Equity interests in certain subsidiaries of the Group were pledged to banks to secure certain bank loan facilities granted to the Group. In addition, the Company and certain subsidiaries of the Group have also provided corporate guarantees in favour of the banks in respect of certain bank loan facilities granted to the Group.

The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 December 2018, in respect of these guarantees, the contingent liabilities of the Group were estimated to be amounted to approximately HK$516 million.

The Group had provided corporate guarantees to certain banks in connection with the general banking facilities granted to the Group and the facilities were utilised by the Group to the extent of approximately HK$4 million as at 31 December 2018.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 December 2018, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 July 2018, being the date to which the latest published audited financial statements of the Company were made up.

WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into account (i) the internal resources of the Group; (ii) the Group's presently available banking facilities and other borrowings; (iii) the expected refinancing of certain bank loans; and (iv) completion of the Land Acquisition including settlement of the remaining balance of the land premium of RMB380,982,361 (equivalent to approximately HK$431,539,000) which has been made on 1 February 2019, the Group has sufficient working capital for its requirements for at least 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group include the development, operation of and investment in media and entertainment, music production and distribution, the investment in and production and distribution of television programmes, films and video format products, cinema operation, property development for sale and property investment for rental purposes, as well as the development, operation of and investment in cultural, leisure, entertainment and related facilities.

Media and entertainment/film production and distribution/cinema operation

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

- Film – continued drive to increase original production of films which appeal to Chinese language audiences. "*When Robbers Meet The Monster*", an action comedy film featuring Louis Koo, Zhou Dongyu and Cheney Chen with director Andrew Lau, "*Bodies At Rest*", an action crime film by director Renny Harlin casting Nick Cheung and Richie Jen, "*Fagara in Mara*", a romance film produced by Ann Hui featuring Sammi Cheng, and "*I'm Living It*", a feature film produced by Cheang Pou Soi with Aaron Kwok and Miriam Yeung, are under post-production. Projects under development include an action film "*Knockout*" by director Roy Chow featuring Han Geng and a romance comedy film "*The Calling of a Bus Driver*" with Ivana Wong and director Patrick Kong.

- 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 the PRC as well as a way to provide exposure and training for the Group's stable of artistes. The drama series "*Shadow of Justice*" started broadcasting in Alibaba's Youku and Viu TV since September and have generated satisfactory viewership for the two platforms. The latest titles in our TV production pipelines include "*New Horizon*", a 50 episode romance drama series starring Zheng Kai and Chen Chiao-en, and we are discussing with various Chinese portals and video websites for new project development.

- Live Entertainment – successfully produced and promoted a number of concerts in Hong Kong and the PRC performed by prominent local, Asian and international artistes. The recent "*JJ Lin Sanctuary World Tour Hong Kong*" has earned good reputation and public praises. The Group will continue to work with prominent local and Asian artistes for concert promotion. In addition to our investment in coming "*Andy Lau My Love World Tour Hong Kong 2018*", we are planning to organise concerts for a number of artistes in 2019.

- Music – as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is poised to capitalise on this new economic model. During the year ended 31 July 2018, on top of the existing distribution licence with Warner Music, the Group has entered into an exclusive PRC distribution licence of our music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and these licences have been providing stable income contribution to the Group.

- Artiste Management – expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes. The Group believes a strong talent roster will complement its media and entertainment businesses and will continue its effort in talent development.

- Cinema – acquisition of 85% interest in Intercontinental Group Holdings Limited ("**IGHL**") in July 2013 bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and the PRC. The MCL Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. During the year ended 31 July 2018, the Group opened two new cinemas, one in Shatin, Hong Kong and the other one in Suzhou in the PRC. The cinema in New Town Plaza in Shatin, Hong Kong named "Movie Town" is the largest cinema in the New Territories with more than 1,700 seats in 7 houses and introduced the latest revolutionary cinema technologies to the town including the HK-first Samsung "Onyx Cinema LED" and RealD Cinema, plus the HK-exclusive MX4D motion theatre and House FX. The Group has chosen Ufun Suzhou Shopping Mall to establish its first "GRAND Cinema" flagship site in the PRC. The Grand Cinema City in Suzhou has 10 houses which are all equipped with 3D digital projection and Dolby Surround sound systems, providing a total of 1,440 seats. Two of the houses are in China Giant Screen formats, each also with the most advanced Dolby Atmos sound system, giant screen of 18.6m wide and 10.5m tall and dual-digital projection systems. The Group also secured one cinema project in Hong Kong, which is expected to commence business in the financial year ending 31 July 2019. The acquisition of 10% interest in IGHL in November 2018 is a good opportunity for the Group to consolidate its control in IGHL, increase its investment in the cinema business and facilitate better implementation of the operating strategies of the Company into IGHL. The Group is excited by the outlook for cinemas in Hong Kong and the PRC and the Group will continue to seek out opportunities to expand our footprint.

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

The PRC Property Market

Major economies around the world continue to navigate in uncertain waters during the year ended 31 July 2018. The capital market has demonstrated steadiness backed by cautious optimism despite a delicate economic outlook, punctuated by global events such as elections in Europe, uncertainties surrounding the terms of Brexit, domestic terror events in the United States of America ("**USA**") and Europe and the more recent trade disputes between the USA and the PRC. Some of these events are likely to linger in the near future and continue to cast a shadow on the outlook.

Notwithstanding the seemingly turbulent environment, the PRC government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. However some sectors such as exports, weakened further as a result of lackluster global economic performance and trade disputes with the USA. Some of the slowdown has been countered by promoting other sectors and raising domestic consumption, however the longer term impact remains to be seen. The property sector has been a beneficiary of this as observed in various land auctions and transaction values recently. The Group believes the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The PRC government's approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike. Under the current leadership of the PRC government, The Group can expect continued stability and continuity going forward.

The regional focus and rental-led strategy of Lai Fung has demonstrated resilience in recent years. The rental portfolio of approximately 3.3 million square feet, primarily in Shanghai and Guangzhou, delivered steady performance in rental income at close to full occupancies for the key assets. The asset swap transaction as jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total gross floor area ("**GFA**") of this property owned by Lai Fung Group increased to approximately 705,500 square feet excluding car-parking spaces from approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

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

The construction works of Phase I of the Novotown commenced at the end of 2015 and is now progressing at a good pace. The completion is expected to be in the first half of 2019. Lai Fung Group and Dr. Ing. h.c. F. Porsche AG ("**Porsche**") did not reach a final agreement in relation to the licensing of Porsche's intellectual property rights and the provision of consultation services for the development of the auto experience theme centre in Phase II of Novotown prior to the expiration of the framework agreement entered into in September 2017. In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited bringing Harrow International China Group, the world's leading learning institution, to set up the ILA Hengqin in Hengqin. The cooperation aims to enhance the general education experience in Hengqin and across the region catering for learning needs of local and overseas families residing within the Pearl River Delta area, including Hengqin, Zhuhai, Macau and the Greater Bay Area. The ILA Hengqin is planned to be launched in Phase II of the Novotown project in Hengqin. Lai Fung Group entered into a license agreement on 27 December 2018 with Ducati in relation to the development and operation of the Ducati Experience Centre in Phase II of Novotown. Lai Fung Group has been seeking for and successfully secured appropriate partners for the different aspects of Novotown project. Lai Fung Group entered into investment agreements with China Cinda (HK) Asset Management Co., Limited ("**Cinda**") on 31 December 2018 and Cinda has invested 30% in two subsidiaries of Lai Fung Group, the core businesses of which are the internal buildout, fitting, preparation and operation of themed indoor experience centres in Phase I of the Novotown project under the intellectual property licenses granted by "National Geographic" and "Lionsgate".

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Hengqin Novotown Phase I are expected to contribute to the income statement of Lai Fung Group in the coming financial years. Lai Fung Group will continue its prudent and flexible approach in growing its landbank.

From May to August 2018, the Company went through a voluntary general cash offer ("**eSun Offer**") made by LSD in May 2018 to acquire all of the issued Shares that were not already owned by LSD. The eSun Offer closed on 22 August 2018. The mandatory general offer to Lai Fung triggered by the eSun Offer closed on 13 September 2018. LSD's interest in the Company increased from that of 36.94% as at 31 July 2018 to 77.38% and the Company has become a subsidiary of LSD post year end. The public float of the Company has been restored immediately after the completion of the sale of 2.76% Shares by LSD to an independent third party on 11 February 2019. As at the Latest Practicable Date, LSD owns approximately 74.62% interest in the Company and Lai Fung remains a 50.55%-owned subsidiary of the Company.

As at 31 July 2018, the Group's consolidated cash position of HK$3,209.8 million (HK$341.9 million excluding Lai Fung Group and Media Asia Group Holdings Limited ("**MAGHL**", a non-wholly-owned subsidiary of the Company) and its subsidiaries (collectively, "**MAGHL Group**")) (31 July 2017: HK$3,304.6 million (HK$273.8 million excluding Lai Fung Group and MAGHL Group)) with a reasonable net debt to equity ratio of 53.9% as at 31 July 2018 (31 July 2017: 35.3%) provides the Group with full confidence and the means to review opportunities more actively. The Group will continue its prudent and flexible approach in managing its financial position.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP FOR THE YEAR ENDED 31 JULY 2018

Set out is the management discussion and analyses of the Group as extracted from the annual report of the Company for the year ended 31 July 2018. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Media and Entertainment

For the year ended 31 July 2018, this segment recorded a turnover of HK$428.2 million (2017: HK$448.4 million) and segment results decreased to HK$21.8 million from that of HK$25.5 million last year.

Live Entertainment

The Group remains highly active on the live entertainment front. During the year under review, the Group organised and invested in 138 (2017: 168) shows by popular local, Asian and internationally renowned artistes, including Miriam Yeung, Grasshopper, C AllStar, at17, Ivana Wong and Hins Cheung, Liza Wang, Vivian Chow, Wanna One, MayDay and Rene Liu.

Music Production, Distribution and Publishing

For the year ended 31 July 2018, the Group released 53 (2017: 30) albums, including titles by Sammi Cheng, Miriam Yeung, William So, C AllStar, Tang Siu Hau, at17, Cherry Ngan and Michael Lai. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Programme Production and Distribution

For the year ended 31 July 2018, this segment recorded a turnover of HK$342.7 million (2017: HK$418.5 million) and segment results of a loss of HK$258.7 million (2017: HK$126.2 million).

During the year under review, the Group released a total of 5 films (2017: 6), including *Legend* of the *Naga Pearls*, *The Adventurers*, *Manhunt* and *Girls vs Gangsters* and distributed 39 (2017: 31) films and 480 (2017: 488) videos with high profile titles including *Memoirs of a Murderer, The Post, Uncle Drew, Black Panther, Coco, Thor: Ragnarok* and *Star Wars: The Last Jedi*.

Cinema Operation

For the year ended 31 July 2018, this segment recorded a turnover of HK$408.4 million (2017: HK$418.6 million). The Group currently operates nine cinemas in Hong Kong and three cinemas in Mainland China as well as one joint venture cinema in Hong Kong. The MCL Telford Cinema in Kowloon Bay, Hong Kong was re-opened in December 2017 after renovation with advanced cinema technology and the introduction of House FX Theater and MX4D Motion Theater. During the year under review, the Group opened two new cinemas, one in Shatin, Hong Kong and the other one in Suzhou, Mainland China. The cinema in New Town Plaza in Shatin, Hong Kong named "Movie Town" is the largest cinema in the New Territories with more than 1,700 seats in 7 houses and introduced the latest revolutionary cinema technologies to the town including the HK-first Samsung "Onyx Cinema LED" and RealD Cinema, plus the HK-exclusive MX4D motion theatre and House FX. The Group has chosen Ufun Suzhou Shopping Mall to establish its first "GRAND Cinema" flagship site in Mainland China. The Grand Cinema City in Suzhou has 10 houses which are all equipped with 3D digital projection and Dolby Surround sound systems, providing a total of 1,440 seats. Two of the houses are in China Giant Screen formats, each also with the most advanced Dolby Atmos sound system, giant screen of 18.6m wide and 10.5m tall and dual-digital projection systems. The Group also secured one cinema project in Hong Kong, which is expected to commence business in the financial year ending 31 July 2019. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses.

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

Cinema	**Attributable interest to the Group** (%)	**No. of screens** *(Note 1)*	**No. of Seats** *(Note 1)*
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	85	8	1,196
MCL Metro City Cinema *(Note 2)*	85	7	957
MCL Telford Cinema (including MX4D theatre)	85	6	789
STAR Cinema	85	6	622
Grand Kornhill Cinema (including MX4D theatre)	85	5	706
MCL South Horizons Cinema	85	3	555
MCL Green Code Cinema	85	3	285
Grand Windsor Cinema	85	3	246
The Grand Cinema	25.5	12	1,566
Subtotal		**60**	**8,624**
Total		**82**	**11,575**

Notes:

1. *On 100% basis*

2. *Renovation in phases is in progress and with effect from 1 November 2018, rental spaces of one cinema house will be handed back to the landlord and the cinema will provide 694 seats in 6 houses.*

Property Investment

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2018.

Rental Income

For the year ended 31 July 2018, Lai Fung Group's rental operations recorded a turnover of HK$766.2 million (2017: HK$702.1 million), representing a 9.1% increase over last year. Excluding the effect of currency translation, the growth for Renminbi denominated rental income was 3.3%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			For the year ended 31 July			
	2018# HK$'million	2017# HK$'million	Approximate change (%)	2018 RMB'million	2017 RMB'million	Approximate change (%)	Year end occupancy (%)
Shanghai							
Shanghai Hong Kong Plaza	416.9	399.4	4.4	346.4	350.6	-1.2	Retail: 96.8 Office: 94.8 Serviced Apartments: 91.5
Shanghai May Flower Plaza	75.9	75.4	0.7	63.1	66.2	-4.7	Retail: 48.2* Hotel: 72.2
Shanghai Regents Park	25.0	20.0	25.0	20.7	17.5	18.3	100.0
Guangzhou							
Guangzhou May Flower Plaza	113.2	105.5	7.3	94.1	92.6	1.6	99.2
Guangzhou West Point	19.8	18.4	7.6	16.5	16.1	2.5	100.0
Guangzhou Lai Fung Tower	105.2	74.9	40.5	87.4	65.7	33.0	Retail: 100.0 Office: 100.0**
Zhongshan							
Zhongshan Palm Spring	10.2	8.5	20.0	8.5	7.5	13.3	Retail: 75.5** Serviced Apartments: 51.9
Total	766.2	702.1	9.1	636.7	616.2	3.3	

\# *The exchange rates adopted for the years ended 31 July 2018 and 2017 are 0.8310 and 0.8777, respectively.*

* *The drop in the occupancy rate is due to the early termination of the lease of Lotte Mart on 3 July 2018. Lai Fung Group is currently discussing with several prospective tenants to fill the vacancy.*

** *Excluding self-use area*

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

The asset swap transaction with Guangzhou Light Industry Real Estate Development Company as jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed in August 2017. This enables Lai Fung Group to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. The total GFA of this property owned by Lai Fung Group increased to approximately 705,500 square feet excluding car-parking spaces from approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property excluding self-use area have been fully leased.

Property Development

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2018.

Recognised Sales

For the year ended 31 July 2018, Lai Fung Group's property development operations recorded a turnover of HK$184.6 million (2017: HK$624.6 million) from sale of properties, representing a 70.4% decrease over last year.

Total recognised sales was primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring of which approximately 7,521 and 84,936 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$50.2 million and HK$90.5 million, respectively.

For the year ended 31 July 2018, average selling price recognised as a whole (excluding Guangzhou Dolce Vita and car-parking spaces) amounted to approximately HK$1,649 per square foot (2017: HK$983 per square foot). Sales of residential units and retail units of Guangzhou Dolce Vita performed well and achieved average selling price of HK$3,616 and HK$5,445 per square foot, respectively. This is recognised as a component of "Share of profits and losses of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2018 from property sales is as follows:

Recognised basis	No. of units	Approximate GFA	Average selling price#	Turnover*	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Guangzhou Eastern Place					
Residential Units – Phase V	7	7,521	6,980	50.2	41.7
Guangzhou King's Park					
Commercial Unit	1	3,337	2,380	7.5	6.3
Zhongshan Palm Spring					
Residential High-rise Units	70	84,936	1,148	90.5	75.2
Others				1.1	0.9
Subtotal	**78**	**95,794**	**1,649**	**149.3**	**124.1**
Guangzhou King's Park					
Car-parking Spaces	6			4.6	3.8
Guangzhou Eastern Place					
Car-parking Spaces	27			30.7	25.5
Total				**184.6**	**153.4**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	42	92,288	3,616	313.8	260.8
Retail Units**(47.5% basis)	–	665	5,445	3.4	2.8
Subtotal	**42**	**92,953**	**3,629**	**317.2**	**263.6**
Car-parking Spaces**(47.5% basis)	45			16.1	13.4
Total				**333.3**	**277.0**

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

\## *The exchange rate adopted for the year ended 31 July 2018 is 0.8310.*

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2018, 89 residential units and 1 retail unit were sold and the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK$667.9 million (excluding car-parking spaces) and approximately 195,690 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$33.8 million.*

Contracted Sales

As at 31 July 2018, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$51.8 million and HK$246.9 million from sales of residential units in Zhongshan Palm Spring and studios of Hengqin Novotown Phase I, respectively and HK$3.4 million from sales of 6 car-parking spaces in Guangzhou King's Park, Guangzhou Eastern Place and Zhongshan Palm Spring. Sales of the studios of Hengqin Novotown Phase I were strong and achieved an average selling price of HK$5,207 per square foot. Excluding the effect of currency translation, the Renminbi denominated contracted but not yet recognised sales of residential units, studios and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.0 million (31 July 2017: RMB125.7 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 July 2018 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$302.5 million (31 July 2017: HK$402.8 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 July 2018 amounted to RMB251.3 million (31 July 2017: RMB353.6 million).

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

Contracted basis	**No. of units**	**Approximate GFA**	**Average selling price#**	**Turnover#**	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Zhongshan Palm Spring					
Residential High-rise Units	31	34,614	1,497	51.8	43.0
Hengqin Novotown					
Studios	11	47,420	5,207	246.9	205.2
Subtotal	**42**	**82,034**	**3,641**	**298.7**	**248.2**
Guangzhou King's Park					
Car-parking Spaces	2			1.6	1.3
Guangzhou Eastern Place					
Car-parking Space	1			1.2	1.0
Zhongshan Palm Spring					
Car-parking Spaces	3			0.6	0.5
Subtotal				**302.1**	**251.0**
Contracted sales from joint venture project					
Guangzhou Dolce Vita					
Car-parking Space**(47.5% basis)	1			0.4	0.3
Subtotal				**0.4**	**0.3**
Total (excluding car-parking spaces)	**42**	**82,034**	**3,641**	**298.7**	**248.2**
Total (including car-parking spaces)				**302.5**	**251.3**

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

\#\# *The exchange rate adopted for the year ended 31 July 2018 is 0.8310.*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2018, the contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$0.8 million.*

Liquidity, Financial Resources, Charge on Assets and Gearing

Cash and Bank Balances

As at 31 July 2018, cash and bank balances held by the Group amounted to HK$3,209.8 million (2017: HK$3,304.6 million) of which around 22.9% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 76.9% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2018 was HK$341.9 million (2017: HK$273.8 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2018, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$8,199.0 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2018, the Group had guaranteed general banking facilities granted by certain banks. As at 31 July 2018, the Group had outstanding bank loans of HK$147.8 million and utilised letter of credit and letter of guarantee facilities of HK$5.9 million. All bank loans are repayable within 1 year and are on floating rate basis and are denominated in HKD.

Apart from the bank loans, the Group had an outstanding loan of HK$450.0 million from Hibright Limited ("**Hibright**"), which is a wholly-owned subsidiary of LSD. The loan is on floating rate basis, denominated in HKD and is repayable in the second year. The Group has the undrawn facilities of HK$302.8 million as at 31 July 2018.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$91.1 million for the said unsecured other borrowings as at 31 July 2018. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2018.

MAGHL

During the year, TFN Convertible Notes with principal amount of HK$130.0 million and Specific Mandate Convertible Notes with an aggregate principal amount of HK$166.8 million (including a principal amount of HK$100.0 million issued to the Group) were redeemed upon maturity on 14 May 2018 and 3 July 2018 respectively. As at 31 July 2018, MAGHL has unsecured and interest-bearing loans from Hibright and the Company of HK$200.0 million and HK$100.0 million respectively. The loans are on floating rate basis, denominated in HKD and are repayable in the second year.

Lai Fung

As at 31 July 2018, Lai Fung Group had total borrowings in the amount of HK$7,445.6 million comprising bank loans of HK$3,773.2 million, guaranteed notes of HK$2,725.5 million, loans from a subsidiary of the Company of HK$248.5 million, loans from a joint venture of HK$644.7 million and other borrowing of HK$53.7 million. The maturity profile of Lai Fung Group's borrowings of HK$7,445.6 million is well spread with HK$419.2 million repayable within 1 year, HK$1,184.2 million repayable in the second year, HK$5,648.1 million repayable in the third to fifth years, and HK$194.1 million repayable beyond the fifth year. The undrawn facilities of Lai Fung Group was HK$3,552.0 million as at 31 July 2018.

Approximately 45% and 51% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of Lai Fung Group's borrowings were interest free.

Apart from the guaranteed notes, Lai Fung Group's other borrowings of HK$4,720.1 million were 53% denominated in RMB, 37% in HKD and 10% in USD.

Lai Fung Group's guaranteed notes of HK$2,725.5 million were denominated in USD. Lai Fung Group has entered into cross currency swap agreements with financial institutions and the guaranteed notes have been effectively converted into HKD denominated debts.

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

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings and banking facility of the Group, including investment properties with a total carrying amount of approximately HK$11,575.2 million, properties under development with a total carrying amount of approximately HK$1,371.4 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,282.7 million, construction in progress with a total carrying amount of approximately HK$909.7 million and time deposits and bank balances of approximately HK$650.8 million.

As at 31 July 2018, the consolidated net assets attributable to the owners of the Company amounted to HK$9,259.5 million (2017: HK$9,118.2 million). The gearing ratio, being net debt (total borrowings of HK$8,199.0 million less pledged and restricted bank balances and time deposits of HK$1,073.8 million and cash and cash equivalents of HK$2,136.0 million) to net assets attributable to the owners of the Company was approximately 53.9%.

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

Contingent Liabilities

(a) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principal amounts together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2018, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$520,342,000 (2017: HK$596,225,000).

(b) The Group had provided corporate guarantees to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK$5,618,000 (2017: HK$6,616,000) were utilised.

Employees and Remuneration Policies

As at 31 July 2018, the Group employed a total of around 1,880 (2017: 2,010) 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.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP FOR THE YEAR ENDED 31 JULY 2017

Set out is the management discussion and analyses of the Group as extracted from the annual report of the Company for the year ended 31 July 2017. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Media and Entertainment

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

Live Entertainment

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

Music Production, Distribution and Publishing

For the year ended 31 July 2017, the Group released 30 (2016: 57) albums, including titles by Sammi Cheng, Ivana Wong, C AllStar, Jan Lamb, Tang Siu Hau and Leslie Cheung. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Program Production and Distribution

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

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

Cinema Operation

For the year ended 31 July 2017, this segment recorded a turnover of HK$418.6 million (2016: HK$364.9 million). As at 31 July 2017, the Group operates four cinemas in Mainland China and eight cinemas in Hong Kong as well as one joint venture cinema in Hong Kong. Our new cinema, MCL Green Code Cinema in Fanling, Hong Kong was opened on 21 January 2017. The Grand Kornhill Cinema in Kornhill Plaza, Hong Kong was re-opened on 1 April 2017 after renovation and is the first cinema in Hong Kong installed with a MX4D theatre providing the most advanced 4D movie experience. The MCL Telford Cinema has just completed its renovation in mid October 2017, with the success of the MX4D theatre in Grand Kornhill Cinema, MCL Telford Cinema has also installed with a MX4D theatre. The Group also secured one cinema project in Suzhou in Mainland China, which is expected to commence business in the financial year ending 31 July 2018. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses.

Details on the number of screens and seats of each cinema as at the date of this Annual Report are as follows:

Cinema	**Attributable interest to the Group** (%)	**No. of screens** *(Note)*	**No. of Seats** *(Note)*
Mainland China			
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
Subtotal		**22**	**2,669**
Hong Kong			
Festival Grand Cinema	85	8	1,196
MCL Metro City Cinema	85	7	957
MCL Telford Cinema (including MX4D Theatre)	85	6	789
STAR Cinema	85	6	622
Grand Kornhill Cinema (including MX4D Theatre)	85	5	706
MCL South Horizons Cinema	85	3	555
MCL Green Code Cinema	85	3	285
Grand Windsor Cinema	85	3	246
The Grand Cinema	25.5	12	1,566
Subtotal		**53**	**6,922**
Total		**75**	**9,591**

Note: On 100% basis

Property Investment

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2017.

Rental Income

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

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

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

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

** *Excluding the office area that is subject to the asset swap transaction as jointly announced by Lai Fung and the Company on 15 January 2015 and the asset swap transaction has been completed in August 2017.*

*** *Excluding self-use area*

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

The asset swap transaction with Guangzhou Light Industry Real Estate Development Company as jointly announced by Lai Fung and the Company on 15 January 2015 in relation to Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, has been completed in August 2017 post year end. This enables Lai Fung to consolidate its ownership of Guangzhou Lai Fung Tower completely and provide additional flexibility and strategic value to Lai Fung Group. As at the date of this Annual Report, the total GFA of this property owned by Lai Fung Group increased to approximately 707,800 square feet excluding car-parking spaces from that of approximately 626,700 square feet as at 31 July 2017 and the commercial area and the office building of this property have been fully leased.

The acquisition of Hui Gong Building was completed in September 2016. Lai Fung Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping arcade and underground car-parking spaces and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of Lai Fung Group. Demolition of Shanghai Northgate Plaza I and Hui Gong Building has been completed in May 2017 and foundation works commenced in September 2017.

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

Property Development

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2017.

Recognised Sales

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

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

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

Breakdown of turnover for the year ended 31 July 2017 from property sales is as follows:

Recognised basis	**No. of units**	**Approximate GFA**	**Average selling price#**	**Turnover***	
		Square feet	HK$/square foot	HK$'million##	RMB'million
Guangzhou Eastern Place					
Residential Units – Phase V	19	21,364	6,481	129.2	113.4
Zhongshan Palm Spring					
Residential High-rise Units	479	597,959	743	420.1	368.7
Residential House Units	15	43,407	1,582	65.2	57.2
Others				0.4	0.4
Subtotal	**513**	**662,730**	**983**	**614.9**	**539.7**
Guangzhou King's Park					
Car-parking Spaces	14			9.0	7.9
Guangzhou West Point					
Car-parking Space	1			0.7	0.6
Total				**624.6**	**548.2**
Recognised sales from joint venture project					
Guangzhou Dolce Vita					
Residential Units**(47.5% basis)	514	737,122	2,570	1,794.7	1,575.2
Retail Units**(47.5% basis)	2	2,521	6,521	15.6	13.7
Subtotal	**516**	**739,643**	**2,584**	**1,810.3**	**1,588.9**
Car-parking Spaces**(47.5% basis)	373			122.4	107.4
Total				**1,932.7**	**1,696.3**

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

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

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2017, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project was HK$3,811.2 million (excluding car-parking spaces) and approximately 1,557,142 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project was HK$257.7 million.*

Contracted Sales

As at 31 July 2017, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$91.1 million and HK$49.7 million from sales of residential units in Zhongshan Palm Spring and Guangzhou Eastern Place Phase V, respectively and HK$2.3 million from sales of 3 car-parking spaces in Guangzhou King's Park. Sales of the remainder of the completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK$1,087 per square foot. Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, excluding Guangzhou Dolce Vita as at 31 July 2017 amounted to RMB125.7 million (31 July 2016: RMB484.4 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 July 2017 including Guangzhou Dolce Vita and car-parking spaces amounted to HK$402.8 million (31 July 2016: HK$2,249.1 million). The Renminbi denominated contracted but not yet recognised sales of residential units and car-parking spaces, including Guangzhou Dolce Vita as at 31 July 2017 amounted to RMB353.6 million (31 July 2016: RMB1,881.8 million).

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

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

Before business tax and value-added tax inclusive

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

* *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2017, the contracted but not yet recognised sales attributable to the full project was HK$540.2 million (excluding car-parking spaces) and approximately 168,715 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project was HK$6.5 million.*

Liquidity, Financial Resources, Charge on Assets and Gearing

Cash and Bank Balances

As at 31 July 2017, cash and bank balances held by the Group amounted to HK$3,304.6 million (2016: HK$4,365.6 million) of which around 24.2% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 75.5% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2017 was HK$273.8 million (2016: HK$303.0 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2017, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$6,525.3 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2017, the Group had bank loans of HK$271.4 million. The maturity profile of the Group's bank loans is spread with HK$179.4 million repayable within 1 year, HK$34.8 million repayable in the second year and HK$57.2 million repayable in the third years. All bank loans are on floating rate basis and are denominated in HKD.

In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$85.5 million for the said unsecured other borrowings as at 31 July 2017. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2017.

MAGHL

As at 31 July 2017, MAGHL has unsecured and unguaranteed 3-year zero coupon TFN Convertible Notes with an aggregate outstanding principal amount of approximately HK$130.0 million issued to a subscriber. As at 31 July 2017, MAGHL has unsecured and unguaranteed 3-year zero coupon Specific Mandate Convertible Notes with an aggregate outstanding principal amount of HK$166.8 million, comprising approximately HK$100.0 million and approximately HK$66.8 million issued to the Group and other subscribers, respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the TFN Convertible Notes and the Specific Mandate Convertible Notes, they will be redeemed by MAGHL on the maturity dates of 13 May 2018 and 3 July 2018, respectively, at the principal amount outstanding. For accounting purpose, after deducting the equity portion of the convertible notes from the principal amount, the carrying amount of the TFN Convertible Notes as recorded in the Group was HK$121.1 million and the resultant carrying amount of the Specific Mandate Convertible Notes as recorded in the Group was HK$61.2 million as at 31 July 2017 after adjusting for (i) accrued interest and (ii) intra-group elimination.

Lai Fung

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

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

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

Lai Fung Group's fixed rate senior notes of HK$2,080.4 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), Lai Fung Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

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

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings and banking facility of the Group, including investment properties with a total carrying amount of approximately HK$10,401.2 million, properties under development with a total carrying amount of approximately HK$500.6 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,372.9 million, construction in progress with a total carrying amount of approximately HK$730.2 million and time deposits and bank balances of approximately HK$401.4 million.

In addition, as at 31 July 2017, a revolving loan facility in the amount of HK$600.0 million was granted by a bank to the Group. The said loan facility is secured by the charge over securities accounts and share mortgage of the ordinary shares of Lai Fung and certain ordinary shares of MAGHL held by the Group (other than Lai Fung and MAGHL). The Group has utilised the said loan facility for an amount of HK$150.0 million as at 31 July 2017. As at 31 July 2017, guaranteed general banking facilities in the amount of HK$214.0 million were granted by certain banks to the Group (other than Lai Fung). The said guaranteed general banking facilities (other than a term loan) are subject to annual review by the banks for renewal and the Group had utilised letter of credit and letter of guarantee facilities, term loan and revolving loans for a total amount of HK$130.6 million as at 31 July 2017. As such, the Group (other than Lai Fung) has the undrawn facilities of HK$533.4 million as at 31 July 2017. The undrawn facilities of Lai Fung Group was HK$3,528.0 million as at 31 July 2017.

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

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

Contingent Liabilities

(a) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2017, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$596,225,000 (2016: HK$666,669,000).

(b) The Group had provided corporate guarantees to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK$6,616,000 (2016: HK$15,634,000) were utilised.

Employees and Remuneration Policies

As at 31 July 2017, the Group employed a total of around 2,010 (2016: 2,100) employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP FOR THE YEAR ENDED 31 JULY 2016

Set out is the management discussion and analyses of the Group as extracted from the annual report of the Company for the year ended 31 July 2016. Terms used below shall have the same meanings as defined in the said annual report.

Overview

Media and Entertainment

For the year ended 31 July 2016, this segment recorded a turnover of HK$537.1 million (2015: HK$576.3 million) and segment result decreased from a profit of HK$50.2 million to a profit of HK$16.5 million.

Live Entertainment

The Group remains highly active on the live entertainment front. During the year ended 31 July 2016, the Group organised and invested in 197 (2015: 114) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Miriam Yeung, Ivana Wong, EXO, Infinite, SHINee, Super Junior, a group of Ekin Cheng, Jordan Chan, Michael Tse, Jerry Lamb and Chin Ka Lok, Grasshopper, Kelly Chen, George Lam, Rene Liu, Jolin Tsai and Hebe Tien. Besides pop music events, the Group has also extended its production to Cantonese Opera to promote traditional Chinese culture. The famous title *《牡丹亭驚夢》* featuring Ms. Chan Po Chu and Ms. Mui Suet See gained huge support when staged in May 2016 and has been rerun in August 2016.

Music Production, Distribution and Publishing

For the year ended 31 July 2016, the Group released 57 (2015: 85) albums, including titles by Miriam Yeung, Ivana Wong, Grasshopper, C AllStar, a group of Richie Jen, William So, Edmond Leung and Steve Wong, Justin Lo, Sean Pang, RubberBand and Han Hong. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

Film and TV Programme Production and Distribution

For the year ended 31 July 2016, this segment recorded a turnover of HK$343.6 million (2015: HK$457.6 million) and segment results of a loss of HK$55.5 million (2015: a profit of HK$34.4 million).

For the year ended 31 July 2016, the Group released theatrically a total of 7 (2015: 7) films which were produced/invested by the Group, namely *The Assassin, All You Need Is Love, Office, She Remembers, He Forgets, From Vegas to Macau III, Trivisa* and *Three*. In addition, the Group has completed principal photography of another 5 films, most of them are expected to be released by 2017, whilst with 11 other films in the production pipeline or under development. The Group also distributed 33 (2015: 29) films and 308 (2015: 287) videos with high profile titles including *No Escape, Point Break, Dirty Grandpa, Gods of Egypt, Scouts Guide to the Zombie Apocalypse, Star Trek Beyond, Avengers: Age of Ultron, Jurassic World, Star Wars: The Force Awakens* and *Zootopia*.

The Group has made investments in the production of 7 (2015: 3) TV drama series in Mainland China which are expected to generate return to the Group in the coming financial years.

Cinema Operation

For the year ended 31 July 2016, this segment recorded a turnover of HK$364.9 million (2015: HK$294.9 million). As at 31 July 2016, the Group operates four cinemas in Mainland China and eight cinemas in Hong Kong as well as one joint venture cinema in Hong Kong. Our new cinemas, the Grand Windsor Cinema in Causeway Bay in Hong Kong, MCL South Horizons Cinema in South Horizons in Hong Kong and the Festival Grand Cinema in the Festival Walk in Kowloon Tong were opened on 26 September 2015, 23 March 2016 and 8 June 2016, respectively. It is expected that the new cinema in Green Code in Fanling, Hong Kong will commence operations by the end of 2016. The Group also secured two cinema projects in Suzhou and Wuxi in Mainland China, which are expected to commence businesses in the financial years ending 31 July 2017 and 31 July 2018, respectively. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses.

Details on the number of screens and seats of each cinema as at 31 July 2016 are as follows:

Cinema	**Attributable interest to the Group** (%)	**No. of screens** *(Note)*	**No. of seats** *(Note)*
Mainland China			
Guangzhou May Flower Cinema City	100	7	606
Zhongshan May Flower Cinema City	100	5	905
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
Subtotal		**22**	**2,669**
Hong Kong			
Festival Grand Cinema	85	8	1,196
MCL Metro Cinema	85	7	957
MCL Telford Cinema	85	6	819
STAR Cinema	85	6	622
MCL Kornhill Cinema	85	5	836
MCL South Horizons Cinema	85	3	555
Grand Windsor Cinema	85	3	246
MCL JP Cinema	85	2	658
The Grand Cinema	25.5	12	1,566
Subtotal		**52**	**7,455**
Total		**74**	**10,124**

Note: *On 100% basis*

Property Investment

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2016.

Rental Income

For the year ended 31 July 2016, Lai Fung Group's rental operations recorded a turnover of HK$629.4 million (2015: HK$626.0 million), representing a 0.5% increase over last year. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated rental income was 5.2%. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			
	2016 HK$'million	**2015** HK$'million	**Approximate percentage change** (%)	**Year end occupancy** (%)
Shanghai				
Shanghai Hong Kong Plaza	398.2	407.2	-2.2	Retail: 98.3 Office: 97.8 Serviced Apartments: 88.8
Shanghai May Flower Plaza	71.4	61.7	15.7	Retail: 99.5 Hotel: 90.4
Shanghai Regents Park	14.3	13.4	6.7	100.0
Shanghai Northgate Plaza I	4.9	10.8	-54.6	0.0*
Guangzhou				
Guangzhou May Flower Plaza	109.5	108.9	0.6	98.6
Guangzhou West Point	17.2	17.2	–	98.7
Guangzhou Lai Fung Tower	6.2	–	N/A	Retail: 91.8 Office: 53.9
Zhongshan				
Zhongshan Palm Spring	7.7	6.8	13.2	Retail: 82.0** Serviced Apartments: 57.1
Total	629.4	626.0	0.5	

* *All tenants have been vacated for project redevelopment.*

** *Excluding self-use area*

Rental income performed steadily as a whole with almost full occupancy in all the major properties. Rental income growth was partially offset by depreciation of Renminbi during the year under review. The increase in turnover of Shanghai May Flower Plaza is mainly driven by a better performance of the STARR Hotel Shanghai since its soft opening in November 2013.

Guangzhou Lai Fung Tower, the office block of Guangzhou Eastern Place Phase V, was completed and added to the rental portfolio of Lai Fung Group in June 2016 and has started to contribute to the rental income of Lai Fung Group. Up to the date of this Annual Report, excluding the office area that is subject to the asset swap transactions as jointly announced by Lai Fung and the Company on 15 January 2015, approximately 83.5% of the GFA of the building has been leased or has offers to lease.

All tenants of Shanghai Northgate Plaza I have been vacated for redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the 6th to 11th floors of Hui Gong Building acquired by Lai Fung Group in September 2016. Lai Fung Group is currently discussing the redevelopment proposal with professional consultants and local authorities.

A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 62% of total GFA, has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes fully leased.

Property Development

The following details are extracted from Lai Fung's annual report for the year ended 31 July 2016.

Recognised Sales

For the year ended 31 July 2016, Lai Fung Group's property development operations recorded a turnover of HK$1,414.1 million (2015: HK$1,275.4 million) from sale of properties, representing a 10.9% increase in sales revenue over last year. Total recognised sales were primarily driven by the sales performance of residential units of Guangzhou Eastern Place Phase V of which approximately 182,574 square feet of residential GFA were sold, achieving sales revenue of HK$1,052.5 million. Excluding the effect of currency translation against a depreciated Renminbi, the growth for Renminbi denominated turnover from sales of properties during the year under review was 16.0%.

Primarily due to the depreciation of Renminbi, average selling price recognised as a whole (excluding Guangzhou Dolce Vita) for the year ended 31 July 2016 decreased to approximately HK$4,207 per square foot (2015: HK$4,243 per square foot).

Sales of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$2,915 per square foot. This is recognised as a component of "Share of profits of joint ventures" in the consolidated income statement.

Breakdown of turnover for the year ended 31 July 2016 from property sales is as follows:

Recognised basis	**Approximate GFA** Square feet	**Average selling price#** HK$/square foot	**Turnover*** HK$'million
Shanghai May Flower Plaza			
Residential Units	9,681	5,169	47.2
Office Apartment Units	12,564	3,660	43.4
Guangzhou Eastern Place			
Residential Units – Phase V	182,574	6,087	1,052.5
Residential Units – Phase IV	891	4,226	3.6
Guangzhou King's Park			
Residential Units	21,404	4,707	95.0
Zhongshan Palm Spring			
Residential High-rise Units	11,190	701	7.4
Residential House Units	113,709	1,416	151.8
Subtotal	**352,013**	**4,207**	**1,400.9**
Guangzhou King's Park Car-parking Spaces			13.2
Total			**1,414.1**
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	249,775	2,886	680.9
Retail Units**(47.5% basis)	1,953	6,516	11.7
Subtotal	**251,728**	**2,915**	**692.6**
Car-parking Spaces**(47.5% basis)			19.2
Total			**711.8**

Before business tax and value-added tax inclusive

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2016, the recognised sales (after business tax and value-added tax exclusive) attributable to the full project is HK$1,458.1 million (excluding car-parking spaces) and approximately 529,954 square feet of GFA (excluding car-parking spaces) were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$40.4 million.*

Contracted Sales

As at 31 July 2016, Lai Fung Group's property development operations, excluding Guangzhou Dolce Vita, have contracted but not yet recognised sales of HK$571.7 million from sale of residential units in Zhongshan Palm Spring and HK$7.3 million from sales of 10 car-parking spaces in Guangzhou King's Park. Sales of the remainder of completed residential units of Zhongshan Palm Spring were strong and achieved an average selling price of HK$846 per square foot (excluding car-parking spaces). Excluding the effect of currency translation against a depreciated Renminbi, the Renminbi denominated contracted but not yet recognised sales of residential units, excluding Guangzhou Dolce Vita as at 31 July 2016 amounted to RMB478.3 million (2015: RMB162.1 million).

The total contracted but not yet recognised sales of Lai Fung Group as at 31 July 2016 including Guangzhou Dolce Vita amounted to HK$2,249.1 million (including car-parking spaces of Guangzhou King's Park and Guangzhou Dolce Vita). The Renminbi denominated contracted but not yet recognised sales of residential units, including Guangzhou Dolce Vita as at 31 July 2016 amounted to RMB1,875.2 million (2015: RMB1,048.4 million).

Breakdown of contracted but not yet recognised sales as at 31 July 2016 is as follows:

Contracted basis	**Approximate GFA**	**Average selling price**[#]	**Turnover**[#]
	Square feet	HK$/square foot	HK$'million
Zhongshan Palm Spring			
Residential High-rise Units	635,762	798	507.4
Residential House Units	39,917	1,611	64.3
Subtotal	**675,679**	**846**	**571.7**
Guangzhou King's Park Car-parking Spaces			7.3
Subtotal			**579.0**
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	665,452	2,492	1,658.6
Retail Units**(47.5% basis)	1,585	6,814	10.8
Subtotal	**667,037**	**2,503**	**1,669.4**
Car-parking Spaces**(47.5% basis)			0.7
Subtotal			**1,670.1**
Total (excluding car-parking spaces)	**1,342,716**	**1,669**	**2,241.1**

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

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of Lai Fung Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2016, the contracted but not yet recognised sales attributable to the full project is HK$3,514.5 million (excluding car-parking spaces) and approximately 1,404,288 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$1.5 million.*

Liquidity, Financial Resources, Charge on Assets and Gearing

Cash and Bank Balances

As at 31 July 2016, cash and bank balances held by the Group amounted to HK$4,365.6 million (2015: HK$4,647.4 million) of which around 22% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 78% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2016 was HK$303.0 million (2015: HK$1,061.3 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2016, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$6,479.9 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2016, the Group had revolving bank loans of HK$365.2 million. The maturity profile of the Group's bank loans is spread with HK$24 million repayable within 1 year and HK$341.2 million repayable in the second year. All bank loans are on floating rate basis and are denominated in HKD.

During the year, the Group repurchased and redeemed the secured guaranteed notes of HK$766.3 million which were denominated in RMB with original maturity date of 24 June 2018 for bullet repayment. These notes were effectively delisted on 5 July 2016. In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals were HK$79.8 million for the said unsecured other borrowings as at 31 July 2016. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2016.

MAGHL

As at 31 July 2016, MAGHL has unsecured and unguaranteed 3-year zero coupon TFN Convertible Notes with an aggregate outstanding principal amount of HK$130.0 million issued to a subscriber. As at 31 July 2016, MAGHL has unsecured and unguaranteed 3-year zero coupon Specific Mandate Convertible Notes with an aggregate outstanding principal amount of HK$166.8 million, comprising HK$100.0 million and HK$66.8 million issued to the Group and other subscribers, respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the TFN Convertible Notes and the Specific Mandate Convertible Notes, they will be redeemed by MAGHL on the maturity dates of 13 May 2018 and 3 July 2018, respectively, at the principal amount outstanding. For accounting purpose, after deducting the equity portion of the convertible notes from the principal amount, the carrying amount of the TFN Convertible Notes as recorded in the Group was HK$110.6 million and the resultant carrying amount of the Specific Mandate Convertible Notes as recorded in the Group was HK$55.6 million as at 31 July 2016 after adjusting for (i) accrued interest and (ii) intra-group elimination.

Lai Fung

As at 31 July 2016, Lai Fung Group had total borrowings in the amount of HK$5,977.4 million comprising bank loans of HK$3,035.5 million, fixed rate senior notes of HK$2,092.7 million, loans from a subsidiary of the Company of HK$221.7 million, loans from a joint venture of HK$572.8 million and other borrowing of HK$54.7 million. The maturity profile of Lai Fung Group's borrowings of HK$5,977.4 million is well spread with HK$637.9 million repayable within 1 year, HK$2,906.6 million repayable in the second year, HK$2,307.7 million repayable in the third to fifth years, and HK$125.2 million repayable beyond the fifth year.

Approximately 44% and 51% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 5% of Lai Fung Group's borrowings were interest free.

Apart from the fixed rate senior notes, Lai Fung Group's other borrowings of HK$3,884.7 million were 46% denominated in RMB, 42% in HKD and 12% in USD.

Lai Fung Group's fixed rate senior notes of HK$2,092.7 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), Lai Fung Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

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

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings and banking facility of the Group, including investment properties with a total carrying amount of approximately HK$9,398.1 million, completed properties for sale with a total carrying amount of approximately HK$55.6 million, properties under development with a total carrying amount of approximately HK$365.0 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,471.6 million, properties and construction in progress with a total carrying amount of approximately HK$513.5 million and bank balances of approximately HK$131.6 million.

In addition, as at 31 July 2016, a revolving loan facility in the amount of HK$600.0 million was granted by a bank to the Group. As at the date of this Annual Report, the said loan facility is secured by the charge over securities accounts and share mortgage of the ordinary shares of Lai Fung and certain ordinary shares of MAGHL held by the Company. The Group has utilised the said loan facility for an amount of HK$350 million as at 31 July 2016. As at 31 July 2016, guaranteed general banking facilities in the amount of HK$79.0 million were granted by other banks to the Group. The said guaranteed general banking facilities are subject to annual review by the banks for renewal and the Group had utilised letter of credit and letter of guarantee facilities and revolving loans for a total amount of HK$39.6 million as at 31 July 2016. As such, the Group (other than Lai Fung) has the undrawn facilities of HK$289.4 million as at 31 July 2016. The undrawn facilities of Lai Fung Group was HK$3,576.2 million as at 31 July 2016.

As at 31 July 2016, the consolidated net assets attributable to the owners of the Company amounted to HK$8,599.3 million (2015: HK$9,164.7 million). The gearing ratio, being net debt (total borrowings of HK$6,479.9 million less pledged bank balances and time deposits of HK$1,066.5 million and cash and cash equivalents of HK$3,299.1 million) to net assets attributable to the owners of the Company was approximately 24.6%.

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

Contingent Liabilities

(a) The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2016, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$666,669,000 (2015: HK$120,159,000).

(b) The Group had provided corporate guarantees to certain banks in connection with the banking facilities granted to certain subsidiaries and the respective letter of credit and letter of guarantee facilities of approximately HK$15,634,000 (2015: HK$15,735,000) were utilised.

Employees And Remuneration Policies

As at 31 July 2016, the Group employed a total of around 2,100 (2015: 1,900) 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURES OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were 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 which they were taken or deemed to have under such provisions of the SFO); or (b) where required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company referred to therein ("**Register of Directors and Chief Executive**"); or (c) where required to be notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**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 contained in Appendix 10 to the Listing Rules were disclosed as follows:

(I) The Company

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

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

(II) Associated Corporations

(a) Lai Fung

		Long positions in Lai Fung Shares and underlying Lai Fung Shares				
		Number of Lai Fung Shares (Note 2)		Lai Fung's share options (Note 2)		Approximate percentage of total issued Lai Fung Shares (Note 1)
Name of Directors	Capacity	Personal interests	Corporate interests	Personal interests	Total	
Mr. Lester Lam	Beneficial owner	Nil	Nil	3,219,182 (Note 4)	3,219,182	0.98%
Chew Fook Aun (“**Mr. FA Chew**”)	Beneficial owner and owner of controlled corporation	Nil	600,000 (Note 3)	1,009,591 (Note 4)	1,609,591	0.49%

Notes:

1. *The total number of issued Lai Fung Shares as at the Latest Practicable Date (327,386,965 Lai Fung Shares) has been used in the calculation of the approximate percentage.*

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

3. *Mr. FA Chew (currently also the chairman and an executive director of Lai Fung) was deemed to be interested in the 600,000 Lai Fung Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.*

4. *Details of the share option granted to each of Mr. Lester Lam (currently also the chief executive officer and an executive director of Lai Fung) and Mr. FA Chew are as follows:*

Name of Directors	***Date of grant***	***Number of underlying Lai Fung Shares comprised in share options***	***Option period***	***Exercise price per Lai Fung Share (HK$)***
Mr. Lester Lam	*18/01/2013*	*3,219,182*	*18/01/2013 – 17/01/2023*	*11.40*
Mr. FA Chew	*12/06/2012*	*1,009,591*	*12/06/2012 – 11/06/2020*	*6.65*

(b) ***LSG***

Name of Directors	Capacity	Long positions in shares and underlying shares in LSG ("LSG Shares") — Number of LSG Shares — Personal interests	Corporate interests	LSG's share options — Personal interests	Total	Approximate percentage of total issued LSG Shares (Note 1)
Mr. Lester Lam	Beneficial owner	12,366,937	Nil	7,571,626 (Note 3)	19,938,563	5.16%
Mr. FA Chew	Beneficial owner and owner of controlled corporation	Nil	202,422 (Note 2)	3,819,204 (Note 3)	4,021,626	1.04%
Lui Siu Tsuen, Richard ("**Mr. Richard Lui**")	Beneficial owner	Nil	Nil	185,600 (Note 3)	185,600	0.05%
U Po Chu ("**Madam U**")	Beneficial owner	825,525	Nil	Nil	825,525	0.21%

Notes:

1. *The total number of issued LSG Shares as at the Latest Practicable Date (386,604,822 LSG Shares) has been used in the calculation of the approximate percentage.*

2. *Mr. FA Chew (currently also the deputy chairman and an executive director of LSG) was deemed to be interested in the 202,422 LSG Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.*

3. *Details of the share options granted to each of Mr. Lester Lam (currently also an executive director of LSG), Mr. FA Chew and Mr. Richard Lui are as follows:*

Name of Directors	***Date of grant***	***Number of underlying LSG Shares comprised in share options***	***Option period***	***Exercise price per LSG Share (HK$)***
Mr. Lester Lam	*18/01/2013*	*3,752,422*	*18/01/2013 – 17/01/2023*	*6.05*
	19/06/2017	*3,819,204*	*19/06/2017 – 18/06/2027*	*15.00*
Mr. FA Chew	*19/06/2017*	*3,819,204*	*19/06/2017 – 18/06/2027*	*15.00*
Mr. Richard Lui	*18/01/2013*	*185,600*	*18/01/2013 – 17/01/2023*	*6.05*

(c) LSD

Name of Directors	Capacity	Long positions in shares and underlying shares in LSD ("LSD Shares")				
		Number of LSD Shares		LSD's share options		
		Personal interests	Corporate interests	Personal interests	Total	Approximate percentage of total issued LSD Shares *(Note 1)*
Mr. Lester Lam	Beneficial owner	Nil	Nil	4,173,081 *(Note 3)*	4,173,081	0.69%
Mr. FA Chew	Beneficial owner and owner of controlled corporation	Nil	400,000 *(Note 2)*	3,773,081 *(Note 3)*	4,173,081	0.69%
Mr. Richard Lui	Beneficial owner	Nil	Nil	104,000 *(Note 3)*	104,000	0.02%
Madam U	Beneficial owner	26,919	Nil	Nil	26,919	0.01%

Notes:

1. *The total number of issued LSD Shares as at the Latest Practicable Date (606,464,125 LSD Shares) has been used in the calculation of the approximate percentage.*

2. *Mr. FA Chew (currently also the deputy chairman and an executive director of LSD) was deemed to be interested in the 400,000 LSD Shares owned by The Orchid Growers Association Limited by virtue of his 100% shareholding interest in the said company.*

3. *Details of the share option granted to each of Mr. Lester Lam (currently also an executive director of LSD), Mr. FA Chew and Mr. Richard Lui are as follows:*

Name of Directors	*Date of grant*	*Number of underlying LSD Shares comprised in share options*	*Option period*	*Exercise price per LSD Share (HK$)*
Mr. Lester Lam	*18/01/2013*	*4,173,081*	*18/01/2013 – 17/01/2023*	*16.10*
Mr. FA Chew	*05/06/2012*	*3,773,081*	*05/06/2012 – 04/06/2022*	*5.35*
Mr. Richard Lui	*18/01/2013*	*104,000*	*18/01/2013 – 17/01/2023*	*16.10*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interest, in the long position or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations, which was required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

Save as disclosed below (and their respective interests disclosed above), as at the Latest Practicable Date, there was no Director or proposed Director who is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

1. Mr. FA Chew (an Executive Director) is also an executive director of each of Lai Fung, LSD and LSG;

2. Mr. Lester Lam (an Executive Director) is also an executive director of each of Lai Fung, LSD and LSG;

3. Mr. Yip Chai Tuck ("**Mr. CT Yip**", an Executive Director) is also the chief executive officer of LSG; and

4. Madam U (a Non-executive Director) is also a non-executive director of each of Lai Fung and LSD, and an executive director of LSG.

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, there were no litigation, arbitration or claims of material importance pending or threatened against any member of the Group.

5. COMPETING INTERESTS

As at to the Latest Practicable Date, the following Directors (together, "**Interested Directors**") are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Four Executive Directors, namely Mr. Richard Lui, Mr. FA Chew, Mr. Lester Lam and Mr. CT Yip as well as Madam U, a Non-executive Director of the Company, held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of media and entertainment and/or property development and investment and/or development and operation of and investment in cultural, leisure, entertainment and related facilities in Hong Kong and/or the PRC.

However, the Board is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors is fully aware of, and has been discharging, his/her fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business, which competes or may compete with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder of the Company).

6. INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date,

(a) none of the Directors had any interest, direct or indirect, in any assets which had, since 31 July 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to, the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the businesses of the Group.

7. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) had been entered into by the Group within two years immediately preceding the Latest Practicable Date:

(a) a share purchase agreement dated 21 March 2017 entered into between Nice Sound Limited ("**Nice Sound**", an indirect wholly-owned subsidiary of the Company) as vendor, Alibaba Investment Limited as purchaser and Pony Media Holdings Inc. in respect of the sale of the entire shareholding interest of Nice Sound in Pony Media Holdings Inc, being 1,480,994 Series C Preferred Shares of Pony Media Holdings Inc, to Alibaba Investment Limited at a consideration of US$14,902,230;

(b) a cooperation agreement dated 1 June 2017 entered into between Zhuhai Hengqin Laisun Creative Culture City Co. Ltd.* (珠海横琴麗新文創天地有限公司) ("**ZH**", a company owned as to 20% by the Company and 80% by Lai Fung) and Trans-Island Limousine Service Limited (環島旅運有限公司) ("**Trans-Island**") to develop cross-border bus services, whereby ZH shall lease a retail space with gross floor area of approximately 119.37 sq.m. in Phase I of the Novotown project at a monthly rental rate of RMB67 per sq.m. to Trans-Island as customer service centre together with six bus parking spaces for its provision of the aforementioned cross-border bus services, and Trans-Island shall provide the cross-border bus services and other tourist services as set out in the cooperation agreement;

(c) a licence agreement dated 30 June 2017 entered into between Fortunate Century Limited (福運世紀有限公司) ("**Fortunate Century**", a wholly-owned subsidiary of Lai Fung) (as the licensee) and Real Madrid (as the licensor) in relation to the development and operation of a location based entertainment centre ("**Real Madrid LBE**") which is planned to be launched in Phase II of the Novotown project, subject to the successful acquisition of the relevant Phase II lands by Lai Fung for the Novotown project, whereby Real Madrid shall license its licensed intellectual property rights to Fortunate Century in return for payments, largely in the form of royalties against various revenue streams of the Real Madrid LBE payable on a yearly basis (subject to adjustments pursuant to the terms of the licence agreement;

(d) a cooperation agreement dated 22 November 2017 (as supplemented) entered into between Supreme Motion, Harrow International (China) Management Services Limited ("**HICMS**") and ILA Holdings Limited ("**ILA**") in relation to the setting up of the Innovation Leadership Academy Hengqin ("**School**") in Phase II of the Novotown project, subject to, among other things, the successful acquisition of the relevant Phase II lands by Lai Fung for the Novotown project, whereby Supreme Motion shall acquire the relevant land use rights and develop the relevant land for the setting up of the School ("**Development**") and HICMS and ILA shall pay Supreme Motion the total costs and expenses incurred by it for the Development in annual instalment of 7% of the gross revenue of the School and/or such other amounts as may be paid by HICMS and ILA pursuant to the cooperation agreement;

(e) a shareholders agreement dated 6 December 2017 entered into between Marvel Day Ventures Limited (an indirect non-wholly-owned subsidiary of the Company), Cosmic Dragon Limited (an indirect non-wholly-owned subsidiary of LSD) and Love Grubers Limited ("**Love Grubers**") (which is beneficially owned as to 50% by Marvel Day Ventures Limited and 50% by Cosmic Dragon Limited) pursuant to which the parties agreed to procure Love Grubers to incorporate a wholly-owned subsidiary, Grubers Telford Limited, for the purpose of operating a cafe within the premises of MCL Telford Cinema located at Level 2 (Portion) and Level 3, Telford Gardens, No. 33 Wai Yip Street, Kowloon Bay, Kowloon, Hong Kong, whereby Marvel Day Ventures Limited and Cosmic Dragon Limited shall contribute all working or investment funding or capital which is required for the business or operations of Love Grubers (including an initial share capital funding amount being US$2 and a shareholders' loan in the amount of HK$8 million) pro rata to their shareholding in Love Grubers;

(f) a sale and purchase agreement dated 13 December 2017 entered into between the Company (as seller) and Ms. Zhai Madalina-Elena (as purchaser) for the sale and purchase of all issued shares of Biu Kei Investments Limited (a wholly-owned subsidiary of the Company, holding a PRC subsidiary which engaged in cosmetic business in the PRC) at a consideration of HK$800,000;

(g) a cooperation agreement dated 14 December 2017 entered into between eSun Cinema Holdings (PRC) Limited (an indirect wholly-owned subsidiary of the Company) and Zhejiang Xinmu Cinema Management Co. Ltd.* (浙江新幕影院經營管理有限公司) in relation to the development of cinemas in the Tier One, Tier Two and Tier Three cities in the PRC through a 50:50 joint venture company;

(h) a subscription agreement dated 10 January 2018 entered into between Lai Fung, Lai Fung Bonds (2018) Limited ("**Lai Fung Bonds**", a wholly-owned subsidiary of Lai Fung), LSD and the joint lead managers (being DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited, Oversea-Chinese Banking Corporation Limited and UBS AG Hong Kong Branch) in relation to the issue and distribution of the 5.65% guaranteed notes due 2023 in the principal amount of US$350,000,000 to be issued by Lai Fung Bonds;

(i) a loan agreement dated 29 June 2018 (as supplemented) entered into between the Company (as lender) and Media Asia Group Holdings Limited ("**MAGHL**", an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed and traded on GEM of the Stock Exchange (Stock Code: 8075, an 67.56%-owned subsidiary of the Company)) (as borrower) in respect of a term loan facility in the amount of HK$100,000,000 provided by the Company to MAGHL;

(j) a preferred stock purchase agreement entered into by Nice Sound on 29 June 2018 and Stampede Entertainment, Inc. ("**Stampede**") in respect of the subscription by Nice Sound of 333,161 Series A-2 preferred stock of Stampede at a consideration of US$1,999,998.80;

(k) a loan agreement entered into between the Company (as borrower) and Hibright Limited (a wholly-owned subsidiary of LSD) (as lender) on 27 July 2018 (as supplemented) in respect of the term loan facility in the principal amount of up to HK$700,000,000 to be granted by Hibright Limited to the Company;

(l) a share sale and purchase agreement entered into between the Company (as buyer) and Lai's Holdings Limited (as seller) on 28 November 2018, pursuant to which the Company purchased 5,000 shares in Intercontinental Group Holdings Limited ("**IGHL**") (representing 10% of the total issued shares of IGHL) at a total consideration of HK$37,500,000;

(m) the Land Use Rights Grant Contract;

(n) a licence agreement dated 27 December 2018 entered into between Wealth Creation Limited (富威基業有限公司) ("**Wealth Creation**", a wholly-owned subsidiary of Lai Fung) (as the licensee) and Ducati (as the licensor) in relation to the development and operation of a motorcycle-themed experience centre ("**Centre**") which is planned to be launched in Phase II of the Novotown project, whereby Ducati shall license its licensed intellectual property rights to Wealth Creation in return for payments, largely in the form of royalties against various revenue streams of the Centre payable on a yearly basis (subject to adjustments pursuant to the terms of the licence agreement);

(o) an agreement dated 31 December 2018 made among Rosy Commerce Holdings Limited (業佳控股有限公司) ("**Rosy Commerce**", a company owned by Lai Fung and the Company as to 80% and 20%, respectively), China Cinda (HK) Asset Management Co., Limited (中國信達(香港)資產管理有限公司) ("**Investor**", an indirect wholly-owned subsidiary of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a joint stock company incorporated in the PRC and whose shares and preference shares are listed on the Main Board of the Stock Exchange (Stock Code: 1359; Preference Shares Stock Code: 4607)) and Glorious Stand Limited (榮立有限公司) ("**Glorious Stand**", an indirect wholly-owned subsidiary of Lai Fung) in relation to the sale and purchase and subscription of shares in Glorious Stand ("**GSL Investment Agreement**"), whereby:

(1) Rosy Commerce agreed to subscribe for nine new shares in Glorious Stand at the aggregate subscription price of US$9;

(2) the Investor agreed to acquire three shares in Glorious Stand from Rosy Commerce at the USD equivalent of approximately RMB7 million;

(3) the Investor agreed to subscribe for 27 new shares in Glorious Stand at the aggregate subscription price of the USD equivalent of approximately RMB50 million; and

(4) Rosy Commerce agreed to subscribe for 63 new shares in Glorious Stand at the aggregate subscription price of US$63;

(p) an agreement dated 31 December 2018 made among Rosy Commerce, the Investor and Harmonic Run Limited (和運有限公司) ("**Harmonic Run**", an indirect wholly-owned subsidiary of Lai Fung) in relation to the subscription of shares in Harmonic Run ("**HRL Investment Agreement**"), whereby:

(1) the Investor agreed to subscribe for 30 new shares in Harmonic Run at the aggregate subscription price of the USD equivalent of RMB186 million; and

(2) Rosy Commerce agreed to subscribe for 69 new shares in Harmonic Run at the aggregate subscription price of the USD equivalent of approximately RMB314 million;

(q) a shareholders' agreement dated 25 January 2019 entered into among Rosy Commerce, the Investor, Glorious Stand, the Company and Lai Fung in relation to Glorious Stand upon completion of the GSL Investment Agreement;

(r) a shareholders' agreement dated 25 January 2019 entered into among Rosy Commerce, the Investor, Harmonic Run, the Company and Lai Fung in relation to Harmonic Run upon completion of the HRL Investment Agreement; and

(s) the Amendment Contract.

8. GENERAL

(a) The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

(b) The company secretary of the Company is Ms. Wong Lai Chun, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(c) The share registrar and transfer office of the Company in Bermuda is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the following business hours (i.e. from 9:30 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (Saturdays, Sundays and public holidays excepted) unless (i) a tropical cyclone warning signal number 8 or above is hoisted; or (ii) a black rainstorm warning signal is issued at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for 14 days from the date of this circular:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix III;

(c) the annual reports of the Company for the years ended 31 July 2016, 31 July 2017 and 31 July 2018; and

(d) this circular.