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LAI SUN GARMENT

Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

(Stock Code: 191)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2019

RESULTS

The board of directors (the "**Board**") of Lai Sun Garment (International) Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 January 2019 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2019

| | Notes | Six months ended 31 January 2019 (Unaudited) HK\$'000 | Six months ended 31 January 2018 (Unaudited) HK\$'000 | Year ended 31 July 2018 (Audited) HK\$'000 |
|---|-------|---|---|--|
| TURNOVER | 3 | 3,815,851 | 917,890 | 1,804,039 |
| Cost of sales | | (2,384,529) | (374,257) | (737,332) |
| Gross profit | | 1,431,322 | 543,633 | 1,066,707 |
| Other revenue | | 124,159 | 79,479 | 199,061 |
| Selling and marketing expenses | | (114,826) | (10,901) | (16,974) |
| Administrative expenses | | (506,634) | (213,371) | (458,635) |
| Other operating expenses | | (553,672) | (161,036) | (321,657) |
| Fair value gains on investment properties, net | | 362,855 | 655,144 | 2,715,257 |
| Reversal of provision for tax indemnity | | - | - | 305 |
| PROFIT FROM OPERATING ACTIVITIES | 4 | 743,204 | 892,948 | 3,184,064 |
| Finance costs | 5 | (259,781) | (183,740) | (319,001) |
| Share of profits and losses of associates | | (601) | (6,881) | 100,769 |
| Share of profits and losses of joint ventures | | 744,642 | 612,585 | 1,714,360 |
| Loss on remeasurement of existing interest in an associate upon business combination | 11 | (2,985,631) | - | - |
| Gain on bargain purchase on acquisition of subsidiaries | 11 | 6,761,861 | - | - |
| PROFIT BEFORE TAX | | 5,003,694 | 1,314,912 | 4,680,192 |
| Tax | 6 | (98,769) | (44,704) | (57,567) |
| PROFIT FOR THE PERIOD/YEAR | | 4,904,925 | 1,270,208 | 4,622,625 |
| Attributable to: | | | | |
| Owners of the Company | | 2,914,638 | 674,672 | 2,567,355 |
| Non-controlling interests | | 1,990,287 | 595,536 | 2,055,270 |
| | | 4,904,925 | 1,270,208 | 4,622,625 |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | 7 | | | |
| Basic | | HK\$7.568 | HK\$1.762 | HK\$6.686 |
| Diluted | | HK\$7.492 | HK\$1.738 | HK\$6.604 |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2019

| | Six months ended 31 January 2019 (Unaudited) HK\$'000 | Six months ended 31 January 2018 (Unaudited) HK\$'000 | Year ended 31 July 2018 (Audited) HK\$'000 |
|---|--|--|--|
| PROFIT FOR THE PERIOD/YEAR | <u>4,904,925</u> | <u>1,270,208</u> | <u>4,622,625</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:</i> | | | |
| Changes in fair values of available-for-sale financial assets | - | 165,713 | 317,099 |
| Changes in fair values of debt investments at fair value through other comprehensive income | 1,577 | - | - |
| Exchange realignments | 397,511 | 114,518 | (12,975) |
| Share of other comprehensive income/(expense) of associates | 29 | 267,994 | (48,010) |
| Share of other comprehensive income/(expense) of joint ventures | 10,329 | 962 | (1,282) |
| Cash flow hedges: | | | |
| Effective portion of changes in fair value of hedging instruments arising during the period | - | (5,728) | - |
| Reclassification adjustments for exchange loss included in the condensed consolidated income statement | - | (3,535) | - |
| | <u>409,446</u> | <u>539,924</u> | <u>254,832</u> |
| <i>Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:</i> | | | |
| Changes in fair values of equity investments at fair value through other comprehensive income | (32,384) | - | - |
| Release of reserves upon remeasurement of existing interest in an associate upon business combination | 265,508 | - | - |
| Release of reserve upon remeasurement of existing interest in a joint venture upon business combination | - | - | 374 |
| Release of reserves upon deregistration and disposal of subsidiaries | (10,621) | - | - |
| | <u>254,887</u> | <u>-</u> | <u>374</u> |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR | <u>631,949</u> | <u>539,924</u> | <u>255,206</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR | <u>5,536,874</u> | <u>1,810,132</u> | <u>4,877,831</u> |
| Attributable to: | | | |
| Owners of the Company | 3,158,895 | 961,821 | 2,698,449 |
| Non-controlling interests | 2,377,979 | 848,311 | 2,179,382 |
| | <u>5,536,874</u> | <u>1,810,132</u> | <u>4,877,831</u> |

Condensed Consolidated Statement of Financial Position

As at 31 January 2019

| | Notes | 31 January 2019 (Unaudited) HK\$'000 | 31 July 2018 (Audited) HK\$'000 |
|---|-------|---|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 10,246,962 | 5,554,164 |
| Prepaid land lease payments | | 1,652,206 | 18,846 |
| Investment properties | | 41,800,521 | 21,460,590 |
| Properties under development for sale | | 2,704,088 | 1,008,281 |
| Film rights | | 9,475 | - |
| Film products | | 100,376 | - |
| Music catalogs | | 61,472 | - |
| Goodwill | | 234,202 | 235,778 |
| Other intangible assets | | 118,110 | 120,306 |
| Interests in associates | | 276,413 | 3,681,408 |
| Interests in joint ventures | | 8,127,536 | 7,272,859 |
| Available-for-sale financial assets | | - | 2,413,160 |
| Financial assets at fair value through profit or loss | | 62,798 | - |
| Equity investments at fair value through other comprehensive income | | 2,636,319 | - |
| Debt investments at fair value through other comprehensive income | | 212,474 | - |
| Derivative financial instruments | | 3,205 | 6,171 |
| Deposits paid and other receivables | | 281,063 | 342,432 |
| Deferred tax assets | | 43,824 | 34,534 |
| Loans to related companies | | - | 650,000 |
| Pledged bank balances and time deposits | | 111,900 | 95,797 |
| Total non-current assets | | <u>68,682,944</u> | <u>42,894,326</u> |
| CURRENT ASSETS | | | |
| Properties under development for sale | | 2,822,285 | 1,049,331 |
| Completed properties for sale | | 2,779,012 | 264,824 |
| Films under production | | 493,075 | - |
| Inventories | | 56,278 | 31,973 |
| Financial assets at fair value through profit or loss | | 123,050 | - |
| Debtors, deposits paid and other receivables | 8 | 1,838,967 | 554,424 |
| Prepaid tax | | 38,584 | - |
| Pledged and restricted bank balances and time deposits | | 1,442,261 | 351,634 |
| Cash and cash equivalents | | 4,340,497 | 4,098,043 |
| | | <u>13,934,009</u> | <u>6,350,229</u> |
| Asset classified as held for sale | | 1,478,044 | 1,476,533 |
| Total current assets | | <u>15,412,053</u> | <u>7,826,762</u> |

Condensed Consolidated Statement of Financial Position (continued)

As at 31 January 2019

| | | 31 January 2019 (Unaudited) HK\$'000 | 31 July 2018 (Audited) HK\$'000 |
|---|---|---|--|
| CURRENT LIABILITIES | | | |
| Creditors, deposits received, contract liabilities and accruals | 9 | 5,124,556 | 2,244,429 |
| Tax payable | | 262,545 | 132,868 |
| Bank borrowings | | 5,124,224 | 1,200,279 |
| Loans from a joint venture | | 277,648 | - |
| Other borrowings | | 41,525 | - |
| Total current liabilities | | <u>10,830,498</u> | <u>3,577,576</u> |
| NET CURRENT ASSETS | | <u>4,581,555</u> | <u>4,249,186</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>73,264,499</u> | <u>47,143,512</u> |
| NON-CURRENT LIABILITIES | | | |
| Bank borrowings | | 8,682,076 | 8,389,707 |
| Other borrowings | | 663,060 | 395,630 |
| Guaranteed notes | | 5,733,626 | 3,118,594 |
| Derivative financial instruments | | 2,982 | - |
| Deferred tax liabilities | | 5,756,936 | 242,085 |
| Provision for tax indemnity | | - | 251,251 |
| Long term deposits received, contract liabilities and other payables | 9 | 358,896 | 647,718 |
| Total non-current liabilities | | <u>21,197,576</u> | <u>13,044,985</u> |
| | | <u>52,066,923</u> | <u>34,098,527</u> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 1,232,007 | 1,232,007 |
| Reserves | | <u>21,732,128</u> | <u>18,605,336</u> |
| | | 22,964,135 | 19,837,343 |
| Non-controlling interests | | <u>29,102,788</u> | <u>14,261,184</u> |
| | | <u>52,066,923</u> | <u>34,098,527</u> |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. In addition, to provide further information, management has included the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 July 2018 and the related notes as extracted from the previous annual financial statements.

The financial information relating to the year ended 31 July 2018 that is included in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited consolidated financial statements for the year ended 31 July 2018, except for (i) the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which are effective for the Group's financial year beginning on 1 August 2018, and (ii) the adoption of accounting policies of certain assets, revenue and expenses of eSun Holdings Limited ("**eSun**") which was acquired during the current period as set out in note 11 to the condensed consolidated interim financial statements.

2.1 New and revised HKFRSs

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

| | |
|--|--|
| Amendments to HKFRS 2 | <i>Classification and Measurement of Share-based Payment Transactions</i> |
| Amendments to HKFRS 4 | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> |
| HKFRS 9 | <i>Financial Instruments</i> |
| HKFRS 15 | <i>Revenue from Contracts with Customers</i> |
| Amendments to HKFRS 15 | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> |
| Amendments to HKAS 40 | <i>Transfers of Investment Property</i> |
| HK(IFRIC)-Int 22 | <i>Foreign Currency Transactions and Advance Consideration</i> |
| <i>Annual Improvements 2014-2016 Cycle</i> | <i>Amendments to HKFRS 1 and HKAS 28</i> |

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 New and revised HKFRSs (continued)

Except for HKFRS 9 and HKFRS 15, the application of these new and revised HKFRSs has had no significant impact on the financial performance or financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement*, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 August 2018. Therefore, the comparative information has not restated and continues to be reported under HKAS 39.

The impacts from adopting HKFRS 9 related to the classification and measurement and the impairment requirements are summarised as follows:

Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, financial assets are subsequently measured at amortised cost, fair value through profit or loss ("FVPL"), or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group invests in for strategic purpose and intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition.
- Debt instruments at FVOCI, with recycling of gains or losses to profit or loss on derecognition. This category only includes debt instruments, which the Group invests in for collection of contractual cash flows for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition.
- Financial assets at FVPL comprise derivative financial instruments and all other equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify as FVOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

The assessment of the Group's business model was made as of the date of initial application, i.e. 1 August 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 New and revised HKFRSs (continued)

HKFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

The above changes in classification and measurement mainly affect the classification and measurement of the Group's available-for-sale financial assets and certain loan receivables.

The following table summarised the impact on changes in the classification and measurement of financial assets on 1 August 2018, the date of initial application of HKFRS 9:

| | Debtors, deposits paid and other receivables HK\$'000 | Available- for-sale financial assets HK\$'000 | Equity investments at FVOCI HK\$'000 | Debt investments at FVOCI HK\$'000 | Financial assets at FVPL HK\$'000 |
|---|---|---|---|---|--|
| At 31 July 2018, as previously reported | 896,856 | 2,413,160 | - | - | - |
| Reclassification from available-for-sale financial assets to equity/debt investments at FVOCI (note (a)) | - | (2,413,160) | 2,202,103 | 211,057 | - |
| Reclassification from debtors, deposits paid and other receivables to financial assets at FVPL (note (b)) | <u>(130,225)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>130,225</u> |
| At 1 August 2018, as adjusted | <u>766,631</u> | <u>-</u> | <u>2,202,103</u> | <u>211,057</u> | <u>130,225</u> |

Note (a):

The Group elected to present in other comprehensive income for the fair value changes of all its equity and debt investments previously classified as available-for-sale financial assets. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, the carrying amounts of HK\$2,202,103,000 and HK\$211,057,000 were reclassified from available-for-sale financial assets to equity investments at FVOCI and debt investments at FVOCI, respectively. As a result of the change in classification of the Group's equity and debt investments, the investment revaluation reserve of HK\$527,787,000 related to those investments that were previously presented under accumulated other comprehensive income, was reclassified to fair value reserve of financial assets at fair value through other comprehensive income.

Note (b):

The Group has reclassified certain loan receivables previously classified as loans and receivables measured at amortised cost of HK\$5,802,000 and HK\$124,423,000 under current assets (as included in debtors, deposits paid and other receivables) and non-current assets (as included in deposits paid and other receivables), respectively, as financial assets at FVPL.

Impairment of financial assets

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The adoption of the ECL requirements of HKFRS 9 does not have a significant financial effect on the condensed consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 New and revised HKFRSs (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and its amendments supersede HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and apply, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 August 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 August 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Presentation of contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Consideration received from customers in advance of HK\$1,175,171,000 and HK\$423,528,000 under current liabilities (as included in creditors, deposits received, contract liabilities and accruals) and non-current liabilities (as included in long term deposits received, contract liabilities and other payables), respectively, as at 1 August 2018, are now recognised as contract liabilities to reflect the terminology of HKFRS 15.

Financing component for sale of completed properties

HKFRS 15 requires property developers to account for the financing component in a contract separately from revenue if the financing effects are significant, subject to a practical expedient where the period between the payment and delivery of properties will be less than one year. Currently, in respect of certain transactions for sale of properties, (i) the Group offers property buyers additional discount if they opt to pay the purchase price in full within 120-180 days of signing the provisional agreement of sale and purchase; and (ii) it is expected that the length of time between the payment and delivery of properties of the Group's projects will exceed one year. Accordingly, the financing component arose from those transactions is considered to be significant. The amount of the financing component is estimated at the contract inception and the payment plan is confirmed by the property buyer by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. Interest expense is recognised only to the extent that a contract liability (receipts in advance) is recognised in accounting for the contract with the customer.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 New and revised HKFRSs (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Financing component for sale of completed properties (continued)

Upon adoption of HKFRS 15, properties under development for sale increased by HK\$59,473,000 and HK\$8,697,000 under current assets and non-current assets, respectively, with a corresponding increase in contract liabilities as at 1 August 2018.

The following table gives a summary of the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position upon the adoption of HKFRS 15 under the transition method.

| | At 31 July 2018 HK\$'000 (As previously reported) | Impact on initial application of HKFRS 15 HK\$'000 | At 1 August 2018 HK\$'000 (As adjusted) |
|---|--|--|---|
| <u>Non-current assets</u> | | | |
| Properties under development for sale | 1,008,281 | 8,697 | 1,016,978 |
| <u>Current assets</u> | | | |
| Properties under development for sale | 1,049,331 | 59,473 | 1,108,804 |
| <u>Current liabilities</u> | | | |
| Contract liabilities (included in creditors, deposits received, contract liabilities and accruals) | 2,244,429 | 59,473 | 2,303,902 |
| <u>Non-current liabilities</u> | | | |
| Contract liabilities (included in long term deposits received, contract liabilities and other payables) | <u>647,718</u> | <u>8,697</u> | <u>656,415</u> |

Set out below are the amounts by which each financial statement line item was affected as at 31 January 2019 and for the six months ended 31 January 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Condensed consolidated income statement for the six months ended 31 January 2019 (extract):

| | <u>Amounts prepared under</u> | | |
|---------------|-------------------------------|-------------------------------|----------------------|
| | HKFRS 15 HK\$'000 | Previous HKFRS HK\$'000 | Increase HK\$'000 |
| Revenue | 3,815,851 | 3,734,697 | 81,154 |
| Cost of sales | <u>(2,384,529)</u> | <u>(2,303,375)</u> | <u>81,154</u> |
| Gross profit | <u>1,431,322</u> | <u>1,431,322</u> | <u>-</u> |

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 New and revised HKFRSs (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Condensed consolidated statement of financial position as at 31 January 2019 (extract):

| | Amounts prepared under | | Increase HK\$'000 |
|--|------------------------|-------------------------------|----------------------|
| | HKFRS 15 HK\$'000 | Previous HKFRS HK\$'000 | |
| <u>Current assets</u> | | | |
| Properties under development for sale | 2,822,285 | 2,806,574 | 15,711 |
| <u>Current liabilities</u> | | | |
| Contract liabilities (included in creditors, deposits received, contract liabilities and accruals) | <u>5,124,556</u> | <u>5,108,845</u> | <u>15,711</u> |

In addition, consideration received from customers in advance of HK\$1,137,139,000 and HK\$9,987,000 under current liabilities (as included in creditors, deposits received, contract liabilities and accruals) and non-current liabilities (as included in long term deposits received, contract liabilities and other payables), respectively, as at 31 January 2019, are now recognised as contract liabilities to reflect the terminology of HKFRS 15.

2.2 Summary of significant new accounting policies

The accounting policies of certain assets, revenue and expenses of eSun, which the Group has newly adopted during the six months ended 31 January 2019, are as follows:

Intangible assets

- (i) Artiste management and service agreements
Artiste management and service agreements are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 3 years.
- (ii) Online movie platform
Online movie platform is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 3 years.

Music catalogs

Music catalogs represent song catalogs, music video recording rights and publishing rights of songs acquired from outsiders. They are stated at cost less accumulated amortisation and impairment losses.

The costs of music catalogs less accumulated impairment loss are amortised based on the proportion of actual revenue earned during the year to total estimated projected revenue subject to a maximum of 15 years. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at the end of each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant new accounting policies (continued)

Film rights, film products and films under production

Film rights are rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

Film rights are stated at cost less accumulated amortisation and any impairment losses. Film rights, less accumulated impairment loss, are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues and related cash flows are reviewed at least at the end of each reporting period.

Film products are stated at cost less accumulated amortisation and any impairment losses. Film products, less estimated residual value and accumulated impairment losses, are amortised based on the proportion of actual revenues earned during the year to total estimated projected revenues. Cost of film products, accounted for on a project-by-project basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film.

Films under production include production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film. Upon completion and release, these films under production are reclassified as film products. Films under production are accounted for on a project-by-project basis and are stated at cost less any impairment losses.

An impairment loss is made if there has been a change in the estimates used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) turnover from entertainment events organised by the Group, when the events are completed;
- (b) net income from entertainment events organised by other co-investors, when the events are completed and in proportion as agreed with co-investors;
- (c) income from films licensed to movie theatres, when the films are exhibited;
- (d) licence income from films licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract, where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue recognised is limited to the amount of consideration received and subject to due allowance for contingencies;
- (e) licence income from films licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period and when the films are available for showing or telecast;
- (f) sale of products and albums, at a point in time when control of the asset is transferred to the customer, generally on delivery of the products and albums;

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant new accounting policies (continued)

Revenue recognition (continued)

- (g) distribution commission income, when the album or film materials have been delivered to the wholesalers, distributors and licensees;
- (h) album licence income and music publishing income, on an accrual basis in accordance with the terms of the relevant agreements;
- (i) income from gross box-office takings for film exhibition is recognised upon the sale of tickets and when the film is released; and
- (j) advertising income, artiste management fee income, producer fee income and consultancy service income on entertainment events, in the period in which the relevant services are rendered.

Income tax

Dividend income derived from the Company's subsidiaries in Mainland China is subject to a withholding tax under the prevailing tax rules and regulations of the People's Republic of China.

Mainland China Land Appreciation Tax ("LAT")

LAT is levied at prevailing progressive rates on the appreciation of land value, being the proceeds of the sale of properties less deductible costs.

3. TURNOVER AND SEGMENT INFORMATION

| | Six months ended 31 January 2019 (Unaudited) HK\$'000 | Six months ended 31 January 2018 (Unaudited) HK\$'000 | Year ended 31 July 2018 (Audited) HK\$'000 |
|--|--|--|--|
| <u>Turnover from contracts with customers:</u> | | | |
| Sale of properties | 1,751,268 | - | 430 |
| Building management fee income | 104,554 | 54,184 | 110,673 |
| Income from hotel operation | 280,620 | 231,933 | 423,958 |
| Income from restaurant operation | 269,828 | 268,469 | 514,019 |
| Box-office takings, concessionary income and related income from cinemas | 214,277 | - | - |
| Distribution commission income and licence fee income from film products and film rights | 238,212 | - | - |
| Sale of game products | 103,132 | - | - |
| Entertainment event income | 77,354 | - | - |
| Album sales, licence income and distribution commission income from music publishing and licensing | 42,808 | - | - |
| Artiste management fee income | 9,768 | - | - |
| Advertising income | 2,045 | - | - |
| Others | 95,013 | 11,773 | 47,143 |
| | 3,188,879 | 566,359 | 1,096,223 |
| <u>Turnover from other sources:</u> | | | |
| Rental income | 626,972 | 351,531 | 707,816 |
| Total turnover | 3,815,851 | 917,890 | 1,804,039 |

3. TURNOVER AND SEGMENT INFORMATION (continued)

| | Six months ended 31 January 2019 (Unaudited) HK\$'000 | Six months ended 31 January 2018 (Unaudited) HK\$'000 | Year ended 31 July 2018 (Audited) HK\$'000 |
|--|--|--|--|
| <u>Timing of recognition of turnover from contracts with customers:</u> | | | |
| At a point in time | 2,949,709 | 459,577 | 888,722 |
| Over time | 239,170 | 106,782 | 207,501 |
| | <u>3,188,879</u> | <u>566,359</u> | <u>1,096,223</u> |

For management purposes, the Group has the following reportable segments:

- (a) the property development and sales segment engages in property development and sale of properties;
- (b) the property investment segment engages in the leasing of investment properties;
- (c) the hotel operation segment engages in the operation of and provision of consultancy services to hotels and serviced apartments;
- (d) the restaurant operation segment engages in the operation of and provision of consultancy services to restaurants;
- (e) the media and entertainment segment engages in the investment in, and the production of entertainment events and provision of related advertising services, the provision of artiste management services, album sales and distribution, licence of music and trading of gaming products;
- (f) the film production and distribution segment engages in the investment in, production of, sale and distribution of television programmes, films and provision of related advertising services as well as the distribution of video format products derived from these films and films licensed-in by the Group;
- (g) the cinema operation segment engages in the operation of cinemas in Hong Kong and Mainland China; and
- (h) the "others" segment mainly comprises the provision of property management services, leasing agency services, building services and luxury yachting business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that fair value gains on investment properties, net, interest income, finance costs, dividend income, share of profits and losses of associates, share of profits and losses of joint ventures, loss on remeasurement of existing interest in an associate upon business combination, gain on bargain purchase on acquisition of subsidiaries and other unallocated income and expenses are excluded from such measurement.

3. TURNOVER AND SEGMENT INFORMATION (continued)

Segment assets mainly exclude interests in associates, interests in joint ventures, equity and debt investments at fair value through other comprehensive income/available-for-sale financial assets, certain financial assets at fair value through profit or loss, deferred tax assets, prepaid tax, derivative financial instruments, certain pledged and restricted bank balances and time deposits, certain cash and cash equivalents, asset classified as held for sale and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities mainly exclude bank borrowings, other borrowings, loans from a joint venture, guaranteed notes, tax payable, deferred tax liabilities, provision for tax indemnity, derivative financial instruments and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales are transacted with reference to the prevailing market prices.

3. TURNOVER AND SEGMENT INFORMATION (continued)

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

| | Six months ended 31 January (Unaudited) | | | | | | | | | | | | | | | | | | | |
|--|---|----------|---------------------|----------|-----------------|----------|----------------------|----------|-------------------------|----------|----------------------------------|----------|------------------|----------|----------|----------|--------------|----------|--------------|----------|
| | Property development and sales | | Property investment | | Hotel operation | | Restaurant operation | | Media and entertainment | | Film production and distribution | | Cinema operation | | Others | | Eliminations | | Consolidated | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue: | | | | | | | | | | | | | | | | | | | | |
| Sales to external customers | 1,751,268 | - | 731,526 | 405,715 | 280,620 | 231,933 | 269,828 | 268,469 | 233,062 | - | 240,257 | - | 214,277 | - | 95,013 | 11,773 | - | - | 3,815,851 | 917,890 |
| Intersegment sales | - | - | 21,585 | 10,978 | 1,018 | - | 130 | - | 28 | - | 7,161 | - | 845 | - | 18,481 | 15,679 | (49,248) | (26,657) | - | - |
| Other revenue | 4,854 | 2,041 | 23,713 | 548 | 1,274 | 85 | 227 | 168 | 3,349 | - | 4,069 | - | 10,673 | - | 40,104 | 7,193 | - | - | 88,263 | 10,035 |
| Total | 1,756,122 | 2,041 | 776,824 | 417,241 | 282,912 | 232,018 | 270,185 | 268,637 | 236,439 | - | 251,487 | - | 225,795 | - | 153,598 | 34,645 | (49,248) | (26,657) | 3,904,114 | 927,925 |
| Segment results | 367,943 | (6,711) | 481,173 | 321,973 | (139,944) | 33,921 | (2,268) | (5,872) | 14,420 | - | (36,610) | - | (48,246) | - | (24,308) | 10,825 | - | - | 612,160 | 354,136 |
| Unallocated other revenue | | | | | | | | | | | | | | | | | | | | |
| Fair value gains on investment properties, net | - | - | 362,855 | 655,144 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 362,855 | 655,144 |
| Unallocated expenses | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| Profit from operating activities | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| Finance costs | | | | | | | | | | | | | | | | | | | | |
| Share of profits and losses of associates | 45 | 28 | 3,790 | 5,092 | (180) | (251) | (6) | (1,288) | (34) | - | 113 | - | 463 | - | 261 | - | - | - | 4,452 | 3,581 |
| Share of profits and losses of associates - unallocated | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| Share of profits and losses of joint ventures | 551,477 | (2,314) | 194,675 | 623,873 | - | - | - | (577) | (766) | - | (744) | - | - | - | - | (8,397) | - | - | 744,642 | 612,585 |
| Loss on remeasurement of existing interest in an associate upon business combination | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| Gain on bargain purchase on acquisition of subsidiaries | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| Profit before tax | | | | | | | | | | | | | | | | | | | | |
| Tax | | | | | | | | | | | | | | | | | | | | |
| Profit for the period | | | | | | | | | | | | | | | | | | | | |

3. TURNOVER AND SEGMENT INFORMATION (continued)

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

| | Property development and sales | | Property investment | | Hotel operation | | Restaurant operation | | Media and entertainment | | Film production and distribution | | Cinema operation | | Others | | Consolidated | |
|---------------------------------------|--------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|-------------------------|--------------------|----------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| | 31 January 2019 | 31 July 2018 | 31 January 2019 | 31 July 2018 | 31 January 2019 | 31 July 2018 | 31 January 2019 | 31 July 2018 | 31 January 2019 | 31 July 2018 | 31 January 2019 | 31 July 2018 | 31 January 2019 | 31 July 2018 | 31 January 2019 | 31 July 2018 | 31 January 2019 | 31 July 2018 |
| | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) | HK\$'000 (Unaudited) | HK\$'000 (Audited) |
| Segment assets | 8,853,515 | 2,728,203 | 43,921,560 | 21,703,204 | 9,624,283 | 5,621,531 | 545,951 | 545,764 | 399,827 | - | 985,452 | - | 763,666 | - | 4,803,997 | 1,683,631 | 69,898,251 | 32,282,333 |
| Interests in associates | 1,748 | 1,701 | 89,940 | 79,815 | 174,198 | 163,301 | (10,555) | (10,394) | - | - | 3,970 | - | - | - | 822 | 233 | 260,123 | 234,656 |
| Interests in associates - unallocated | | | | | | | | | | | | | | | | | 16,290 | 3,446,752 |
| Interests in joint ventures | 1,842,500 | 1,194,367 | 6,269,140 | 6,075,975 | - | - | - | 2,517 | 13,230 | - | 2,666 | - | - | - | - | - | 8,127,536 | 7,272,859 |
| Unallocated assets | | | | | | | | | | | | | | | | | 4,314,753 | 6,007,955 |
| Asset classified as held for sale | | | | | | | | | | | | | | | | | 1,478,044 | 1,476,533 |
| Total assets | | | | | | | | | | | | | | | | | 84,094,997 | 50,721,088 |
| Segment liabilities | 1,448,056 | 1,684,053 | 1,899,489 | 425,104 | 516,856 | 237,631 | 44,737 | 41,259 | 119,282 | - | 432,751 | - | 180,055 | - | 340,001 | 330,037 | 4,981,227 | 2,718,084 |
| Bank borrowings | | | | | | | | | | | | | | | | | 13,806,300 | 9,589,986 |
| Guaranteed notes | | | | | | | | | | | | | | | | | 5,733,626 | 3,118,594 |
| Other borrowings | | | | | | | | | | | | | | | | | 704,585 | 395,630 |
| Loans from a joint venture | | | | | | | | | | | | | | | | | 277,648 | - |
| Other unallocated liabilities | | | | | | | | | | | | | | | | | 6,524,688 | 800,267 |
| Total liabilities | | | | | | | | | | | | | | | | | 32,028,074 | 16,622,561 |

4. PROFIT FROM OPERATING ACTIVITIES

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

| | Six months ended 31 January 2019 (Unaudited) HK\$'000 | Six months ended 31 January 2018 (Unaudited) HK\$'000 | Year ended 31 July 2018 (Audited) HK\$'000 |
|---|--|--|--|
| Depreciation [@] | 197,208 | 47,342 | 94,578 |
| Interest income from bank deposits | (23,750) | (40,607) | (56,561) |
| Other interest income | (20,048) | (12,733) | (33,536) |
| Dividend income from unlisted available-for-sale financial assets | - | (10,700) | (27,400) |
| Dividend income from equity investments at fair value through other comprehensive income | (16,100) | - | - |
| Foreign exchange (gains)/losses, net | (15,643)[*] | 7,069 [^] | 3,931 [^] |
| Amortisation of film rights [#] | 1,730 | - | - |
| Amortisation of film products [#] | 197,283 | - | - |
| Amortisation of music catalogs [#] | 13,362 | - | - |
| Amortisation of other intangible assets [#] | 539 | - | - |
| Impairment of property, plant and equipment [^] | 9,505 | - | 9,583 |
| Impairment of advances and other receivables [^] | 3,350 | - | - |
| Impairment of amounts due from joint ventures [^] | 311 | - | - |
| Gain on disposal of an associate [^] | (19,705) | - | - |
| Fair value losses/(gains) on cross currency swaps | 8,479[^] | - | (6,171)[*] |

[@] Depreciation charge of approximately HK\$180,010,000 (Six months ended 31 January 2018: HK\$44,793,000) for property, plant and equipment is included in "other operating expenses" on the face of the unaudited condensed consolidated income statement.

^{*} These items are included in "other revenue" on the face of the unaudited condensed consolidated income statement.

[#] These items are included in "cost of sales" on the face of the unaudited condensed consolidated income statement.

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

(b) Other than those mentioned in note 4(a) above, "other operating expenses" also included service fee for operation of a club in the Group's hotel operation in Vietnam of approximately HK\$18,854,000 (Six months ended 31 January 2018: HK\$36,664,000).

5. FINANCE COSTS

| | Six months ended 31 January 2019 (Unaudited) HK\$'000 | Six months ended 31 January 2018 (Unaudited) HK\$'000 | Year ended 31 July 2018 (Audited) HK\$'000 |
|---|--|--|--|
| Interest on bank borrowings | 287,026 | 79,899 | 184,340 |
| Interest on other borrowings | 8,708 | 5,716 | 11,337 |
| Interest on guaranteed notes | 157,540 | 159,397 | 259,410 |
| Interest on loans from a joint venture | 7,112 | - | - |
| Interest expense arising from revenue contracts | 28,695 | - | - |
| Bank financing charges | <u>40,904</u> | <u>24,456</u> | <u>44,199</u> |
| | 529,985 | 269,468 | 499,286 |
| Less: Capitalised in construction in progress | (98,027) | (60,306) | (139,355) |
| Capitalised in properties under development for sale | (102,489) | (25,422) | (40,930) |
| Capitalised in investment properties under construction | <u>(69,688)</u> | <u>-</u> | <u>-</u> |
| | <u>259,781</u> | <u>183,740</u> | <u>319,001</u> |

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 31 January 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | Six months ended 31 January 2019 (Unaudited) HK\$'000 | Six months ended 31 January 2018 (Unaudited) HK\$'000 | Year ended 31 July 2018 (Audited) HK\$'000 |
|--|--|--|--|
| Current tax | | | |
| Hong Kong | 74,348 | 24,233 | 49,760 |
| Mainland China | 97,410 | - | - |
| Overseas | <u>8,899</u> | <u>16,101</u> | <u>27,195</u> |
| | 180,657 | 40,334 | 76,955 |
| Deferred tax | (79,556) | 4,302 | (25,676) |
| Prior periods'/years' (overprovision)/underprovision | | | |
| Hong Kong | (52) | 75 | 5,719 |
| Mainland China | (3) | - | - |
| Overseas | <u>(2,277)</u> | <u>(7)</u> | <u>569</u> |
| | <u>(2,332)</u> | <u>68</u> | <u>6,288</u> |
| Tax charge for the period/year | <u>98,769</u> | <u>44,704</u> | <u>57,567</u> |

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

| | Six months ended 31 January 2019 (Unaudited) HK\$'000 | Six months ended 31 January 2018 (Unaudited) HK\$'000 | Year ended 31 July 2018 (Audited) HK\$'000 |
|---|--|--|--|
| Earnings | | | |
| Earnings for the purpose of basic earnings per share | 2,914,638 | 674,672 | 2,567,355 |
| Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share | <u>(10,605)</u> | <u>(2,927)</u> | <u>(10,146)</u> |
| Earnings for the purpose of diluted earnings per share | <u>2,904,033</u> | <u>671,745</u> | <u>2,557,209</u> |
| | <i>'000</i> | <i>'000</i> | <i>'000</i> |
| Number of shares | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 385,138 | 382,864 | 383,991 |
| Effect of dilutive potential ordinary shares arising from share options | <u>2,455</u> | <u>3,637</u> | <u>3,247</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>387,593</u> | <u>386,501</u> | <u>387,238</u> |

8. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Hotel and restaurant charges are mainly settled by customers on a cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

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

8. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES (continued)

An ageing analysis of the trade debtors, based on payment due date is as follows:

| | 31 January 2019 (Unaudited) HK\$'000 | 1 August 2018 (Unaudited) HK\$'000 (As adjusted) | 31 July 2018 (Audited) HK\$'000 |
|---|---|--|--|
| Trade debtors: | | | |
| Not yet due or less than 30 days past due | 189,744 | 42,124 | 42,124 |
| 31 - 60 days past due | 17,425 | 1,953 | 1,953 |
| 61 - 90 days past due | 9,017 | 785 | 785 |
| Over 90 days past due | 24,915 | 8,552 | 8,552 |
| | 241,101 | 53,414 | 53,414 |
| Other receivables | 580,215 | 355,175 | 360,977 |
| Deposits paid and prepayments | 1,017,651 | 140,033 | 140,033 |
| | 1,838,967 | 548,622 | 554,424 |

9. CREDITORS, DEPOSITS RECEIVED, CONTRACT LIABILITIES AND ACCRUALS

An ageing analysis of the trade creditors, based on payment due date is as follows:

| | 31 January 2019 (Unaudited) HK\$'000 | 1 August 2018 (Unaudited) HK\$'000 (As adjusted) | 31 July 2018 (Audited) HK\$'000 |
|---|---|--|--|
| Trade creditors: | | | |
| Not yet due or less than 30 days past due | 278,426 | 24,947 | 24,947 |
| 31 - 60 days past due | 11,525 | 5,297 | 5,297 |
| 61 - 90 days past due | 7,130 | 1,452 | 1,452 |
| Over 90 days past due | 14,412 | 2,915 | 2,915 |
| | 311,493 | 34,611 | 34,611 |
| Other payables and accruals | 2,611,694 | 760,916 | 760,916 |
| Deposits received and other provisions | 1,088,636 | 497,921 | 2,096,620 |
| Contract liabilities | 1,162,837 | 1,666,869 | - |
| Dividend payable | 28,500 | - | - |
| Put option liabilities (note 10) | 280,292 | - | - |
| | 5,483,452 | 2,960,317 | 2,892,147 |
| Amount classified as current | (5,124,556) | (2,303,902) | (2,244,429) |
| Non-current portion | 358,896 | 656,415 | 647,718 |

10. PUT OPTION LIABILITIES

On 31 December 2018, Rosy Commerce Holdings Limited ("**Rosy Commerce**", a company indirectly owned by Lai Fung and eSun as to 80% and 20%, respectively) and China Cinda (HK) Asset Management Co., Limited ("**Cinda**"), an independent third party, entered into two investment agreements (the "**Agreements**"). Pursuant to the Agreements, Cinda agrees to invest, by way of share subscription and/or share sale, in two wholly-owned subsidiaries of Rosy Commerce, namely Harmonic Run Limited ("**HRL**") and Glorious Stand Limited ("**GSL**") at a total consideration (the "**Consideration**") of approximately US\$35,752,000 (the "**Transaction**"). The Transaction was completed on 25 January 2019 (the "**Completion Date**") and constituted a deemed disposal of 30% equity interests in HRL and GSL to Cinda by Rosy Commerce.

On the Completion Date, Rosy Commerce and Cinda further entered into two shareholders' agreements, pursuant to the buy-back clause contained therein upon the occurrence of certain triggering events during the six-year investment period, Rosy Commerce has a contractual obligation to buy-back the 30% equity interests in each of HRL and GSL from Cinda at an aggregate amount equals to the Consideration. Accordingly, financial liabilities of approximately US\$35,752,000 (equivalent to approximately HK\$280,292,000) are recorded as put option liabilities under "creditors, deposits received, contract liabilities and accruals" of the unaudited condensed consolidated statement of financial position as at the end of the reporting period.

Further details of the Transaction are set out in a joint announcement of the Company, Lai Sun Development Company Limited, eSun and Lai Fung dated 2 January 2019.

11. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of eSun

Further to the Company's announcements dated 27 May 2018 and the Company's circular dated 23 July 2018 in respect of, among others, (1) the then conditional voluntary general cash offer by Transtrend Holdings Limited (the "**Offeror**"), a wholly-owned subsidiary of the Company, to acquire all of the issued shares of eSun (other than those already owned or agreed to be acquired by the Company, the Offeror or their respective subsidiaries) (the "**eSun Share Offer**") and to cancel all the outstanding share options of eSun (the "**eSun Option Offer**", and together with the eSun Share Offer, the "**eSun Offers**") and (2) the then possible unconditional mandatory general cash offer by the Offeror to acquire all of the issued shares of Lai Fung (other than those already owned or agreed to be acquired by the Company, the Offeror, eSun or their respective subsidiaries) and to cancel all the outstanding share options of Lai Fung, the Group acquired additional 40.44% interest in eSun for approximately HK\$735 million. eSun became a subsidiary of the Group since 8 August 2018 (the "**Completion Date**") and upon completion of the eSun Offers, the Group held 77.38% equity interest in eSun. As further explained in (b) below, 2.76% of the shares in eSun acquired were classified as financial assets at FVPL. For details of the acquisition, please refer to the joint announcement of the Company, eSun, Lai Fung and the Offeror dated 8 August 2018, the joint announcement of the Company, Lai Fung and the Offeror dated 15 August 2018, the joint announcement of the Company, eSun and the Offeror dated 22 August 2018 and the joint announcement of the Company, Lai Fung and the Offeror dated 13 September 2018.

Prior to the eSun Offers, the Group held 36.94% equity interest in eSun (the "**Existing Shareholding**"). The fair value of the Existing Shareholding as at the Completion Date of approximately HK\$705 million was calculated with reference to the quoted share price of eSun of HK\$1.28 per share as at the Completion Date. The aggregate carrying amount of the Group's interests in eSun and related reserves (including investment revaluation reserve and exchange fluctuation reserve) retained by the Group for the Existing Shareholding immediately before the Completion Date was approximately HK\$3,691 million.

Difference between the fair value of the Existing Shareholding and the aggregate carrying amount of the Group's interests in eSun and related reserves retained by the Group for the Existing Shareholding as at the Completion Date of approximately HK\$2,986 million has been recognised in the condensed consolidated income statement of the Company as a loss on disposal of the Existing Shareholding.

The fair value of the Existing Shareholding at the Completion Date formed part of the acquisition cost and was included in the calculation of gain on bargain purchase in relation to the acquisition of 74.62% equity interest in eSun (the "**Acquisition**") after taking into account the Disposal as set out in (b) below, in accordance with HKFRS 3 *Business Combinations*.

The Group has elected to measure the non-controlling interests in eSun at the non-controlling interests' proportionate share of eSun's net identifiable assets and liabilities.

Upon completion of the eSun Offers, the Company has recognised an overall net gain on bargain purchase of approximately HK\$3,776 million.

11. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of eSun (continued)

The fair values of the identifiable assets and liabilities of eSun as at the Completion Date were as follows:

| | HK\$'000 |
|---|---------------------|
| Property, plant and equipment | 5,188,660 |
| Investment properties | 18,601,100 |
| Properties under development for sale | 4,667,700 |
| Film rights | 11,205 |
| Film products | 80,217 |
| Music catalogs | 74,833 |
| Other intangible assets | 586 |
| Investment in associates | 16,278 |
| Investment in joint ventures | 1,877,476 |
| Equity investments at fair value through other comprehensive income | 213,226 |
| Derivative financial instruments | 2,531 |
| Debtors, deposits paid and other receivables | 743,241 |
| Deferred tax assets | 4,189 |
| Pledged and restricted bank balances and time deposits | 1,073,762 |
| Completed properties for sale | 1,758,600 |
| Films under production | 469,585 |
| Inventories | 21,874 |
| Prepaid tax | 37,856 |
| Cash and cash equivalents | 2,136,039 |
| Creditors, deposits received, contract liabilities and accruals | (2,762,937) |
| Tax payable | (123,973) |
| Bank borrowings | (3,920,953) |
| Loans from a joint venture | (644,698) |
| Loans from a related company | (650,000) |
| Other borrowings | (257,841) |
| Guaranteed notes | (2,602,991) |
| Deferred tax liabilities | (5,507,393) |
| Non-controlling interests of eSun | (9,643,570) |
| | 10,864,602 |
| Adjustment of provision for tax indemnity | 251,251 |
| Non-controlling interests | (2,913,542) |
| Total identifiable net assets at fair value | 8,202,311 |
| Gain on bargain purchase of the Acquisition | (6,761,861) |
| Total consideration | <u>1,440,450</u> |
| Satisfied by: | |
| Consideration of the eSun Offers | 735,119 |
| Fair value of the Existing Shareholding | <u>705,331</u> |
| | <u>1,440,450</u> |
| Net impact on the condensed consolidated income statement | |
| Loss on disposal of the Existing Shareholding | 2,985,631 |
| Gain on bargain purchase of the Acquisition | (6,761,861) |
| Gain on bargain purchase, net | <u>(3,776,230)</u> |

11. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of eSun (continued)

The Group incurred total transaction costs of approximately HK\$47 million for the Acquisition, of which approximately HK\$32 million was incurred in the prior year. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated income statement.

The fair values of identifiable net assets acquired of the above business combination as at the Completion Date are provisional amounts and are subject to the finalisation of the fair value estimation within 12 months from the Completion Date.

Since the Acquisition, eSun contributed approximately HK\$1,260 million to the Group's revenue and loss of approximately HK\$416 million to the Group's consolidated profit for the six months ended 31 January 2019.

Had the Acquisition taken place at the beginning of the six months ended 31 January 2019, the revenue and the profit for the six months ended 31 January 2019 of the Group would have been approximately HK\$3,816 million and approximately HK\$4,905 million, respectively.

An analysis of the cash flows for the current period in respect of the Acquisition is as follows:

| | HK\$'000 |
|--|-------------------------|
| Cash consideration paid | (735,119) |
| Cash and bank balances acquired | <u>2,136,039</u> |
| Net inflow of cash and cash equivalents included in cash flows from investing activities | 1,400,920 |
| Transaction costs of the Acquisition included in cash flows from operating activities | <u>(14,849)</u> |
| | <u><u>1,386,071</u></u> |

(b) Disposal of shares in eSun

In order to restore the minimum percentage of shares in eSun held by the public as required under Rule 8.08(1)(a) of the Listing Rules, the Offeror entered into a legally binding and unconditional agreement on 25 January 2019 to sell an aggregate of 41,150,000 shares in eSun ("**Disposal Shares**"), representing approximately 2.76% of the then total issued share capital of eSun, to an independent third party (the "**Disposal**"). Such Disposal Shares of an amount of approximately HK\$45 million was recognised as financial assets at FVPL in the condensed consolidated statement of financial position as at 31 January 2019.

Subsequent to the end of the reporting period, on 11 February 2019, the Disposal has completed. Following the completion of the Disposal, the minimum public float of 25% of the then total issued share capital of eSun as required under Rule 8.08(1)(a) of the Listing Rules has been restored and the Group held 74.62% equity interest in eSun since then.

INTERIM DIVIDEND

The Board of the Company has resolved not to declare the payment of an interim dividend for the financial year ending 31 July 2019. No interim dividend was declared in respect of the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Upon close of the voluntary general cash offer (“**eSun Offer**”) made by Lai Sun Development Company Limited (“**LSD**”) in May 2018 to acquire all of the issued shares of eSun Holdings Limited (“**eSun**”) that were not already owned by LSD in August 2018, eSun became a subsidiary of LSD and its financial results has been consolidated into the results of the Company starting from this set of interim results. The subsequent restoration of public float of eSun in February 2019 reduced LSD’s shareholding in eSun marginally to 74.62%. The mandatory general offer to Lai Fung Holdings Limited (“**Lai Fung**”) triggered by the eSun Offer closed on 13 September 2018. As at the date of this results announcement, Lai Fung is a 50.55%-owned subsidiary of eSun.

eSun 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.

The completion of the eSun Offer has strengthened the wider Lai Sun Group. It highlights Lai Sun Group’s capabilities as a property-led conglomerate and in particular its positioning in the Greater Bay Area. Set out below is the Group’s rental portfolio and landbank (in ’000 square feet) by geography and our exposure in the Greater Bay Area.

| | Total gross floor area (“GFA”) held by the Group ¹ | | Attributable GFA to the Group | |
|---|---|------------------------------|-------------------------------|------------------------------|
| | For-rental properties | Properties under development | For-rental properties | Properties under development |
| Mainland China | | | | |
| Shanghai | 1,728 ² | 772 ² | 366 | 163 |
| Guangzhou | 1,314 ² | 581 ² | 278 | 123 |
| Zhongshan | 246 ² | 2,099 ² | 52 | 445 |
| Hengqin | - | 5,689 ³ | - | 1,312 |
| Subtotal of properties in Mainland China: | 3,288 | 9,141 | 696 | 2,043 |
| Hong Kong | 1,992 ⁴ | 103 ⁵ | 1,228 | 58 |
| Subtotal of properties in the Great Bay Area (including Hong Kong, Guangzhou, Zhongshan, Hengqin): | 3,552 | 8,472 | 1,558 | 1,938 |
| Overseas | | | | |
| London, United Kingdom | 344 ⁵ | - | 193 | - |
| Vietnam | 98 ⁵ | - | 55 | - |
| Subtotal of overseas properties: | 442 | - | 248 | - |
| Total: | 5,722 | 9,244 | 2,172 | 2,101 |

Notes:

- All major properties of the Group in Mainland China are held through Lai Fung and its subsidiaries (“**Lai Fung Group**”), except Phase I of the Novotown project in Hengqin (“**Novotown**”) which is 80% owned by Lai Fung Group and 20% owned by eSun and its subsidiaries (“**eSun Group**”) and all major properties in Hong Kong and overseas are held by the Group excluding eSun Group.
- Attributable GFA to Lai Fung Group.
- Including GFA of Phase I of Novotown, which is 80% owned by Lai Fung and 20% owned by eSun and GFA of Phase II of Novotown which is 100% owned by Lai Fung.
- Including GFA of major rental properties of LSD and its subsidiaries (“**LSD Group**”) and GFA of major rental properties of the Group.
- Attributable GFA to LSD Group.

Hong Kong and Overseas Property Market

Global economies around the world continue to progress along a precarious path against a backdrop of familiar uncertainties during the period under review. The capital market has demonstrated steadiness backed by cautious optimism despite a delicate economic outlook, most notably the protracted situation of Brexit and the intermittent trade disputes between the USA and China. Some of these events are likely to linger in the near future and continue to cast a shadow on the outlook.

The property sector in Hong Kong as a whole continued to show resilience and robustness despite an increasingly uncertain global economic outlook. During the period under review, the retail segment has showed a strong recovery as demonstrated by improving visitor numbers and retail sales, partly driven by the new high speed rail link and the opening of the Hong Kong-Zhuhai-Macao Bridge. However, retail rent growth has been mixed due to re-alignment of tenant mix which resulted in rent reduction in certain tourist hotspots. The office leasing market remained tight despite new supply from completion of new office buildings and resulted in modest rent increases overall. Central business district continued to be underpinned by PRC and financial corporations and other commercial areas continued to benefit from the decentralisation and consolidation of space. The residential market softened towards the end of 2018 due to the uncertain outlook of the economy but limited supply supported the softening. Despite the government's best effort to increase land supply such as Lantau Tomorrow Vision, the near term supply is expected to fall short of demand. Labour supply shortages in the construction industry continues to drive wage inflation and pose a challenge on the cost management side.

The management believes it is paramount to prepare the Group for the challenges and opportunities ahead. The Group's Hong Kong properties performed steadily at nearly full occupancy levels. The Hong Kong Ocean Park Marriott Hotel ("**Ocean Hotel**") operated by Marriott Group providing a total of 471 rooms grand opened on 19 February 2019 and added approximately 365,974 square feet of attributable rental space to the rental portfolio of LSD Group. With the planning consent approved by the City of London's Planning and Transportation Committee, the Group keeps monitoring the market conditions in London closely for the potential redevelopment of the three properties on Leadenhall Street in London, comprising 100, 106 and 107 Leadenhall Street ("**Leadenhall Properties**"). All leases of Leadenhall Properties have been aligned to expire in 2023.

The Group continued to participate in government tenders to grow the pipeline. In March 2019, LSD Group successfully tendered for and secured a site located at Lot No. 5382 in Demarcation District No.116, Tai Kei Leng, Yuen Long, New Territories for HK\$209.8 million. This site is designated for private residential purposes and expected to add a maximum GFA of approximately 42,200 square feet to the development portfolio of LSD Group.

The construction works of Alto Residences, the joint venture project in Tseung Kwan O and 93 Pau Chung Street have been completed with the Certificate of Compliance issued by the Lands Department in September and November 2018, respectively. Up to 24 March 2019, LSD Group has sold 556 units in Alto Residences with saleable area of approximately 320,600 square feet and the average selling price was approximately HK\$16,400 per square foot. Handover of the sold residential units of Alto Residences has been substantially completed. LSD Group released 43 car-parking spaces of Alto Residences for sale in March 2019. Up to 24 March 2019, 41 car-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$110.0 million. The sale of all 209 residential units of 93 Pau Chung Street has been completed, achieving an average selling price of approximately HK\$16,400 per square foot. Handover of the sold residential units of 93 Pau Chung Street has been substantially completed. LSD Group released the commercial units of 93 Pau Chung Street for sale in July 2018. Up to 24 March 2019, 5 out of 7 commercial units with saleable area of approximately 14,000 square feet have been sold and the average selling price was approximately HK\$23,000 per square foot.

The Ki Lung Street project in Sham Shui Po, Kowloon, named “Novi” is well received. The pre-sale of all 138 residential units of Novi with saleable area of approximately 28,800 square feet has been completed, achieving an average selling price of approximately HK\$18,900 per square foot. Construction of Novi is expected to be completed in the third quarter of 2019. The Sai Wan Ho Street project with the Urban Renewal Authority in Shau Kei Wan, Hong Kong, named “Monti” providing 144 residential units with a total saleable area of 45,822 square feet was launched for pre-sale in August 2018. Up to 24 March 2019, LSD Group has pre-sold 41 units in Monti with saleable area of approximately 12,900 square feet at an average selling price of approximately HK\$20,100 per square foot. Construction of Monti is expected to be completed in the third quarter of 2019.

The Group is encouraged by the property sales during the period under review and will continue to participate in government tenders to grow the pipeline.

Mainland China Property Market

Notwithstanding the seemingly turbulent environment, the Chinese Government continued to forge ahead and delivered stable economic growth through a combination of proactive fiscal policy and prudent monetary policy. The determination of maintaining a stable economy is observed in the latest round of meetings in Beijing declaring a gross domestic product growth of 6%-6.5% at the time of this results announcement. The effects of the trade disputes with the USA can be felt in certain parts of the Chinese economy such as exports. The weaknesses in parts of the economy are going to continue as a result of lackluster global economic performance and trade disputes with the USA. However, we believe this may present an opportunity for domestic consumption plays. We believe the property sector being one of the main pillars could benefit from more favourable policies as a result. We have observed the same in various parts of China where the government has eased its control on the construction and the sale of property projects. The Chinese 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 Chinese Government, we can expect continued stability and continuity going forward.

Being the flagship Mainland China property arm of the Group, Lai Fung Group's regional focus and rental-led strategy 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.

Lai Fung Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio of Lai Fung Group is expected to increase from approximately 3.3 million square feet to approximately 9.7 million square feet through developing the existing projects on hand over the next few years. Construction works of the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and Hui Gong Building is expected to complete in the second quarter of 2022 and will add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of Lai Fung Group. The redevelopment plan includes an office tower, a shopping arcade and underground car-parking spaces. Construction work of Guangzhou Haizhu Plaza is expected to commence in the second quarter of 2019 and the completion is expected to be in the first half of 2023, providing a total rental GFA of approximately 580,500 square feet.

The construction works of Phase I of Novotown is expected to be completed in the first half of 2019 with the opening in phases in the second half of 2019. On 31 December 2018, Lai Fung Group entered into investment agreements with China Cinda (HK) Asset Management Co., Limited (“Cinda”) and Cinda has invested 30% equity interests in two subsidiaries of Lai Fung, the core businesses of which are the internal buildout, fitting, preparation and operation of themed indoor experience centres in Phase I of Novotown under the intellectual property licenses granted by “National Geographic” and “Lionsgate”.

Lai Fung Group succeeded in bidding for land use rights of the land offered for sale by The Land and Resources Bureau of Zhuhai (“**Zhuhai Land Bureau**”) through the listing-for-sale process in December 2018 and the land is situated adjacent to Phase I of Novotown with a total site area of approximately 143,800 square meters and a maximum plot ratio of 2 times and has been designated for the development of Phase II of Novotown. Apart from Real Madrid Club de Fútbol (“**Real Madrid Club**”), Harrow International (China) Management Services Limited and ILA Holdings Limited that have been secured as key partners for Novotown Phase II, 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 Phase II. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions. Real Madrid World, Innovation Leadership Academy Hengqin (“**ILA Hengqin**”) and Ducati Experience Centre are expected to be the key elements in Novotown Phase II and details of the development plan will be formulated upon finalisation of the master layout plan with the Chinese Government. Lai Fung Group is in the process of finalising the master layout plan for Novotown Phase II with the Chinese Government.

The remaining residential units in Zhongshan Palm Spring and the cultural studios of Novotown Phase I, as well as residential units in Shanghai Wuli Bridge project to be completed during the financial year ending 31 July 2019 are expected to contribute to the income of Lai Fung Group in the coming financial years. Lai Fung Group will continue its prudent and flexible approach in growing its landbank.

Media and Entertainment/Film Production and Distribution/Cinema Operation

The Mainland China entertainment market continues to grow at a remarkable pace. eSun Group continues to expand its media and entertainment businesses in Mainland China, optimising income from its film, TV, live entertainment, artiste management, music and cinema in this fast growing market. eSun 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. “*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 in post-production stage. Projects under production include an action film “*Knockout*” by director Roy Chow featuring Han Geng and a romance comedy film “*The Calling of a Bus Driver*” by director Patrick Kong with Ivana Wong.
- TV – expanded activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China. A 52 episode romance drama series “*New Horizon*”, starring Zheng Kai and Chen Chiao-en, is in the post-production stage and eSun Group is in discussion with various Chinese and overseas portals and video web sites for new project development.
- Live Entertainment – successfully produced and promoted a number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The recent “*Along With Ekin Live Concert 2019*” has earned good reputation and public praises. eSun Group will continue to work with prominent local and Asian artistes for concert promotion. Upcoming events include concerts of Sammi Cheng and Yoga Lin.

- Music – as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. The exclusive distribution licence of music products with Tencent Music Entertainment (Shenzhen) Co., Ltd and Warner Music continues to provide stable income contribution to eSun Group.
- Artiste Management – actively looking for new talent in Greater China and further co-operation with Asian artistes with an aim to build up a strong artiste roster. eSun Group believes a strong talent roster will complement its media and entertainment businesses and will continue its effort in talent development.
- Cinema – acquisition of an additional 10% interest in Intercontinental Group Holdings Limited (“IGHL”) in November 2018 facilitated better implementation of the operating strategies of eSun into IGHL and bolstered eSun Group’s further development in sale and distribution of films and cinema business in Hong Kong and Mainland China. The MCL Cheung Sha Wan Cinema, newly opened in January 2019 is the first MCL cinema in West Kowloon district in Hong Kong. With industrial style design, the cinema has 4 houses with more than 400 seats of stadium seating, giving the audience a comfortable sightline and all cinema houses are equipped with 4K projection system, Dolby 7.1 surround sound system and Bowers & Wilkins Hi-Fi grade speakers to provide a great cinematic viewing experience for the audience. eSun Group is excited by the outlook for cinemas in Hong Kong and Mainland China and will continue to seek out opportunities to expand its footprint.

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

The supplemental deed executed by Lai Fung on 8 March 2019 aims to contribute to a more pragmatic and flexible investment decisions to be made by the Group and will be subject to independent shareholders’ approval of each of Lai Fung, eSun, LSD and the Company and the shareholders’ meetings have been scheduled on 30 April 2019.

The Group’s consolidated cash position of HK\$5,894.7 million (HK\$202.4 million excluding LSD Group) and undrawn facilities of HK\$6,630.6 million (HK\$250.0 million excluding LSD Group) with a net debt to equity ratio of 64.0% as at 31 January 2019 provides the Group with full confidence and the means to review opportunities more actively. The Group’s gearing excluding the net debt of LSD Group was approximately 4.2%. The Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

OVERVIEW OF INTERIM RESULTS

For the six months ended 31 January 2019, the Group recorded turnover of HK\$3,815.9 million (2018: HK\$917.9 million) and a gross profit of HK\$1,431.3 million (2018: HK\$543.6 million). The significant increase is primarily due to (i) consolidation of eSun's financial results into the results of the Group upon the close of the eSun Offer in August 2018; and (ii) recognition of property sales during the period under review from completed residential projects in Hong Kong.

Set out below is the turnover by segment:

| | Six months ended 31 January | | Difference (HK\$ million) | % change |
|----------------------------------|-----------------------------|------------------------|------------------------------|----------|
| | 2019 (HK\$ million) | 2018 (HK\$ million) | | |
| Property investment | 731.5 | 405.7 | 325.80 | 80.3% |
| Property development and sales | 1,751.3 | - | 1,751.3 | N/A |
| Restaurant operation | 269.8 | 268.5 | 1.3 | 0.5% |
| Hotel operation | 280.6 | 231.9 | 48.7 | 21.0% |
| Media and entertainment | 233.1 | - | 233.1 | N/A |
| Film production and distribution | 240.3 | - | 240.3 | N/A |
| Cinema operation | 214.3 | - | 214.3 | N/A |
| Others | 95.0 | 11.8 | 83.2 | 705.1% |
| Total | 3,815.9 | 917.9 | 2,898.0 | 315.7% |

For the six months ended 31 January 2019, net profit attributable to owners of the Company was approximately HK\$2,914.6 million (2018: HK\$674.7 million). The significant increase is primarily due to substantial net gain from bargain purchase in acquisition of subsidiaries recognised during the period under review, which arose from LSD's acquisition of additional equity interest in eSun upon close of eSun Offer and eSun becoming a subsidiary of the Company during the period under review. Basic earnings per share was HK\$7.568 (2018: HK\$1.762). The net profit attributable to owners of the Company for the year ended 31 July 2018 was approximately HK\$2,567.4 million.

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK\$2,472.2 million (2018: net loss attributable to owners of the Company: HK\$46.7 million). Net profit per share excluding the effect of property revaluations was HK\$6.420 (2018: net loss per share: HK\$0.122). Excluding the effect of property revaluations, net profit attributable to owners of the Company for the year ended 31 July 2018 was approximately HK\$39.5 million.

Excluding the effect of property revaluations and non-recurring transactions during the period under review, net profit attributable to owners of the Company was approximately HK\$375.8 million (2018: net loss attributable to owners of the Company: HK\$14.8 million). Net profit per share excluding the effect of property revaluations and non-recurring transactions during the period under review was HK\$0.976 (2018: net loss per share: HK\$0.039). Excluding the effect of property revaluations and non-recurring transactions, net profit attributable to owners of the Company for the year ended 31 July 2018 was approximately HK\$71.2 million.

| | Six months ended | | Year ended |
|--|-------------------------|--------------|--------------|
| | 31 January | | 31 July |
| | 2019 | 2018 | 2018 |
| Profit attributable to owners of the Company | HK\$ million | HK\$ million | HK\$ million |
| Reported | 2,914.6 | 674.7 | 2,567.4 |
| Less: Adjustments in respect of revaluation gains of investment properties held by | | | |
| - the Company and subsidiaries | (338.3) | (386.7) | (1,588.6) |
| - associates and joint ventures | (87.7) | (334.7) | (939.3) |
| Deferred tax on investment properties | (16.5) | - | - |
| Non-controlling interests' share of revaluation movements less deferred tax | 0.1 | - | - |
| Net profit/(loss) after tax excluding revaluation gains of investment properties | 2,472.2 | (46.7) | 39.5 |
| Less: Adjustments in respect of non-recurring transactions | | | |
| - loss on remeasurement of existing interest in an associate upon business combination | 1,697.0 | - | - |
| - gain on bargain purchase on acquisition of subsidiaries | (3,793.4) | - | - |
| - reversal of provision for tax indemnity | - | - | (0.2) |
| - employee share option benefits | - | 31.9 | 31.9 |
| Net profit/(loss) after tax excluding revaluation gains of investment properties and excluding non-recurring transactions | 375.8 | (14.8) | 71.2 |

Equity attributable to owners of the Company as at 31 January 2019 amounted to HK\$22,964.1 million, up from HK\$19,837.3 million as at 31 July 2018. Net asset value per share attributable to owners of the Company increased by 15.8% to HK\$59.632 per share as at 31 January 2019 from HK\$51.507 per share as at 31 July 2018.

PROPERTY PORTFOLIO COMPOSITION

The Group maintained a property portfolio with attributable GFA of approximately 4.5 million square feet as at 31 January 2019. All major properties of the Group in Mainland China are held through Lai Fung Group, except Phase I of Novotown which is 80% owned by Lai Fung Group and 20% owned by eSun Group and properties in Hong Kong and overseas are primarily held by LSD Group. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces is as follows:

| | Commercial/ Retail | Office | Hotel/ Serviced Apartments | Residential | Industrial | Total (excluding car-parking spaces & ancillary facilities) | No. of car-parking spaces |
|--|-----------------------|--------------|----------------------------------|-------------|------------|--|---------------------------------|
| GFA of major properties and number of car-parking spaces of Lai Fung Group (on attributable basis¹) | | | | | | | |
| Completed Properties Held for Rental ² | 348 | 222 | - | - | - | 570 | 169 |
| Completed Hotel Properties and Serviced Apartments ² | - | - | 127 | - | - | 127 | - |
| Properties under Development ³ | 891 | 328 | 174 | 433 | - | 1,826 | 1,235 |
| Completed Properties Held for Sale | 7 | - | - | 129 | - | 136 | 512 |
| Subtotal | 1,246 | 550 | 301 | 562 | - | 2,659 | 1,916 |
| GFA of major properties and number of car-parking spaces of eSun Group (excluding Lai Fung Group) (on attributable basis¹) | | | | | | | |
| Properties under Development ³ | 82 | 49 | 86 | - | - | 217 | 175 |
| Completed Properties Held for Sale | - | - | - | 17 | - | 17 | - |
| Subtotal | 82 | 49 | 86 | 17 | - | 234 | 175 |
| GFA of major properties and number of car-parking spaces of LSD Group (excluding eSun Group) (on attributable basis¹) | | | | | | | |
| Completed Properties Held for Rental ² | 330 | 599 | - | - | 36 | 965 | 617 |
| Completed Hotel Properties and Serviced Apartments ² | - | - | 261 | - | - | 261 | 9 |
| Properties under Development ³ | 3 | - | - | 55 | - | 58 | 4 |
| Completed Properties Held for Sale | 17 | - | - | 36 | - | 53 | 54 |
| Subtotal | 350 | 599 | 261 | 91 | 36 | 1,337 | 684 |
| GFA of major properties and number of car-parking spaces of the Group (excluding LSD Group) (on attributable basis) | | | | | | | |
| Completed Properties Held for Rental ² | 91 | - | - | - | 159 | 250 | 65 |
| Subtotal | 91 | - | - | - | 159 | 250 | 65 |
| Total GFA attributable to the Group | 1,769 | 1,198 | 648 | 670 | 195 | 4,480 | 2,840 |

Notes:

- As at 31 January 2019, Lai Fung is a 50.60%-owned subsidiary of eSun, eSun is a 74.62%-owned subsidiary of LSD and LSD is a 56.10%-owned subsidiary of the Company.
- Completed and rental generating properties.
- All properties under construction.

PROPERTY INVESTMENT

Rental Income

During the period under review, the Group's rental operations recorded a turnover of HK\$731.5 million (2018: HK\$405.7 million), comprising turnover of HK\$332.4 million, HK\$58.0 million and HK\$341.1 million from rental properties in Hong Kong, London and Mainland China, respectively. Breakdown of rental turnover by major investment properties of the Group is as follows:

| | Six months ended 31 January | | % | Period end occupancy (%) |
|---|-----------------------------|----------------------|--------------|--|
| | 2019 HK\$ million | 2018 HK\$ million | | |
| Hong Kong | | | | |
| Cheung Sha Wan Plaza (including car-parking spaces) | 160.0 | 153.7 | 4.1% | 94.7% |
| Causeway Bay Plaza 2 (including car-parking spaces) | 88.1 | 89.0 | -1.0% | 92.8% |
| Lai Sun Commercial Centre (including car-parking spaces) | 24.0 | 25.4 | -5.5% | 93.3% |
| Crocodile Center (commercial podium) | 48.1 | 47.4 | 1.5% | 100.0% |
| Por Yen Building | 7.5 | 7.4 | 1.4% | 92.0% |
| Others | 4.7 | 7.7 | -39.0% | |
| Subtotal: | 332.4 | 330.6 | 0.5% | |
| | | | | |
| London, United Kingdom | | | | |
| 36 Queen Street | - | 12.6 | N/A | N/A |
| 107 Leadenhall Street | 25.5 | 27.4 | -6.9% | 100% |
| 100 Leadenhall Street | 29.2 | 32.4 | -9.9% | 100% |
| 106 Leadenhall Street | 3.3 | 2.7 | 22.2% | 100% |
| Subtotal: | 58.0 | 75.1 | -22.8% | |
| | | | | |
| Mainland China | | | | |
| <u>Shanghai</u> | | | | |
| Shanghai Hong Kong Plaza | 167.9 | - | N/A | Retail: 97.8% Office: 94.6% Serviced Apartments: 76.2% |
| Shanghai May Flower Plaza | 15.4 | - | N/A | Retail: 82.1% Hotel: 64.8% |
| Shanghai Regents Park | 10.6 | - | N/A | 81.0% |
| | | | | |
| <u>Guangzhou</u> | | | | |
| Guangzhou May Flower Plaza | 65.1 | - | N/A | 98.9% |
| Guangzhou West Point | 13.2 | - | N/A | 99.9% |
| Guangzhou Lai Fung Tower | 62.9 | - | N/A | Retail: 100.0% Office: 100.0% ³ |
| | | | | |
| <u>Zhongshan</u> | | | | |
| Zhongshan Palm Spring | 3.2 | - | N/A | Retail: 71.2% ³ Serviced Apartments: 45.3% |
| | | | | |
| Others | 2.8 | - | N/A | |
| Subtotal: | 341.1 | - | N/A | |
| Total: | 731.5 | 405.7 | 80.3% | |

| | Six months ended 31 January | | % | Period end occupancy (%) |
|--|-----------------------------|----------------------|-------|--------------------------|
| | 2019 HK\$ million | 2018 HK\$ million | | |
| Rental proceeds from joint venture projects | | | | |
| Hong Kong | | | | |
| CCB Tower ¹ (50% basis) | 69.6 | 66.1 | 5.3% | 100% |
| 8 Observatory Road ² (50% basis) | 27.6 | 28.4 | -2.8% | 100% |
| Total: | 97.2 | 94.5 | 2.9% | |

Notes:

1. CCB Tower is a joint venture project with China Construction Bank Corporation (“CCB”) in which each of LSD Group and CCB has an effective 50% interest. For the six months ended 31 January 2019, the rental proceeds recorded by the joint venture is HK\$139.3 million (2018: HK\$132.2 million).
2. 8 Observatory Road is a joint venture project with Henderson Land in which each of LSD Group and Henderson Land has an effective 50% interest. For the six months ended 31 January 2019, the rental proceeds recorded by the joint venture is HK\$55.2 million (2018: HK\$56.8 million). Disposal of 8 Observatory Road was completed on 11 March 2019.
3. Excluding self-use area

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

| | Six months ended 31 January 2019 | | | Six months ended 31 January 2018 | | |
|---------------------------|------------------------------------|-------------------------|------------------------------------|------------------------------------|-------------------------|-----------------------------|
| | Attributable interest to the Group | Turnover (HK\$ million) | Total GFA (square feet) | Attributable interest to the Group | Turnover (HK\$ million) | Total GFA (square feet) |
| Hong Kong | | | | | | |
| Cheung Sha Wan Plaza | 56.10% | | | 53.24% | | |
| Commercial | | 84.0 | 233,807 | | 80.4 | 233,807 |
| Office | | 65.9 | 409,896 | | 63.7 | 409,896 |
| Car-parking spaces | | 10.1 | N/A | | 9.6 | N/A |
| Subtotal: | | 160.0 | 643,703 | | 153.7 | 643,703 |
| Causeway Bay Plaza 2 | 56.10% | | | 53.24% | | |
| Commercial | | 57.8 | 109,770 | | 60.1 | 109,770 |
| Office | | 27.8 | 96,268 | | 26.4 | 96,268 |
| Car-parking spaces | | 2.5 | N/A | | 2.5 | N/A |
| Subtotal: | | 88.1 | 206,038 | | 89.0 | 206,038 |
| Lai Sun Commercial Centre | 56.10% | | | 53.24% | | |
| Commercial | | 11.9 | 95,063 | | 11.9 | 95,063 |
| Office | | 2.4 | 74,181 | | 4.2 | 74,181 |
| Car-parking spaces | | 9.7 | N/A | | 9.3 | N/A |
| Subtotal: | | 24.0 | 169,244 | | 25.4 | 169,244 |
| Crocodile Center | 100% | | | 100% | | |
| Commercial | | 48.1 | 91,201 | | 47.4 | 91,201 |
| Por Yen Building | 100% | | | 100% | | |
| Industrial | | 7.4 | 109,010 | | 7.3 | 109,010 |
| Car-parking spaces | | 0.1 | N/A | | 0.1 | N/A |
| Subtotal: | | 7.5 | 109,010 | | 7.4 | 109,010 |
| Others | | 4.7 | 108,810 ^{Note 1} | | 7.7 | 108,810 ^{Note 1} |
| Subtotal: | | 332.4 | 1,328,006 ^{Note 1} | | 330.6 | 1,328,006 ^{Note 1} |

| | Six months ended 31 January 2019 | | | Six months ended 31 January 2018 | | |
|-------------------------------|------------------------------------|-------------------------|-------------------------|------------------------------------|-------------------------|-------------------------|
| | Attributable interest to the Group | Turnover (HK\$ million) | Total GFA (square feet) | Attributable interest to the Group | Turnover (HK\$ million) | Total GFA (square feet) |
| London, United Kingdom | | | | | | |
| 36 Queen Street | <i>Note 2</i> | | | 53.24% | | |
| Office | | - | - | | 12.6 | 60,816 |
| 107 Leadenhall Street | 56.10% | | | 53.24% | | |
| Commercial | | 2.2 | 48,182 | | 2.5 | 48,182 |
| Office | | 23.3 | 98,424 | | 24.9 | 98,424 |
| Subtotal: | | 25.5 | 146,606 | | 27.4 | 146,606 |
| 100 Leadenhall Street | 56.10% | | | 53.24% | | |
| Office | | 29.2 | 177,700 | | 32.4 | 177,700 |
| 106 Leadenhall Street | 56.10% | | | 53.24% | | |
| Commercial | | 0.6 | 3,540 | | 0.6 | 3,540 |
| Office | | 2.7 | 16,384 | | 2.1 | 16,384 |
| Subtotal: | | 3.3 | 19,924 | | 2.7 | 19,924 |
| Subtotal: | | 58.0 | 344,230 | | 75.1 | 405,046 |
| | | | | | | |
| Mainland China | | | | | | |
| Shanghai | | | | | | |
| Shanghai Hong Kong Plaza | 21.18% | | | <i>Note 3</i> | | |
| Retail | | 106.9 | 468,434 | | - | - |
| Office | | 57.9 | 362,096 | | - | - |
| Car-parking spaces | | 3.1 | N/A | | - | - |
| Subtotal: | | 167.9 | 830,530 | | - | - |
| Shanghai May Flower Plaza | 21.18% | | | <i>Note 3</i> | | |
| Retail | | 13.5 | 320,314 | | - | - |
| Car-parking spaces | | 1.9 | N/A | | - | - |
| Subtotal: | | 15.4 | 320,314 | | - | - |
| Shanghai Regents Park | 20.12% | | | <i>Note 3</i> | | |
| Retail | | 8.9 | 82,062 | | - | - |
| Car-parking spaces | | 1.7 | N/A | | - | - |
| Subtotal: | | 10.6 | 82,062 | | - | - |
| Guangzhou | | | | | | |
| Guangzhou May Flower Plaza | 21.18% | | | <i>Note 3</i> | | |
| Retail | | 57.2 | 357,424 | | - | - |
| Office | | 6.6 | 79,431 | | - | - |
| Car-parking spaces | | 1.3 | N/A | | - | - |
| Subtotal: | | 65.1 | 436,855 | | - | - |
| Guangzhou West Point | 21.18% | | | <i>Note 3</i> | | |
| Retail | | 13.2 | 171,968 | | - | - |
| Guangzhou Lai Fung Tower | 21.18% | | | <i>Note 3</i> | | |
| Retail | | 8.1 | 99,054 | | - | - |
| Office | | 52.1 | 606,495 | | - | - |
| Car-parking spaces | | 2.7 | N/A | | - | - |
| Subtotal: | | 62.9 | 705,549 | | - | - |
| Zhongshan | | | | | | |
| Zhongshan Palm Spring | 21.18% | | | <i>Note 3</i> | | |
| Retail | | 3.2 | 147,408 | | - | - |
| Others | 21.18% | 2.8 | N/A | <i>Note 3</i> | - | - |
| Subtotal: | | 341.1 | 2,694,686 | | - | - |
| | | | | | | |
| Total: | | 731.5 | 4,366,922 | | 405.7 | 1,733,052 |

| | Six months ended 31 January 2019 | | | Six months ended 31 January 2018 | | |
|--|------------------------------------|-------------------------|----------------------------------|------------------------------------|-------------------------|---------------------------|
| | Attributable interest to the Group | Turnover (HK\$ million) | Total GFA (square feet) | Attributable interest to the Group | Turnover (HK\$ million) | Total GFA (square feet) |
| Joint Venture Projects | | | | | | |
| Hong Kong | | | | | | |
| CCB Tower ^{Note 6} (50% basis) | 28.05% | | | 26.62% | | |
| Office | | 69.3 | 114,603 ^{Note 4} | | 65.8 | 114,603 ^{Note 4} |
| Car-parking spaces | | 0.3 | N/A | | 0.3 | N/A |
| Subtotal: | | 69.6 | 114,603 ^{Note 4} | | 66.1 | 114,603 ^{Note 4} |
| 8 Observatory Road ^{Note 7} (50% basis) | 28.05% | | | 26.62% | | |
| Commercial | | 21.9 | 45,312 ^{Note 5} | | 23.0 | 45,312 ^{Note 5} |
| Office | | 4.5 | 37,273 ^{Note 5} | | 4.2 | 37,273 ^{Note 5} |
| Car-parking spaces | | 1.2 | N/A | | 1.2 | N/A |
| Subtotal: | | 27.6 | 82,585 ^{Note 5} | | 28.4 | 82,585 ^{Note 5} |
| | | | | | | |
| Total: | | 97.2 | 197,188 | | 94.5 | 197,188 |

Notes:

1. Excluding 5.61% interest in AIA Central.
2. 36 Queen Street has been disposed and disposal was completed in July 2018.
3. eSun was an associate of the Company during the six months ended 31 January 2018 and upon close of the eSun Offer in August 2018, eSun became a subsidiary of the Company with its financial results being consolidated into the results of the Company.
4. Referring to GFA attributable to the Group. The total GFA of CCB Tower is 229,206 square feet.
5. Referring to GFA attributable to the Group. The total GFA of 8 Observatory Road is 165,170 square feet.
6. CCB Tower is a joint venture project with CCB in which each of LSD Group and CCB has an effective 50% interest. For the six months ended 31 January 2019, the rental proceeds recorded by the joint venture is HK\$139.3 million (2018: HK\$132.2 million).
7. 8 Observatory Road is a joint venture project with Henderson Land in which each of LSD Group and Henderson Land has an effective 50% interest. For the six months ended 31 January 2019, the rental proceeds recorded by the joint venture is HK\$55.2 million (2018: HK\$56.8 million). Disposal of 8 Observatory Road was completed on 11 March 2019.

The average Sterling exchange rate for the period under review depreciated by approximately 3.3% compared with the same period last year. Excluding the effect of currency translation, the Sterling denominated turnover from London properties decreased by 20.0% during the period under review. The disposal of 36 Queen Street was completed in July 2018. Breakdown of rental turnover of London portfolio for the six months ended 31 January 2019 is as follows:

| | 2019 HK\$'000 | 2018 HK\$'000 | % Change | 2019 GBP'000 | 2018 GBP'000 | % Change |
|-----------------------|------------------|------------------|-------------|-----------------|-----------------|-------------|
| 36 Queen Street | - | 12,612 | N/A | - | 1,206 | N/A |
| 107 Leadenhall Street | 25,505 | 27,370 | -6.8% | 2,520 | 2,617 | -3.7% |
| 100 Leadenhall Street | 29,222 | 32,344 | -9.7% | 2,888 | 3,092 | -6.6% |
| 106 Leadenhall Street | 3,347 | 2,734 | 22.4% | 331 | 261 | 26.8% |
| Total: | 58,074 | 75,060 | -22.6% | 5,739 | 7,176 | -20.0% |

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza

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

Causeway Bay Plaza 2

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

Lai Sun Commercial Centre

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

Por Yen Building

The Por Yen Building, being a 14-storey industrial building with total GFA of 109,010 square feet (excluding car-parking spaces), is located at the hub of Cheung Sha Wan Business Area and is near to the Lai Chi Kok MTR station.

Crocodile Center

Crocodile Center is a 25-storey commercial/office building which was completed in 2009 and located near the Kwun Tong MTR station. The Group owns the commercial podium which has a total GFA of 91,201 square feet (excluding car-parking spaces). Tenants dominated by local restaurant groups.

CCB Tower

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

AIA Central

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

Overseas Properties

107 Leadenhall Street, London EC3, United Kingdom

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

100 Leadenhall Street, London EC3, United Kingdom

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

106 Leadenhall Street, London EC3, United Kingdom

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

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

Mainland China Properties

All major rental properties of the Group in Mainland China are held through Lai Fung Group.

Shanghai Hong Kong Plaza

Shanghai Hong Kong Plaza is a twin-tower property located on both the North and South sides of the street at a prime location on Huaihaizhong Road in Huangpu District, Shanghai. The twin-towers are connected by a footbridge.

The property's total GFA is approximately 1.19 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 362,100 square feet, 468,400 square feet and 355,300 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Tiffany, Genesis Motor, Coach, Tasaki and internationally renowned luxury brands and a wide array of dining options.

The serviced apartments are managed by the Ascott Group and Lai Fung Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

Lai Fung Group owns 100% of this property.

Shanghai May Flower Plaza

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

Lai Fung Group owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility. The lease of Lotte Mart, the anchor tenant in the retail podium was terminated early in July 2018. Lai Fung Group has signed up Hema Fresh (“盒馬鮮生”), the prototype supermarket invested by Alibaba Group, to take up part of that site and is discussing with several prospective tenants to fill the vacancy.

Shanghai Regents Park

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

Guangzhou May Flower Plaza

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

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

Lai Fung Group owns 100% of this property.

Guangzhou West Point

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

Guangzhou Lai Fung Tower

Guangzhou Lai Fung Tower is the office block of Phase V of Guangzhou Eastern Place, which is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. This 38-storey office building was completed in June 2016. The total GFA of this property owned by Lai Fung Group was approximately 705,500 square feet excluding car-parking spaces and the commercial area and the office building excluding self-use area have been fully leased.

Zhongshan Palm Spring Rainbow Mall

Zhongshan Palm Spring Rainbow Mall is the commercial element of the wholly owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, Western District of Zhongshan. It has a total GFA of approximately 181,100 square feet.

PROPERTY DEVELOPMENT

For the six months ended 31 January 2019, recognised turnover from sales of properties was HK\$1,751.3 million (2018: Nil). Apart from the consolidation of financial results of eSun Group upon the close of eSun Offer in August 2018, the significant increase was mainly contributed by the sale of residential units in 93 Pau Chung Street in Hong Kong during the period under review.

Breakdown of turnover for the six months ended 31 January 2019 from sales of properties is as follows:

| Hong Kong | | | | |
|--|---------------------|---|--|-----------------------------------|
| | No. of Units | Approximate Saleable Area (Square feet) | Average Selling Price (HK\$/square foot) | Turnover (HK\$ million) |
| 93 Pau Chung Street Residential Units | 209 | 77,012 | 16,418 ^{Note 1} | 1,345.5 |
| Shops | 4 | 12,337 | 21,083 | 260.1 |
| Subtotal | | | | 1,605.6 |
| Mainland China | | | | |
| | No. of Units | Approximate GFA (Square feet) | Average Selling Price (HK\$/square foot) | Turnover (HK\$ million) |
| Zhongshan Palm Spring Residential High-rise Units | 32 | 37,653 | 1,520 ^{Note 2} | 54.6 ^{Note 2} |
| Shanghai Regents Park Car-parking Spaces | 128 | N/A | N/A | 83.3 ^{Note 2} |
| Guangzhou Eastern Place Car-parking Spaces | 3 | N/A | N/A | 3.4 ^{Note 2} |
| Guangzhou King's Park Car-parking Space | 1 | N/A | N/A | 0.7 ^{Note 2} |
| Zhongshan Palm Spring Car-parking Spaces | 20 | N/A | N/A | 3.7 ^{Note 2} |
| Subtotal | | | | 145.7 |
| Total | | | | 1,751.3 |
| Recognised sales from joint venture project | | | | |
| Hong Kong | | | | |
| | No. of Units | Approximate Saleable Area (Square feet) | Average Selling Price (HK\$/square foot) | Turnover (HK\$ million) |
| Alto Residences Residential Units (50.0% basis) | 271 | 152,345 | 15,708 ^{Note 1} | 2,393.1 |
| Subtotal | | | | 2,393.1 |
| Mainland China | | | | |
| | No. of Units | Approximate GFA (Square feet) | Average Selling Price (HK\$/square foot) | Turnover (HK\$ million) |
| Guangzhou Dolce Vita Retail Unit (47.5% basis) | 1 | 8,932 | 3,361 ^{Note 2} | 28.3 ^{Note 3} |
| Car-parking Spaces | 6 | N/A | N/A | 1.9 ^{Note 3} |
| Subtotal | | | | 30.2 |
| Total | | | | 2,423.3 |

Notes:

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

Review of major projects for sale and under development

Hong Kong

All major properties for sale and under development in Hong Kong are held through LSD Group.

339 Tai Hang Road, Hong Kong

LSD Group wholly owns the development project located at 339 Tai Hang Road, Hong Kong. The development project is a luxury residential property with a total GFA of approximately 30,400 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is approximately HK\$670 million. Up to the date of this results announcement, 8 out of 9 units of this project have been sold.

Ocean One, 6 Shung Shun Street, Yau Tong

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

Alto Residences

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

This project providing 605 flats, including 23 detached houses was named “Alto Residences” and was launched for pre-sale in October 2016. Up to 24 March 2019, LSD Group has sold 556 units in Alto Residences with saleable area of approximately 320,600 square feet at an average selling price of approximately HK\$16,400 per square foot. Handover of the sold residential units has been substantially completed. LSD Group released 43 car-parking spaces of Alto Residences for sale in March 2019. Up to 24 March 2019, 41 car-parking spaces have been sold and the total sales proceeds amounted to approximately HK\$110.0 million.

93 Pau Chung Street

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

This project was named “93 Pau Chung Street” and launched for pre-sale in September 2016. The sale of 209 residential units has been completed, achieving an average selling price of approximately HK\$16,400 per square foot. Handover of the sold residential units has been substantially completed. LSD Group released the commercial units of 93 Pau Chung Street for sale in July 2018. Up to 24 March 2019, 5 out of 7 commercial units with saleable area of approximately 14,000 square feet have been sold and the average selling price was approximately HK\$23,000 per square foot.

Novi

On 16 May 2016, LSD Group has completed the purchase of the remaining unit for the proposed development on Ki Lung Street in Sham Shui Po, Kowloon. The site comprises numbers 48-56 on Ki Lung Street and has a combined site area of 5,054 square feet. It is planned to be developed primarily into a commercial/residential development for sale with a total GFA of 42,851 square feet. The total development cost is expected to be approximately HK\$0.4 billion and construction is expected to be completed in the third quarter of 2019.

This project was named “Novi” and launched for pre-sale in July 2017, offering 138 flats in total, including studios, one and two-bedroom units. All 138 units with total saleable area of approximately 28,800 square feet have been pre-sold, achieving an average selling price of HK\$18,900 per square foot.

Monti

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

This project was named “Monti” and launched for pre-sale in August 2018. Up to 24 March 2019, LSD Group has pre-sold 41 units in Monti with saleable area of approximately 12,900 square feet at an average selling price of approximately HK\$20,100 per square foot.

Mainland China

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

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing’an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, Lai Fung Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. Lai Fung Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping 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 Northgate Plaza I and Hui Gong Building was completed in May 2017 and foundation works commenced in September 2017. This project is expected to complete in the second quarter of 2022.

Shanghai Wuli Bridge Project

In July 2014, Lai Fung Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu District in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 77,900 square feet and is intended to be developed into a high-end luxury residential project. Construction works commenced in August 2017. This project is expected to complete in the second quarter of 2019.

Shanghai May Flower Plaza

Shanghai May Flower Plaza is a completed mixed-use project located at the junction of Da Tong Road and Zhi Jiang Xi Road in Su Jia Xiang in the Jing'an District in Shanghai and situated near the Zhongshan Road North Metro Station. As of 31 January 2019, 458 car-parking spaces of this development remained unsold.

Shanghai Regents Park

Shanghai Regents Park is a large-scale residential/commercial composite development located in the Zhongshan Park Commercial Area at the Changning District, Shanghai. It is situated within walking distance of the Zhongshan Park Metro Station. As at 31 January 2019, a total of 278 car-parking spaces of this development remained unsold.

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. During the period under review, the sales of 1 car-parking space contributed HK\$0.7 million to the turnover. As at 31 January 2019, 13 unsold car-parking spaces of this development remained unsold.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. Lai Fung Group owns the entire project. The proposed development has a total project GFA of approximately 580,500 square feet and is intended to be developed for rental purposes. The construction is expected to commence in the second quarter of 2019 and the completion is expected to be in the first half of 2023.

Zhongshan Palm Spring

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

During the period under review, 37,653 square feet of high-rise residential units were recognised at average selling prices of HK\$1,520 per square foot, which contributed a total of HK\$54.6 million to the sales turnover. As at 31 January 2019, completed units held for sale in this development amounted to 448,800 square feet.

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

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

* Excluding car-parking spaces and ancillary facilities

Lai Fung Group is closely monitoring the market conditions and will adapt the pace of development accordingly.

Hengqin Novotown

Phase I

On 25 September 2013, eSun and Lai Fung jointly announced that they had successfully won the bid of the land use rights of the land for Phase I of Novotown which is 80% owned by Lai Fung Group and 20% owned by eSun Group. The Phase I of Novotown has a total GFA of 4.0 million square feet including car-parking spaces and ancillary facilities. The total development cost is estimated to be approximately RMB5,447 million (equivalent to approximately HK\$6,368 million). Construction work is expected to be completed in the first half of 2019 with the opening in phases in the second half of 2019.

The expected GFA breakdown by usage is set out below:

| Usage | GFA (square feet) |
|---------------------------------|------------------------------|
| Cultural themed hotel | 596,727 |
| Cultural workshop | 429,641 |
| Cultural commercial area | 523,843 |
| Performance halls | 160,937 |
| Cultural attractions | 293,292 |
| Office | 542,447 |
| Cultural studios (for sale) | 244,936 |
| Car-parking spaces | 507,215 |
| Ancillary facilities and others | 736,217 |
| Total: | 4,035,255 |

Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. On 30 October 2015, a licensing agreement was entered into with Lionsgate LBE, Inc. for the development and operation of the Lionsgate Entertainment World™ in one of the two performance halls in the Phase I of Novotown. Village Roadshow Theme Parks, the world renowned theme park operator with attractions across Australia and America, was appointed in July 2016 to consult during the construction phase, oversee its preopening and to operate the Lionsgate Entertainment World™ for a minimum of ten years. The Lionsgate Entertainment World™ is expected to feature attractions, retail, and dining experiences themed around Lionsgate's most captivating global film franchises, including The Hunger Games, The Twilight Saga, The Divergent Series, Now You See Me, Gods of Egypt and Escape Plan.

Lai Fung Group also entered into licensing agreements on 30 October 2015 with a master license holder of National Geographic Society to develop a family edutainment center called National Geographic Ultimate Explorer, the size of which is expected to be approximately 50,200 square feet, containing 18 individual attractions including rides, F&B facilities, retail premises, virtual reality and/or 4-D interactive experiences, and other types of entertainment and educational attractions.

In June 2017, Lai Fung Group entered into a cooperation agreement with Trans-Island Limousine Service Limited, a wholly-owned subsidiary of Kwoon Chung Bus Holdings Limited for the development of a cross-border bus service between Hong Kong and Hengqin. The sole and exclusive bus terminus in Hengqin will be located at the Novotown.

In January 2017, Lai Fung Group entered into a shareholders agreement with Sanitas Management Company Limited, which owns the Taipei Beitou Health Management Hospital in Taiwan to form a joint venture company codeveloping a healthcare and beauty center in the Phase I of Novotown. This healthcare tourism destination is expected to have an area of approximate 80,000 square feet, providing visitors with comprehensive medical check-ups, beauty consultation and wellness services.

Sales of the cultural studios of Phase I of Novotown were strong. As at 31 January 2019, contracted but not yet recognised sales for cultural studios amounted to HK\$233.7 million, at an average selling price of HK\$4,929 per square foot. Completed cultural studios held for sale in this development as at 31 January 2019 amounted to approximately 197,000 square feet with a carrying amount of approximately HK\$336.0 million.

Phase II

In June 2017, Lai Fung Group entered into a licence agreement with Real Madrid Club in relation to the development and operation of a location based entertainment centre, namely Real Madrid World in Novotown. The Real Madrid World is expected to consist of three floors with over 20 attractions spanning across a total area of approximately 12,000 square meters, and will be made up of several signature experiences including the Flying Theatre and the Stuntpit, an array of interactive training games, a walkthrough of Real Madrid history, plus dining and retail outlets.

In November 2017, Lai Fung Group entered into a cooperation agreement with Harrow International (China) Management Services Limited and ILA Holdings Limited to introduce Harrow International China Group, the world's leading learning institution, to set up ILA Hengqin in Hengqin. The curriculum at ILA Hengqin is structured to bring together the very best of British and Chinese educational philosophies and 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 in December 2018 with Ducati in relation to the development and operation of the Ducati Experience Centre in Novotown. The Ducati Experience Centre expects to cover an area of no less than 4,500 square meters and will offer experiential attractions including immersive racing experiences, exclusive Ducati exhibits and retail concessions.

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

RESTAURANT OPERATION

For the six months ended 31 January 2019, restaurant operations contributed HK\$269.8 million to the Group's turnover (2018: HK\$268.5 million). Up to the date of this results announcement, restaurant operations include LSD Group's interests in 17 restaurants in Hong Kong and Mainland China and 2 restaurants in Macau and Las Vegas under management. Details of each existing restaurant of LSD Group are as follows:

| Cuisine | Restaurant | Location | Attributable interest to LSD Group | Award |
|-----------------------------------|---|-----------|------------------------------------|-----------------------------------|
| <i>Owned restaurants</i> | | | | |
| Western Cuisine | 8 ^{1/2} Otto e Mezzo BOMBANA Hong Kong | Hong Kong | 37% | Three Michelin stars (2012-2019) |
| | 8 ^{1/2} Otto e Mezzo BOMBANA Shanghai | Shanghai | 13% | Two Michelin stars (2017-2019) |
| | Opera BOMBANA | Beijing | 20% | |
| | CIAK - In The Kitchen | Hong Kong | 62% | One Michelin star (2015-2019) |
| | CIAK - All Day Italian | Hong Kong | 67% | Michelin Bib Gourmand (2017-2019) |
| | Beefbar | Hong Kong | 62% | One Michelin star (2017-2018) |
| | Grubers | Hong Kong | 67% | |
| Asian Cuisine | China Tang Landmark | Hong Kong | 50% | The Plate Michelin (2019) |
| | China Tang Harbour City | Hong Kong | 60% | The Plate Michelin (2019) |
| | Howard's Gourmet | Hong Kong | 50% | |
| | Beijing Howard's Gourmet | Beijing | 67% | |
| | Chiu Tang Central | Hong Kong | 67% | |
| | Old Bazaar Kitchen | Hong Kong | 63% | |
| | Sun's Bazaar | Hong Kong | 67% | |
| Japanese Cuisine | Kaiseki Den by Saotome | Hong Kong | 59% | One Michelin star (2010-2019) |
| | Takumi by Daisuke Mori | Hong Kong | 63% | One Michelin star (2018-2019) |
| | Sushi Masataka | Hong Kong | 63% | The Plate Michelin (2019) |
| <i>Managed restaurants</i> | | | | |
| Western Cuisine | 8 ^{1/2} Otto e Mezzo BOMBANA, Macau | Macau | N/A | One Michelin star (2016-2019) |
| Asian Cuisine | China Tang Las Vegas | Las Vegas | N/A | |

HOTEL AND SERVICED APARTMENT OPERATIONS

The hotel and serviced apartment operations of the Group include LSD Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam and the Ocean Hotel in Hong Kong, which soft opened in October 2018, as well as Lai Fung Group's hotel and serviced apartment operations in Shanghai and Zhongshan in Mainland China. For the six months ended 31 January 2019, the hotel and serviced apartment operations contributed HK\$280.6 million to the Group's turnover (2018: HK\$231.9 million).

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

The Ocean Hotel operated by Marriott Group providing a total of 471 rooms grand opened on 19 February 2019 and added approximately 365,974 square feet of attributable rental space to the rental portfolio of the Group. The Group is optimistic about the prospects of the Ocean Hotel project given the strong popularity of Ocean Park, which is underpinned by robust growth in visitor numbers to Hong Kong coinciding with its expansion.

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

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex in Jing'an District, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to Lai Fung Group is approximately 143,800 square feet. An average occupancy rate of 73.2% was achieved during the period under review and the average room tariff was approximately HK\$515.

STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor swimming pool, gym, yoga room, reading room, wine club, card game/mahjong room, tennis court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type one and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has a food and beverage outlet of 80 seats, suitable for private party and BBQ, etc. An average occupancy rate of 52.4% was achieved during the period under review and the average room tariff was approximately HK\$375.

Lai Fung Group also owns 100% interest in the Ascott Huaihai Road in Shanghai Hong Kong Plaza which is managed by the Ascott Group and it is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet has 308 contemporary apartments of various sizes: studios (640-750 square feet), one-bedroom apartments (915-1,180 square feet), two-bedroom apartments (1,720 square feet), three-bedroom apartments (2,370 square feet) and two luxurious penthouses on the highest two floors (4,520 square feet). An average occupancy rate of 86.7% was achieved during the period under review and the average room tariff was approximately HK\$1,183.

MEDIA AND ENTERTAINMENT

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

Live Entertainment

eSun Group remains highly active on the live entertainment front. During the period under review, eSun Group organised and invested in 46 shows by popular local, Asian and internationally renowned artistes, including Andy Lau, Sammi Cheng, Ivana Wong, JJ Lin, MayDay and EXO.

Music Production, Distribution and Publishing

For the six months ended 31 January 2019, eSun Group released 36 albums, including titles by Sammi Cheng, Grasshopper, Remus Choy and Andy Leung. eSun Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

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

FILM AND TV PROGRAMME PRODUCTION AND DISTRIBUTION

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

During the period under review, eSun Group released 2 films, namely *Kung Fu Monster* and *Dead Pigs* and distributed 22 films and 290 videos with high profile titles including *Doraemon The Movie : Nobita's Treasure Island*, *A Simple Favour*, *Green Book*, *Bumblebee*, *Avengers: Infinity War*, *Incredibles 2*, *Jurassic World: Fallen Kingdom* and *Ant-Man and the Wasp*.

CINEMA OPERATION

The cinema operation of the Group is managed by eSun Group. For the six months ended 31 January 2019, this segment recorded a turnover of HK\$214.3 million. As at the date of the results announcement, eSun Group operates ten cinemas in Hong Kong and three cinemas in Mainland China. The cinema operation provides a complementary distribution channel for eSun Group's film production and distribution businesses. The MCL Cheung Sha Wan Cinema, newly opened in January 2019 is the first MCL cinema in West Kowloon district. With industrial design, the cinema has 4 houses with more than 400 seats of stadium seating, giving the audience a comfortable sightline and all cinema houses are equipped with 4K projection system, Dolby 7.1 surround sound system and Bowers & Wilkins Hi-Fi grade speakers to provide a great cinematic viewing experience for the audience.

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

| Cinema | Attributable interest to eSun 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 | 95 | 8 | 1,196 |
| MCL Metro City Cinema ^(Note 2) | 95 | 6 | 694 |
| MCL Telford Cinema (including MX4D theatre) | 95 | 6 | 789 |
| STAR Cinema | 95 | 6 | 622 |
| Grand Kornhill Cinema (including MX4D theatre) | 95 | 5 | 706 |
| MCL Cheung Sha Wan Cinema | 95 | 4 | 418 |
| MCL South Horizons Cinema | 95 | 3 | 555 |
| MCL Green Code Cinema | 95 | 3 | 285 |
| Grand Windsor Cinema | 95 | 3 | 246 |
| Subtotal | | 51 | 7,213 |
| Total | | 73 | 10,164 |

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 had been handled back to the landlord.

INTERESTS IN JOINT VENTURES

During the period ended 31 January 2019, contribution from joint ventures amounted to HK\$744.6 million (2018: HK\$612.6 million), representing an increase of 21.5%. This is primarily due to recognition of sales of residential units of Alto Residences during the period under review.

| | Six months ended 31 January | |
|----------------------------------|-----------------------------|------------------------|
| | 2019 (HK\$ million) | 2018 (HK\$ million) |
| Revaluation gains | 150.1 | 562.6 |
| Operating profits | 594.5 | 50.0 |
| Contribution from joint ventures | 744.6 | 612.6 |

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2019, cash and bank balances and undrawn facilities held by the Group amounted to HK\$5,894.7 million and HK\$6,630.6 million, respectively. Cash and bank balances held by the Group of which around 45.8% was denominated in Hong Kong dollar and United States dollar currencies, and around 47.4% was denominated in Renminbi. Cash and bank balances and undrawn facilities held by the Group excluding LSD as at 31 January 2019 were HK\$202.4 million and HK\$250.0 million, respectively.

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

As at 31 January 2019, the Group had bank borrowings of approximately HK\$13,806.3 million, guaranteed notes of approximately HK\$5,733.6 million, other borrowings of approximately HK\$704.6 million, loans from a joint venture of approximately HK\$277.6 million and other payable of approximately HK\$67.0 million. As at 31 January 2019, the maturity profile of the bank borrowings of HK\$13,806.3 million was spread over a period of less than 5 years with HK\$5,124.2 million repayable within 1 year, HK\$1,437.4 million repayable in the second year and HK\$6,147.0 million repayable in the third to fifth years, and HK\$1,097.7 million repayable beyond the fifth year.

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

Approximately 70% and 28% of the Group's total borrowings carried interest on a floating rate basis and fixed rate basis, respectively, and the remaining 2% of Group's borrowings were interest-free.

The gearing ratio, expressed as a percentage of the total outstanding net debt (being the total borrowings less cash and bank balances) to consolidated net assets attributable to owners of the Company, was approximately 64.0%. Excluding the net debt of LSD, the gearing ratio was approximately 4.2%.

As at 31 January 2019, certain investment properties with carrying amounts of approximately HK\$33,758.6 million, certain prepaid land lease payments with carrying amounts of approximately HK\$1,633.9 million, certain property, plant and equipment with carrying amounts of approximately HK\$3,322.5 million, certain property under development for sale of approximately HK\$2,324.2 million, certain serviced apartments of approximately HK\$1,246.6 million, certain construction in progress of approximately HK\$1,176.1 million, and certain bank balances and time deposits with banks of approximately HK\$1,368.8 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group. Certain shares in joint ventures held by the Group were pledged to banks to secure banking facilities granted to joint ventures of the Group. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2019, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange from time to time.

The Company has complied with all the code provisions set out in the CG Code throughout the six months ended 31 January 2019 save for the deviations from code provisions A.4.1 and A.5.1.

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. The Board has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board annually and the Company has achieved and maintained diversity of the Board including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service which meet the Company’s business model and specific needs. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors. In January 2019, the Company adopted the Nomination Policy which set out the criteria, process and procedures by which the Company will select candidates for possible inclusion in the Board. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2019, the Group employed a total of approximately 4,000 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

INVESTOR RELATIONS

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

Since 1 August 2018, the Company has met with a number of research analysts and investors and attended non-deal roadshows as follows:

| Month | Event | Organiser | Location |
|----------------|---|-------------------------|----------------------------|
| September 2018 | 2018 SCB Annual Investor Reverse Roadshow | Standard Chartered Bank | Hong Kong |
| October 2018 | Post results non-deal roadshow | DBS | Singapore |
| November 2018 | Post results non-deal roadshow | Maybank Kim Eng | Hong Kong |
| November 2018 | Post results non-deal roadshow | DBS | London |
| November 2018 | Post results non-deal roadshow | DBS | New York/ San Francisco |
| March 2019 | China Credit Corporate Day | Morgan Stanley | Hong Kong |

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

REVIEW OF INTERIM RESULTS

The audit committee of the Company (“**Audit Committee**”) currently comprises three INEDs, namely Messrs. Leung Shu Yin, William, Lam Bing Kwan and Chow Bing Chiu. The Audit Committee has reviewed the unaudited interim results (including the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2019.

By Order of the Board
Lam Kin Ming
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises six executive directors, namely Dr. Lam Kin Ming (Chairman), Dr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Chew Fook Aun (Deputy Chairman), Madam U Po Chu, Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Mr. Lam Kin Hong, Matthew; and three independent non-executive directors, namely Messrs. Chow Bing Chiu, Lam Bing Kwan and Leung Shu Yin, William.