

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## eSun Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 571)

### Announcement of Final Results for the Year Ended 31 July 2016

#### RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of eSun Holdings Limited (“**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (“**Group**”) for the year ended 31 July 2016 together with the comparative figures for the previous financial year as follows:

#### CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2016

|   | Notes | 2016<br>HK\$'000      | 2015<br>HK\$'000      |
|---|-------|-----------------------|-----------------------|
| TURNOVER                                      | 2     | 3,369,275             | 3,329,495             |
| Cost of sales                                 |       | <u>(1,991,041)</u>    | <u>(1,910,742)</u>    |
| Gross profit                                  |       | 1,378,234             | 1,418,753             |
| Other revenue                                 |       | 178,117               | 196,736               |
| Selling and marketing expenses                |       | (176,069)             | (216,755)             |
| Administrative expenses                       |       | (626,142)             | (598,459)             |
| Other operating gains                         |       | 24,855                | 50,963                |
| Other operating expenses                      |       | (429,040)             | (341,742)             |
| Fair value losses on cross currency swaps     |       | -                     | (86,492)              |
| Fair value gains on investment properties     |       | <u>522,043</u>        | <u>964,632</u>        |
| PROFIT FROM OPERATING ACTIVITIES              |       | 871,998               | 1,387,636             |
| Finance costs                                 | 3     | (235,186)             | (289,122)             |
| Share of profits and losses of joint ventures |       | 79,623                | 83,703                |
| Share of profits and losses of associates     |       | <u>2,097</u>          | <u>193</u>            |
| PROFIT BEFORE TAX                             | 4     | 718,532               | 1,182,410             |
| Income tax expense                            | 5     | <u>(405,526)</u>      | <u>(560,534)</u>      |
| PROFIT FOR THE YEAR                           |       | <u><u>313,006</u></u> | <u><u>621,876</u></u> |

**CONSOLIDATED INCOME STATEMENT** *(continued)**Year ended 31 July 2016*

|   | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Attributable to:  |              |                                |                         |
| Owners of the Company   |              | <b>80,825</b>                  | 258,231                 |
| Non-controlling interests   |              | <u><b>232,181</b></u>          | <u>363,645</u>          |
|   |              | <u><b>313,006</b></u>          | <u>621,876</u>          |
| <b>EARNINGS PER SHARE ATTRIBUTABLE<br/>TO OWNERS OF THE COMPANY</b> | <i>6</i>     |                                |                         |
| Basic   |              | <u><b>HK\$0.065</b></u>        | <u>HK\$0.208</u>        |
| Diluted   |              | <u><b>HK\$0.065</b></u>        | <u>HK\$0.208</u>        |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 July 2016*

|  | <b>2016</b><br><i>HK\$'000</i> | <b>2015</b><br><i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| PROFIT FOR THE YEAR  | <u><b>313,006</b></u>          | <u>621,876</u>                 |
| OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX |                                |                                |
| Exchange realignment on translation of foreign operations  | <b>(1,056,093)</b>             | (155,454)                      |
| Reclassification adjustments relating to disposal/deregistration of foreign operations during the year     | -                              | (2,253)                        |
| Change in fair value of an available-for-sale investment   | <b>(17,631)</b>                | 28,128                         |
| Share of other comprehensive loss of joint ventures  | <b>(77,360)</b>                | (11,530)                       |
| Cash flow hedges:  |                                |                                |
| Effective portion of change in fair value of hedging instruments arising during the year                   | <b>(88,697)</b>                | -                              |
| Reclassification adjustments for exchange gain included in the consolidated income statement               | <b>135,756</b>                 | -                              |
|  | <u><b>47,059</b></u>           | <u>-</u>                       |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX  | <u><b>(1,104,025)</b></u>      | <u>(141,109)</u>               |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR   | <u><b>(791,019)</b></u>        | <u>480,767</u>                 |
| Attributable to:   |                                |                                |
| Owners of the Company  | <b>(502,306)</b>               | 197,975                        |
| Non-controlling interests  | <b>(288,713)</b>               | 282,792                        |
|  | <u><b>(791,019)</b></u>        | <u>480,767</u>                 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2016

|  | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b> | 2015<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>NON-CURRENT ASSETS</b>                              |              |                                |                         |
| Property, plant and equipment                          |              | 2,768,546                      | 2,580,696               |
| Properties under development                           |              | 1,188,387                      | 1,631,376               |
| Investment properties                                  |              | 15,065,759                     | 14,914,881              |
| Film rights  |              | 23,682                         | 25,197                  |
| Film products  |              | 123,768                        | 81,947                  |
| Music catalogs   |              | 14,918                         | 14,832                  |
| Goodwill   |              | 123,440                        | 123,440                 |
| Other intangible assets                                |              | 28,605                         | -                       |
| Investments in joint ventures                          |              | 1,161,752                      | 1,231,634               |
| Investments in associates                              |              | 26,894                         | 28,875                  |
| Available-for-sale investments                         |              | 138,592                        | 167,092                 |
| Deposit for acquisition of an investment property      |              | 228,620                        | -                       |
| Deposits, prepayments and other receivables            |              | 95,285                         | 124,273                 |
| Pledged and restricted time deposits                   |              | -                              | 135,669                 |
| Deferred tax assets                                    |              | 6,101                          | 5,072                   |
|  |              | <u>20,994,349</u>              | <u>21,064,984</u>       |
| Total non-current assets                               |              |                                |                         |
| <b>CURRENT ASSETS</b>                                  |              |                                |                         |
| Properties under development                           |              | 802,635                        | 247,155                 |
| Completed properties for sale                          |              | 625,994                        | 1,683,336               |
| Films under production                                 |              | 450,849                        | 245,395                 |
| Inventories  |              | 33,766                         | 27,127                  |
| Debtors  | 7            | 384,508                        | 323,788                 |
| Deposits, prepayments and other receivables            |              | 450,119                        | 470,400                 |
| Prepaid tax  |              | 36,223                         | 37,300                  |
| Pledged and restricted time deposits and bank balances |              | 1,066,494                      | 1,360,665               |
| Cash and cash equivalents                              |              | 3,299,148                      | 3,151,111               |
|  |              | <u>7,149,736</u>               | <u>7,546,277</u>        |
| Asset classified as held for sale                      |              | 257,666                        | 265,432                 |
|  |              | <u>7,407,402</u>               | <u>7,811,709</u>        |
| Total current assets                                   |              |                                |                         |
| <b>CURRENT LIABILITIES</b>                             |              |                                |                         |
| Creditors and accruals                                 | 8            | 1,328,410                      | 1,198,969               |
| Deposits received and deferred income                  |              | 765,052                        | 325,830                 |
| Tax payable  |              | 420,214                        | 368,114                 |
| Interest-bearing bank loans, secured                   |              | 311,548                        | 2,487,367               |
| Loans from a joint venture                             |              | 350,328                        | 372,897                 |
|  |              | <u>3,175,552</u>               | <u>4,753,177</u>        |
| Total current liabilities                              |              |                                |                         |
| <b>NET CURRENT ASSETS</b>                              |              | <u>4,231,850</u>               | <u>3,058,532</u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>           |              | <u>25,226,199</u>              | <u>24,123,516</u>       |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

31 July 2016

|   | <i>Notes</i> | <b>2016</b><br><b>HK\$'000</b>  | 2015<br><i>HK\$'000</i>  |
|---|--------------|---------------------------------|--------------------------|
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>        |              | <b><u>25,226,199</u></b>        | <u>24,123,516</u>        |
| <b>NON-CURRENT LIABILITIES</b>                      |              |                                 |                          |
| Long-term deposits received                         |              | <b>124,389</b>                  | 103,369                  |
| Interest-bearing bank loans, secured                |              | <b>3,089,201</b>                | 533,780                  |
| Other borrowings                                    |              | <b>247,510</b>                  | 245,386                  |
| Convertible notes                                   |              | <b>166,170</b>                  | 166,576                  |
| Fixed rate senior notes                             | 9            | <b>2,092,741</b>                | 2,220,914                |
| Guaranteed notes                                    | 10           | -                               | 794,343                  |
| Loan from a joint venture                           |              | <b>222,430</b>                  | -                        |
| Derivative financial instruments                    |              | <b>210,068</b>                  | 111,654                  |
| Deferred tax liabilities                            |              | <b><u>2,808,906</u></b>         | <u>2,804,979</u>         |
| Total non-current liabilities                       |              | <b><u>8,961,415</u></b>         | <u>6,981,001</u>         |
| Net assets  |              | <b><u><u>16,264,784</u></u></b> | <u><u>17,142,515</u></u> |
| <b>EQUITY</b>                                       |              |                                 |                          |
| <b>Equity attributable to owners of the Company</b> |              |                                 |                          |
| Issued capital                                      |              | <b>621,606</b>                  | 621,606                  |
| Reserves  |              | <b><u>7,977,652</u></b>         | <u>8,543,074</u>         |
| <b>Non-controlling interests</b>                    |              | <b><u>8,599,258</u></b>         | <u>9,164,680</u>         |
|   |              | <b><u>7,665,526</u></b>         | <u>7,977,835</u>         |
| Total equity  |              | <b><u><u>16,264,784</u></u></b> | <u><u>17,142,515</u></u> |

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*31 July 2016*

### **1.1 BASIS OF PREPARATION**

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

### **1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

There were no new or revised standards adopted for the first time for the current year’s financial statements.

## 2. OPERATING SEGMENT INFORMATION

### Segment revenue/results:

|  | Property development |                  | Property investment |                  | Media and entertainment |                | Film production and distribution |                | Cinema operation |                | Corporate and others |                  | Consolidated     |                  |
|--|----------------------|------------------|---------------------|------------------|-------------------------|----------------|----------------------------------|----------------|------------------|----------------|----------------------|------------------|------------------|------------------|
|  | 2016                 | 2015             | 2016                | 2015             | 2016                    | 2015           | 2016                             | 2015           | 2016             | 2015           | 2016                 | 2015             | 2016             | 2015             |
|  | 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  | 1,414,160            | 1,275,352        | 623,674             | 622,257          | 537,100                 | 576,343        | 343,645                          | 457,639        | 364,907          | 294,860        | 85,789               | 103,044          | 3,369,275        | 3,329,495        |
| Intersegment sales   | -                    | -                | 5,788               | 3,785            | -                       | 312            | 9,029                            | 7,559          | 1,385            | 1,425          | 130                  | 932              | 16,332           | 14,013           |
| Other revenue  | 2,659                | 1,459            | 106,391             | 108,730          | 4,963                   | 6,839          | 588                              | 1,356          | 19,266           | 19,202         | 737                  | 448              | 134,604          | 138,034          |
| Total  | <b>1,416,819</b>     | <b>1,276,811</b> | <b>735,853</b>      | <b>734,772</b>   | <b>542,063</b>          | <b>583,494</b> | <b>353,262</b>                   | <b>466,554</b> | <b>385,558</b>   | <b>315,487</b> | <b>86,656</b>        | <b>104,424</b>   | <b>3,520,211</b> | <b>3,481,542</b> |
| Elimination of intersegment sales  |                      |                  |                     |                  |                         |                |                                  |                |                  |                |                      |                  | (16,332)         | (14,013)         |
| Total revenue  |                      |                  |                     |                  |                         |                |                                  |                |                  |                |                      |                  | <b>3,503,879</b> | <b>3,467,529</b> |
| Segment results  | <b>339,932</b>       | <b>286,682</b>   | <b>800,521</b>      | <b>1,263,542</b> | <b>16,451</b>           | <b>50,158</b>  | <b>(55,495)</b>                  | <b>34,395</b>  | <b>(17,036)</b>  | <b>3,403</b>   | <b>(228,602)</b>     | <b>(177,666)</b> | <b>855,771</b>   | <b>1,460,514</b> |
| Unallocated interest and other revenue                                   | -                    | -                | -                   | -                | -                       | -              | -                                | -              | -                | -              | -                    | -                | 43,513           | 58,702           |
| Loss on repurchase and early redemption of guaranteed notes              | -                    | -                | -                   | -                | -                       | -              | -                                | -              | -                | -              | -                    | -                | (18,290)         | -                |
| Ineffective portion of the effective hedges recognised in profit or loss | -                    | -                | -                   | -                | -                       | -              | -                                | -              | -                | -              | -                    | -                | (9,717)          | -                |
| Fair value losses on cross currency swaps                                | -                    | -                | -                   | -                | -                       | -              | -                                | -              | -                | -              | -                    | -                | -                | (86,492)         |
| Impairment of asset classified as held for sale                          | -                    | -                | -                   | -                | -                       | -              | -                                | -              | -                | -              | -                    | -                | -                | (34,618)         |
| Impairment of property, plant and equipment                              | -                    | -                | -                   | (12,941)         | -                       | -              | -                                | -              | -                | -              | -                    | -                | -                | (12,941)         |
| Gain on disposal/deregistration of subsidiaries                          | -                    | -                | -                   | -                | -                       | 324            | -                                | -              | -                | -              | -                    | 2,147            | -                | 2,471            |
| Gain on disposal/dissolution of joint ventures                           | -                    | -                | -                   | -                | 721                     | -              | -                                | -              | -                | -              | -                    | -                | 721              | -                |
| Profit from operating activities   |                      |                  |                     |                  |                         |                |                                  |                |                  |                |                      |                  | 871,998          | 1,387,636        |
| Finance costs  | -                    | -                | -                   | -                | -                       | -              | -                                | -              | -                | -              | -                    | -                | (235,186)        | (289,122)        |
| Share of profits and losses of joint ventures                            | 72,995               | 76,705           | -                   | -                | 3,016                   | 2,336          | 3,612                            | 4,662          | -                | -              | -                    | -                | 79,623           | 83,703           |
| Share of profits and losses of associates                                | -                    | -                | -                   | -                | (70)                    | (306)          | (24)                             | (10)           | 2,191            | 509            | -                    | -                | 2,097            | 193              |
| Profit before tax  |                      |                  |                     |                  |                         |                |                                  |                |                  |                |                      |                  | 718,532          | 1,182,410        |
| Income tax expenses  |                      |                  |                     |                  |                         |                |                                  |                |                  |                |                      |                  | (405,526)        | (560,534)        |
| Profit for the year  |                      |                  |                     |                  |                         |                |                                  |                |                  |                |                      |                  | <b>313,006</b>   | <b>621,876</b>   |

## 2. OPERATING SEGMENT INFORMATION (continued)

### Segments assets/liabilities:

|                                   | Property development |           | Property investment |            | Media and entertainment |          | Film production and distribution |          | Cinema operation |          | Corporate and others |           | Consolidated      |            |
|-----------------------------------|----------------------|-----------|---------------------|------------|-------------------------|----------|----------------------------------|----------|------------------|----------|----------------------|-----------|-------------------|------------|
|                                   | 2016                 | 2015      | 2016                | 2015       | 2016                    | 2015     | 2016                             | 2015     | 2016             | 2015     | 2016                 | 2015      | 2016              | 2015       |
|                                   | HK\$'000             | HK\$'000  | HK\$'000            | HK\$'000   | HK\$'000                | HK\$'000 | HK\$'000                         | HK\$'000 | HK\$'000         | HK\$'000 | HK\$'000             | HK\$'000  | HK\$'000          | HK\$'000   |
| Segment assets                    | <b>2,828,299</b>     | 3,786,405 | <b>17,766,757</b>   | 17,285,825 | <b>499,848</b>          | 412,958  | <b>1,196,039</b>                 | 939,248  | <b>473,398</b>   | 309,328  | <b>3,923,995</b>     | 4,341,074 | <b>26,688,336</b> | 27,074,838 |
| Investments in joint ventures     | <b>1,113,516</b>     | 1,166,823 | -                   | -          | <b>20,579</b>           | 39,388   | <b>27,657</b>                    | 25,423   | -                | -        | -                    | -         | <b>1,161,752</b>  | 1,231,634  |
| Investments in associates         | -                    | -         | -                   | -          | -                       | -        | <b>19,350</b>                    | 19,380   | <b>7,544</b>     | 9,495    | -                    | -         | <b>26,894</b>     | 28,875     |
| Unallocated assets                |                      |           |                     |            |                         |          |                                  |          |                  |          |                      |           | <b>267,103</b>    | 275,914    |
| Asset classified as held for sale |                      |           |                     |            |                         |          |                                  |          |                  |          |                      |           | <b>257,666</b>    | 265,432    |
| Total assets                      |                      |           |                     |            |                         |          |                                  |          |                  |          |                      |           | <b>28,401,751</b> | 28,876,693 |
| Segment liabilities               | <b>830,687</b>       | 479,129   | <b>539,917</b>      | 350,510    | <b>185,859</b>          | 145,707  | <b>288,119</b>                   | 322,280  | <b>156,770</b>   | 106,003  | <b>216,499</b>       | 224,539   | <b>2,217,851</b>  | 1,628,168  |
| Unallocated liabilities           |                      |           |                     |            |                         |          |                                  |          |                  |          |                      |           | <b>9,919,116</b>  | 10,106,010 |
| Total liabilities                 |                      |           |                     |            |                         |          |                                  |          |                  |          |                      |           | <b>12,136,967</b> | 11,734,178 |



## 2. OPERATING SEGMENT INFORMATION (continued)

### Other segment information:

|   | Property development |           | Property investment |           | Media and entertainment |          | Film production and distribution |          | Cinema operation |          | Corporate and others |          | Consolidated |           |
|---|----------------------|-----------|---------------------|-----------|-------------------------|----------|----------------------------------|----------|------------------|----------|----------------------|----------|--------------|-----------|
|   | 2016                 | 2015      | 2016                | 2015      | 2016                    | 2015     | 2016                             | 2015     | 2016             | 2015     | 2016                 | 2015     | 2016         | 2015      |
|   | HK\$'000             | HK\$'000  | HK\$'000            | HK\$'000  | HK\$'000                | HK\$'000 | HK\$'000                         | HK\$'000 | HK\$'000         | HK\$'000 | HK\$'000             | HK\$'000 | HK\$'000     | HK\$'000  |
| Fair value gains on investment properties                           | -                    | -         | (522,043)           | (964,632) | -                       | -        | -                                | -        | -                | -        | -                    | -        | (522,043)    | (964,632) |
| Gain on return of land use right to the local authority             | (10,095)             | -         | -                   | -         | -                       | -        | -                                | -        | -                | -        | -                    | -        | (10,095)     | -         |
| Depreciation  | 2,964                | 3,001     | 101,305             | 105,365   | 1,158                   | 1,958    | 829                              | 907      | 28,463           | 23,938   | 11,243               | 13,307   | 145,962      | 148,476   |
| Impairment of film products   | -                    | -         | -                   | -         | -                       | -        | -                                | 7,150    | -                | -        | -                    | -        | -            | 7,150     |
| Write-down of completed properties for sale to net realisable value | 3,485                | 8,209     | -                   | -         | -                       | -        | -                                | -        | -                | -        | -                    | -        | 3,485        | 8,209     |
| Write-off of items of property, plant and equipment                 | -                    | -         | -                   | -         | 232                     | 707      | -                                | 11       | 17               | 34       | 8                    | 20       | 257          | 772       |
| Write-off of films under production                                 | -                    | -         | -                   | -         | -                       | -        | 3,042                            | 70       | -                | -        | -                    | -        | 3,042        | 70        |
| Amortisation of film rights   | -                    | -         | -                   | -         | -                       | -        | 6,021                            | 12,885   | -                | -        | -                    | -        | 6,021        | 12,885    |
| Amortisation of film products                                       | -                    | -         | -                   | -         | -                       | -        | 128,391                          | 134,643  | -                | -        | -                    | -        | 128,391      | 134,643   |
| Amortisation of music catalogs                                      | -                    | -         | -                   | -         | 3,914                   | 3,139    | -                                | -        | -                | -        | -                    | -        | 3,914        | 3,139     |
| Amortisation of other intangible assets                             | -                    | -         | -                   | -         | 8,817                   | -        | 426                              | -        | -                | -        | -                    | -        | 9,243        | -         |
| Provision for doubtful debts  | -                    | -         | -                   | -         | 7,465                   | 253      | -                                | 1,195    | -                | -        | -                    | -        | 7,465        | 1,448     |
| Reversal of provision for doubtful debts                            | -                    | -         | -                   | -         | -                       | -        | (4,059)                          | -        | -                | -        | -                    | -        | (4,059)      | -         |
| Provision for advances and other receivables                        | -                    | -         | -                   | -         | 594                     | 5,444    | 5,942                            | -        | -                | 252      | -                    | 800      | 6,536        | 6,496     |
| Reversal of provision for advances and other receivables            | -                    | -         | -                   | -         | (3,538)                 | (7,950)  | -                                | -        | -                | -        | -                    | -        | (3,538)      | (7,950)   |
| Provision for amounts due from joint ventures                       | -                    | -         | -                   | -         | 522                     | 1,314    | -                                | -        | -                | -        | -                    | -        | 522          | 1,314     |
| Provision/(reversal of provision) for inventories                   | -                    | -         | -                   | -         | 138                     | (258)    | 175                              | -        | -                | 21       | 875                  | 100      | 1,188        | (137)     |
| Additions of property, plant and equipment                          | 616                  | 1,822     | 76,535              | 25,480    | 4,546                   | 147      | 204                              | 881      | 156,239          | 7,307    | 1,738                | 4,371    | 239,878      | 40,008    |
| Additions of properties under development                           | 361,549              | 1,340,515 | -                   | -         | -                       | -        | -                                | -        | -                | -        | -                    | -        | 361,549      | 1,340,515 |
| Additions of investment properties                                  | -                    | -         | 602,046             | 444,132   | -                       | -        | -                                | -        | -                | -        | -                    | -        | 602,046      | 444,132   |
| Additions of film rights  | -                    | -         | -                   | -         | -                       | -        | 4,506                            | 722      | -                | -        | -                    | -        | 4,506        | 722       |
| Additions of film products  | -                    | -         | -                   | -         | -                       | -        | 524                              | -        | -                | -        | -                    | -        | 524          | -         |
| Additions of films under production                                 | -                    | -         | -                   | -         | -                       | -        | 384,879                          | 129,128  | -                | -        | -                    | -        | 384,879      | 129,128   |
| Additions of music catalogs   | -                    | -         | -                   | -         | 4,000                   | 1,600    | -                                | -        | -                | -        | -                    | -        | 4,000        | 1,600     |
| Additions of other intangible assets                                | -                    | -         | -                   | -         | -                       | -        | 1,916                            | -        | -                | -        | -                    | -        | 1,916        | -         |
| Additions of non-current deposit for an investment property         | -                    | -         | 228,620             | -         | -                       | -        | -                                | -        | -                | -        | -                    | -        | 228,620      | -         |

## 2. OPERATING SEGMENT INFORMATION *(continued)*

### Geographical information:

|  | Hong Kong             |                       | Mainland China<br>(including Macau) |                         | Others               |                      | Consolidated             |                          |
|--|-----------------------|-----------------------|-------------------------------------|-------------------------|----------------------|----------------------|--------------------------|--------------------------|
|  | 2016<br>HK\$'000      | 2015<br>HK\$'000      | 2016<br>HK\$'000                    | 2015<br>HK\$'000        | 2016<br>HK\$'000     | 2015<br>HK\$'000     | 2016<br>HK\$'000         | 2015<br>HK\$'000         |
| Revenue:   |                       |                       |                                     |                         |                      |                      |                          |                          |
| Sales to external customers                                    | <b><u>688,445</u></b> | <b><u>703,812</u></b> | <b><u>2,581,648</u></b>             | <b><u>2,550,823</u></b> | <b><u>99,182</u></b> | <b><u>74,860</u></b> | <b><u>3,369,275</u></b>  | <b><u>3,329,495</u></b>  |
| Assets:  |                       |                       |                                     |                         |                      |                      |                          |                          |
| Segment assets:  |                       |                       |                                     |                         |                      |                      |                          |                          |
| – non-current assets   | <b>589,734</b>        | 609,380               | <b>20,218,350</b>                   | 20,237,211              | <b>1,852</b>         | 301                  | <b>20,809,936</b>        | 20,846,892               |
| – current assets   | <b>1,284,445</b>      | 1,748,396             | <b>5,770,273</b>                    | 5,728,930               | <b>12,328</b>        | 11,129               | <b>7,067,046</b>         | 7,488,455                |
| Unallocated assets   |                       |                       |                                     |                         |                      |                      | <b>267,103</b>           | 275,914                  |
| Asset classified as held for sale                              |                       |                       |                                     |                         |                      |                      | <b><u>257,666</u></b>    | <u>265,432</u>           |
| Total assets   |                       |                       |                                     |                         |                      |                      | <b><u>28,401,751</u></b> | <b><u>28,876,693</u></b> |
| Other information:   |                       |                       |                                     |                         |                      |                      |                          |                          |
| Additions of property, plant and equipment                     | <b>134,685</b>        | 7,430                 | <b>104,175</b>                      | 32,562                  | <b>1,018</b>         | 16                   | <b>239,878</b>           | 40,008                   |
| Additions of properties under development                      | -                     | -                     | <b>361,549</b>                      | 1,340,515               | -                    | -                    | <b>361,549</b>           | 1,340,515                |
| Additions of investment properties                             | -                     | -                     | <b>602,046</b>                      | 444,132                 | -                    | -                    | <b>602,046</b>           | 444,132                  |
| Additions of film rights                                       | <b>4,506</b>          | 722                   | -                                   | -                       | -                    | -                    | <b>4,506</b>             | 722                      |
| Additions of film products                                     | <b>524</b>            | -                     | -                                   | -                       | -                    | -                    | <b>524</b>               | -                        |
| Additions of films under production                            | <b>368,369</b>        | 69,987                | <b>16,510</b>                       | 59,141                  | -                    | -                    | <b>384,879</b>           | 129,128                  |
| Additions of music catalogs                                    | <b>4,000</b>          | 1,600                 | -                                   | -                       | -                    | -                    | <b>4,000</b>             | 1,600                    |
| Additions of other intangible assets                           | <b>1,916</b>          | -                     | -                                   | -                       | -                    | -                    | <b>1,916</b>             | -                        |
| Additions of non-current deposit for<br>an investment property | <b><u>-</u></b>       | <b><u>-</u></b>       | <b><u>228,620</u></b>               | <b><u>-</u></b>         | <b><u>-</u></b>      | <b><u>-</u></b>      | <b><u>228,620</u></b>    | <b><u>-</u></b>          |

### Information about a major customer:

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 July 2016 and 2015.

### 3. FINANCE COSTS

An analysis of finance costs is as follows:

|  | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interest on:   |                                |                         |
| Bank loans   | <b>140,473</b>                 | 141,938                 |
| Other borrowings   | <b>5,647</b>                   | 5,647                   |
| Second Completion Convertible Notes                              | -                              | 10,505                  |
| TFN Convertible Notes  | <b>9,640</b>                   | 2,070                   |
| Specific Mandate Convertible Notes                               | <b>5,178</b>                   | 522                     |
| RMB1,800,000,000 fixed rate senior notes (“ <b>2013 Notes</b> ”) | <b>141,117</b>                 | 141,486                 |
| Guaranteed notes   | <b>58,483</b>                  | 68,071                  |
| Loans from a joint venture                                       | <b>15,138</b>                  | 9,397                   |
| Amortisation of:   |                                |                         |
| Bank loans   | <b>13,575</b>                  | 14,736                  |
| 2013 Notes   | <b>7,583</b>                   | 7,060                   |
| Guaranteed notes   | <b>4,634</b>                   | 5,408                   |
| Bank financing charges and direct costs                          | <b>18,857</b>                  | 26,133                  |
| Other finance costs  | <b>285</b>                     | 95                      |
|  | <b>420,610</b>                 | 433,068                 |
| Less: Capitalised in properties under development                | <b>(99,172)</b>                | (61,065)                |
| Capitalised in investment properties under construction          | <b>(72,288)</b>                | (78,936)                |
| Capitalised in construction in progress                          | <b>(13,964)</b>                | (3,945)                 |
|  | <b>(185,424)</b>               | (143,946)               |
| Total finance costs  | <b>235,186</b>                 | 289,122                 |

#### 4. PROFIT BEFORE TAX

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

|   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of completed properties sold   | 1,008,273               | 907,050                 |
| Outgoings in respect of rental income   | 148,420                 | 159,856                 |
| Cost of film rights, licence rights and film products   | 222,450                 | 236,409                 |
| Cost of artiste management services,<br>advertising services, and services<br>for entertainment events provided | 261,969                 | 297,454                 |
| Cost of theatrical releasing and concessionary sales  | 148,367                 | 119,751                 |
| Cost of inventories sold  | <u>201,562</u>          | <u>190,222</u>          |
| Total cost of sales   | <u>1,991,041</u>        | <u>1,910,742</u>        |
| Depreciation <sup>^</sup>   | 145,962                 | 148,476                 |
| Impairment of film products <sup>#</sup>  | -                       | 7,150                   |
| Impairment of property, plant and equipment <sup>**</sup>   | -                       | 12,941                  |
| Impairment of asset classified as held for sale <sup>**</sup>   | -                       | 34,618                  |
| Write-down of completed properties for sale<br>to net realisable value <sup>**</sup>                            | 3,485                   | 8,209                   |
| Write-off of items of property, plant and equipment <sup>**</sup>   | 257                     | 772                     |
| Write-off of films under production <sup>#</sup>  | 3,042                   | 70                      |
| Share of net income from entertainment<br>events organised by co-investors <sup>*</sup>                         | (6,086)                 | (6,728)                 |
| Amortisation of film rights <sup>#</sup>  | 6,021                   | 12,885                  |
| Amortisation of film products <sup>#</sup>  | 128,391                 | 134,643                 |
| Amortisation of music catalogs <sup>#</sup>   | 3,914                   | 3,139                   |
| Amortisation of other intangible assets <sup>#</sup>  | 9,243                   | -                       |
| Provision for doubtful debts <sup>**</sup>  | 7,465                   | 1,448                   |
| Reversal of provision for doubtful debts <sup>*</sup>   | (4,059)                 | -                       |
| Provision for advances and other receivables <sup>**</sup>  | 6,536                   | 6,496                   |
| Reversal of provision for advances and other receivables <sup>*</sup>   | (3,538)                 | (7,950)                 |
| Provision for amounts due from joint ventures <sup>**</sup>   | 522                     | 1,314                   |
| Gain on disposal/dissolution of joint ventures <sup>*</sup>   | (721)                   | -                       |
| Gain on disposal/deregistration of subsidiaries <sup>*</sup>  | -                       | (2,471)                 |
| Gain on return of land use right to the local authority <sup>*/ ^^</sup>  | (10,095)                | -                       |
| Loss on disposal of items of property, plant and equipment <sup>**</sup>  | 86                      | 1,199                   |
| Loss on repurchase and early redemption of guaranteed notes <sup>**</sup>                                       | 18,290                  | -                       |
| Provision /(reversal of provision) for inventories <sup>#</sup>   | 1,188                   | (137)                   |
| Ineffective portion of effective hedge recognised in profit or loss <sup>**</sup>                               | 9,717                   | -                       |
| Foreign exchange differences, net <sup>###</sup>  | <u>52,975</u>           | <u>(33,485)</u>         |

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

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

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

### Foreign exchange gains and losses, net are included in the "Other operating gains" and "Other operating expenses" respectively, on the face of the consolidated income statement.

^ Depreciation charges of HK\$125,229,000 (2015: HK\$123,553,000) are included in "Other operating expenses" on the face of the consolidated income statement of which HK\$96,766,000 (2015: HK\$99,615,000) are for serviced apartments and related leasehold improvements and HK\$28,463,000 (2015: HK\$23,938,000) are related to cinema operation.

#### 4. PROFIT BEFORE TAX (continued)

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

^^ During the year ended 31 July 2016, a site located on Guan Lu Road in Yuexiu District of Guangzhou in the People's Republic of China was returned to the local authority with a cash consideration of HK\$247,149,000. A gain on return of land use right to the local authority of HK\$10,095,000 was included in "Other operating gains" on the face of the consolidated income statement.

#### 5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

|   | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current                                       |                         |                         |
| – Hong Kong                                   |                         |                         |
| Charge for the year                           | 3,175                   | 7,096                   |
| Underprovision/(overprovision) in prior years | <u>(80)</u>             | <u>905</u>              |
|   | <u>3,095</u>            | <u>8,001</u>            |
| – Elsewhere                                   |                         |                         |
| Charge for the year                           | 1,074                   | 940                     |
| Overprovision in prior years                  | <u>(4)</u>              | <u>(32)</u>             |
|   | <u>1,070</u>            | <u>908</u>              |
| – Mainland China                              |                         |                         |
| Corporate income tax                          |                         |                         |
| Charge for the year                           | 132,605                 | 164,015                 |
| Underprovision in prior years                 | 21,021                  | 2,542                   |
| Land appreciation tax                         |                         |                         |
| Charge for the year                           | 176,315                 | 165,161                 |
| Overprovision in prior years                  | <u>(84,115)</u>         | <u>-</u>                |
|   | <u>245,826</u>          | <u>331,718</u>          |
|   | <u>249,991</u>          | <u>340,627</u>          |
| Deferred tax                                  | <u>155,535</u>          | <u>219,907</u>          |
| Total tax charge for the year                 | <u><u>405,526</u></u>   | <u><u>560,534</u></u>   |

## 6. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the Company and ordinary shares of 1,243,212,165 (2015: 1,243,212,165) in issue during the year.

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

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

The conversion of the outstanding convertible notes issued by Media Asia Group Holdings Limited (“**MAGHL**”) has an anti-dilutive effect on the basic earnings per share amounts presented during the years ended 31 July 2016 and 2015.

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

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

|  | <b>2016</b><br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| <b><u>Earnings</u></b>   |                                |                         |
| Profit attributable to owners of the Company,<br>used in the basic earnings per share calculation  | <b>80,825</b>                  | 258,231                 |
| Effect of dilutive potential ordinary shares arising<br>from adjustment to the share of profit of a subsidiary<br>based on dilution of its earnings per share* | -                              | (164)                   |
| Earnings for the purpose of diluted earnings per share   | <b><u>80,825</u></b>           | <b><u>258,067</u></b>   |

|   | <b>Number of shares</b>     |                             |
|---|-----------------------------|-----------------------------|
|   | <b>2016</b>                 | 2015                        |
| <b><u>Shares</u></b>  |                             |                             |
| Weighted average number of ordinary shares in issue during<br>the year used in the basic earnings per share calculation   | <b>1,243,212,165</b>        | 1,243,212,165               |
| Effect of dilution - weighted average number of ordinary shares:<br>Share options   | -                           | 235,265                     |
| Weighted average number of ordinary shares in issue during<br>the year used in the diluted earnings per share calculation | <b><u>1,243,212,165</u></b> | <b><u>1,243,447,430</u></b> |

\* Balance for the year ended 31 July 2015 represented the decrease in the Group’s proportionate interest in the earnings of Lai Fung of HK\$164,000 assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the year.

## 7. DEBTORS

|               | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| Trade debtors | 393,409                 | 329,317                 |
| Impairment    | <u>(8,901)</u>          | <u>(5,529)</u>          |
|               | <b><u>384,508</u></b>   | <b><u>323,788</u></b>   |

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

The Lai Fung Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartments charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the Lai Fung Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Lai Fung Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables of the Lai Fung Group were interest-free.

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

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

|                               | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Trade debtors:                |                         |                         |
| Neither past due nor impaired | 269,146                 | 244,115                 |
| 1 - 90 days past due          | 98,464                  | 64,809                  |
| Over 90 days past due         | <u>16,898</u>           | <u>14,864</u>           |
| Total                         | <b><u>384,508</u></b>   | <b><u>323,788</u></b>   |

## 8. CREDITORS AND ACCRUALS

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

|                              | 2016<br><i>HK\$'000</i> | 2015<br><i>HK\$'000</i> |
|------------------------------|-------------------------|-------------------------|
| Trade creditors:             |                         |                         |
| Less than 30 days            | 113,644                 | 79,898                  |
| 31 - 60 days                 | 21,203                  | 7,264                   |
| 61 - 90 days                 | 6,025                   | 7,593                   |
| Over 90 days                 | <u>3,431</u>            | <u>1,167</u>            |
|                              | 144,303                 | 95,922                  |
| Other creditors and accruals | <u>1,184,107</u>        | <u>1,103,047</u>        |
| Total                        | <u><u>1,328,410</u></u> | <u><u>1,198,969</u></u> |

## 9. FIXED RATE SENIOR NOTES

### **RMB1,800,000,000 6.875% Senior Notes due 2018**

On 25 April 2013, Lai Fung issued RMB1,800,000,000 of 6.875% fixed rate senior notes, which will mature on 25 April 2018 for bullet repayment. The 2013 Notes bear interest from 25 April 2013 and are payable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013. The 2013 Notes are listed on the Stock Exchange.

## 10. GUARANTEED NOTES

### **RMB650,000,000 8.375% Secured Guaranteed Notes due 2018**

On 24 June 2014, eSun International Finance Limited (“EIF”), a wholly-owned subsidiary of the Company, issued RMB650,000,000 (equivalent to approximately HK\$809,364,000) of 8.375% secured guaranteed notes (the “**Guaranteed Notes**”), which would mature on 24 June 2018 for bullet repayment.

The Guaranteed Notes were secured by the share charge in respect of 8,274,270,422 ordinary shares of Lai Fung and 842,675,225 ordinary shares of MAGHL granted by certain subsidiaries of the Company and the account charge in respect of the interest reserve accounts for all amounts payable on the notes. The Guaranteed Notes were guaranteed by the Company and had the benefit of a keepwell and security shortfall support deed and a deed of equity interest purchase undertaking by Lai Sun Development Company Limited. The interest on the Guaranteed Notes were payable semi-annually in arrears on 24 June and 24 December of each year, commencing on 24 December 2014. The Guaranteed Notes were listed and traded on the Stock Exchange.

On 24 May 2016, EIF commenced an offer to repurchase for cash any and all of the Guaranteed Notes (the “**Repurchase Offer**”) at the purchase price of 100% of their principal amount together with payment of any accrued interest. In conjunction with the Repurchase Offer, EIF was also soliciting consents from the noteholders to implement the proposal to make certain modifications to the conditions of the Guaranteed Notes, including but not limited to inserting an early redemption option, to release the related security and to terminate the relevant documents with a consent fee of RMB50 per RMB10,000 in principal amounts of the Guaranteed Notes (the “**Proposal**”). Details of the terms and conditions of the Repurchase Offer are set out in the tender offer memorandum issued by EIF on 24 May 2016.



## 10. GUARANTEED NOTES *(continued)*

On 16 June 2016, EIF announced that valid tenders of RMB580,810,000 in aggregate principal amount of Guaranteed Notes were received in respect of the Repurchase Offer. In addition, the extraordinary resolution in respect of the Proposal was duly passed. Accordingly, the share charge in respect of 8,274,270,422 ordinary shares of Lai Fung and 842,675,225 ordinary shares of MAGHL and the account charge in respect of the interest reserve accounts were released on 16 June 2016, following the execution of the relevant documents. On the same day, EIF has given notice to noteholders for redemption of the remaining outstanding Guaranteed Notes of RMB69,190,000 in aggregate principal amount of the Guaranteed Notes (the “**Outstanding Notes**”) on 23 June 2016.

On 23 June 2016, EIF has repurchased RMB580,810,000 (equivalent to HK\$684,717,000) in principal amount of the Guaranteed Notes (the “**Repurchased Notes**”) and also redeemed the Outstanding Notes. All Repurchased Notes and Outstanding Notes were cancelled. The Guaranteed Notes were effectively delisted on 5 July 2016.

## 11. FINAL DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 July 2016 (2015: Nil) for shareholders’ approval at the forthcoming annual general meeting of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *BUSINESS REVIEW AND OUTLOOK*

#### **Media and Entertainment/Film Production and Distribution/Cinema Operation**

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

- Film — continued drive to increase its original production of films which appeal to Chinese language audiences and emphasis will be put on increasing production capabilities and deriving more fee related income from the production.
- TV — expanded its activities in production and investments in quality TV drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China as well as a way to provide exposure and training for the Group's stable of artistes.
- Live Entertainment — successfully produced and promoted a large number of concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes. The Group is expanding its activities and continues to be a driving force in this area whilst exploring other types of live entertainment such as musicals and theatrical performances in addition to concerts.
- Artiste Management — expanded its Chinese artiste roster as well as collaborated with high profile Asian artistes such as top Korean music groups. With diverse projects including film, TV, music and live events which ensure maximum commercial value and appeal, the Group is in a good position to attract stars and develop new talents.
- Music — as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is poised to capitalise on this new economic model.
- Cinema — acquisition of Intercontinental Group Holdings Limited bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China. Our new cinemas, the Grand Windsor Cinema in Causeway Bay in Hong Kong, MCL South Horizons Cinema in South Horizons in Hong Kong and the Festival Grand Cinema in the Festival Walk in Kowloon Tong were opened on 26 September 2015, 23 March 2016 and 8 June 2016, respectively. It is expected that the new cinema in Green Code in Fanling, Hong Kong will commence operations by the end of 2016. The Group also secured two cinema projects in Suzhou and Wuxi in Mainland China, which are expected to commence businesses in the coming financial years. We are excited by the outlook for cinemas in Hong Kong and Mainland China and we will continue to seek out opportunities to expand our footprint.

In summary, the Group believes that its integrated media platform comprising film, TV, live entertainment, artiste and events management, music and cinema presents the most balanced and synergistic approach to growing a Chinese entertainment powerhouse. The Group will continue to optimise its resources and strive towards this goal.

## **Mainland China Property Market**

The 2015/2016 financial year was dominated by political and geopolitical uncertainties at home and abroad. These included the US presidential election, Brexit, protracted conflicts in the Middle East, refugee issues in Europe, Legislative Council elections in Hong Kong, to name a few. Major global economies continued to be hindered by these factors. The fundamentals remained delicate and capital markets performances around the world are correspondingly cautious.

Against this backdrop, the Central Government in China continued to demonstrate stability in achieving economic growth through implementing a combination of proactive fiscal policy and prudent monetary policy. Whilst it is clear that some of the sectors, such as exports, have been slowing. Such slowdown has been countered by promoting other sectors. The property sector has been a beneficiary of this during this financial year and reflected in the results before they were mitigated by a depreciating Renminbi during the same period. We believe the property sector will remain an important economic pillar and continues to be shaped significantly by government policies. The Central Government's approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike.

The regional focus of Lai Fung Holdings Limited ("**Lai Fung**", and together with its subsidiaries, "**Lai Fung Group**"), a non-wholly-owned subsidiary of the Company, coupled with the rental-led strategy that the Lai Fung Group adopted since 2012 has demonstrated resilience against such a challenging operating environment. The rental portfolio of approximately 3.5 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 Tower in Guangzhou was completed in June 2016 and has been added to the rental portfolio of the Group. Up to the date of this announcement, excluding the office area that is subject to the asset swap transactions as jointly announced by Lai Fung and the Company on 15 January 2015, approximately 83.5% of the gross floor area ("**GFA**") of the building has been leased or has offers to lease.

During the year ended 31 July 2016, Lai Fung Group performed admirably but suffered from currency translation against a depreciated Renminbi on a reported basis. The sale of residential portion of Guangzhou Eastern Place Phase V and Zhongshan Palm Spring residential units underpinned this set of results and once again confirmed the strength and depth of the underlying demand in China.

Lai Fung Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 3.5 million square feet to approximately 7.1 million square feet through developing the existing projects on hand over the next few years. On 30 September 2015, Lai Fung Group entered into an agreement to acquire the 6<sup>th</sup> to 11<sup>th</sup> floors of Hui Gong Building that is physically connected to Northgate Plaza I in Shanghai, together with the right to use 20 car-parking spaces in the basement ("**Hui Gong Building**") which will facilitate the redevelopment plan of Northgate Plaza I and the adjacent Northgate Plaza II and enhance the overall value of the combined development once they are redeveloped. This transaction was completed in September 2016.

The construction work for Phase I of the Novotown project in Hengqin (“**Novotown**”) which is 80% owned by Lai Fung and 20% owned by the Company has commenced in the end of 2015. 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 an immersive experience center in the 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 of the Lionsgate-themed immersive experience center in Novotown for a minimum of ten years. 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. In April 2016, Lai Fung Group entered into a cooperation framework 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.

The remaining residential units in Guangzhou Dolce Vita Phases IV and V, Guangzhou Eastern Place Phase V and Zhongshan Palm Spring are expected to contribute to the income statement of Lai Fung Group in the coming financial years. Lai Fung Group will continue its prudent and flexible approach in growing its landbank.

The Group’s consolidated cash position of HK\$4,365.6 million (HK\$303.0 million excluding Lai Fung Group and Media Asia Group Holdings Limited (“**MAGHL**”) together with its subsidiaries (“**MAGHL Group**”)) (31 July 2015: HK\$4,647.4 million (HK\$1,016.3 million excluding Lai Fung Group and MAGHL Group)) with a net debt to equity ratio of 24.6% as at 31 July 2016 (31 July 2015: 23.7%) provides the Group with full confidence and the means to review opportunities more actively.

However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

## **OVERVIEW OF ANNUAL RESULTS**

For the year ended 31 July 2016, the Group recorded a turnover of HK\$3,369.3 million, representing an increase of 1.2% from HK\$3,329.5 million of last year. The gross profit decreased by approximately 2.9% to HK\$1,378.2 million (2015: HK\$1,418.8 million).

For the year ended 31 July 2016, net profit attributable to owners of the Company was approximately HK\$80.8 million (2015: HK\$258.2 million). The decrease is primarily due to (i) a lower revaluation gain arising from the revaluation of the Lai Fung Group’s investment properties for the year ended 31 July 2016 as compared to last year and (ii) the decrease in results of MAGHL Group during the year which is primarily attributable to (a) the decrease in both the turnover and the gross profit ratio due to the decrease in the number of large-scale films released and events held by MAGHL Group during the year and (b) the increase in other operating expenses of MAGHL Group which is mainly due to the exchange loss arising from depreciating Renminbi. Basic earnings per share was HK\$0.065 (2015: HK\$0.208).

Net loss attributable to owners of the Company for the year ended 31 July 2016 excluding the effect of property revaluations was approximately HK\$121.3 million (2015: HK\$112.7 million). Net loss per share attributable to owners of the Company excluding the effect of property revaluations was HK\$0.098 per share.

| <b>Profit/(loss) attributable to owners of the Company</b>  | <b>For the year ended 31 July</b> |                     |
|---|-----------------------------------|---------------------|
|   | <b>2016</b>                       | <b>2015</b>         |
|   | <b>HK\$'million</b>               | <b>HK\$'million</b> |
| Reported  | <b>80.8</b>                       | 258.2               |
| Adjustments in respect of investment properties   |                                   |                     |
| Revaluation of properties   | <b>(270.5)</b>                    | (495.1)             |
| Deferred tax on revaluation of properties   | <b>67.6</b>                       | 123.8               |
| Non-controlling interests' share of revaluation movements less deferred tax   | <b>0.8</b>                        | 0.4                 |
| Net loss after tax excluding revaluation gains of investment properties   | <b>(121.3)</b>                    | (112.7)             |
| Adjustment in respect of fair value losses on cross currency swaps  | –                                 | 44.5                |
| Adjustment in respect of ineffective portion of the effective hedge recognised in profit or loss  | <b>5.0</b>                        | –                   |
| Net loss after tax excluding adjustments in respect of investment properties, fair value losses on cross currency swaps and ineffective portion of the effective hedge recognised in profit or loss | <b>(116.3)</b>                    | (68.2)              |

Equity attributable to owners of the Company as at 31 July 2016 amounted to HK\$8,599.3 million (31 July 2015: HK\$9,164.7 million). Net asset value per share attributable to owners of the Company decreased to HK\$6.917 per share as at 31 July 2016 from HK\$7.372 per share as at 31 July 2015. The decrease in net asset value is primarily due to the depreciation of Renminbi partially offset by net profits earned during the year under review.

## **Media and Entertainment**

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

### ***Live Entertainment***

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

### ***Music Production, Distribution and Publishing***

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

## ***Artiste Management***

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

## **Film and TV Program Production and Distribution**

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

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

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

## **Cinema Operation**

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

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

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

Note: On 100% basis

## Property Investment

The following details are extracted from Lai Fung's results announcement for the years ended 31 July 2016 and 31 July 2015.

### Rental Income

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

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

\* All tenants have been vacated for project redevelopment.

\*\* Excluding self-use area



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

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

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

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

### **Property Development**

The following details are extracted from Lai Fung's results announcement for the years ended 31 July 2016 and 31 July 2015.

#### ***Recognised Sales***

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

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

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

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

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

# Before business tax and value-added tax inclusive

\* After business tax and value-added tax exclusive

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

## Contracted Sales

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

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

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

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

# Before business tax and value-added tax inclusive

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

## **LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING**

### **Cash and Bank Balances**

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

### **Borrowings**

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

#### ***Group (other than MAGHL and Lai Fung)***

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

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

## *MAGHL*

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

## *Lai Fung*

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

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

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

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

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

## **Charge on Assets and Gearing**

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

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

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

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

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

During the year ended 31 July 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

## **CORPORATE GOVERNANCE**

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

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2016 save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**Executive Directors**”). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 July 2016, the Group employed a total of around 2,100 (2015: 1,900) employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group’s existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

## **INVESTOR RELATIONS**

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

During the year ended 31 July 2016, the Company has met with a number of research analysts and investors, attended conferences and non-deal roadshows as follows:

| <b>Month</b>  | <b>Event</b>   | <b>Organiser</b> | <b>Location</b>                                      |
|---------------|--|------------------|--|
| October 2015  | Post results non-deal roadshow                             | BNP              | Hong Kong  |
| October 2015  | Post results non-deal roadshow                             | DBS              | New York/Philadelphia/<br>Boston/San Francisco       |
| October 2015  | Post results non-deal roadshow                             | Daiwa            | Paris/Basel/Zurich/<br>London                        |
| November 2015 | Post results non-deal roadshow                             | BNP              | Singapore  |
| January 2016  | DBS Vickers Pulse of Asia Conference                       | DBS              | Singapore  |
| January 2016  | Asia Pacific Financial, Property &<br>Logistics Conference | BNP              | Hong Kong  |
| January 2016  | The Sixth Hong Kong Corporate Summit                       | Daiwa            | Hong Kong  |
| March 2016    | Post results non-deal roadshow                             | DBS              | Hong Kong  |
| April 2016    | Post results non-deal roadshow                             | DBS              | Singapore  |
| April 2016    | Post results non-deal roadshow                             | Daiwa            | London   |
| April 2016    | Post results non-deal roadshow                             | Daiwa            | New York/Los Angeles/<br>San Diego/<br>San Francisco |

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

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee of the Company currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Low Chee Keong and Mr. Alfred Donald Yap. The Audit Committee has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended 31 July 2016 including the accounting principles and practices adopted by the Group as well as the internal control and financial reporting matters.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2016 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors, Ernst & Young, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.



## **ANNUAL GENERAL MEETING**

The 2016 AGM will be held on Friday, 16 December 2016. Notice of the AGM together with the Company's Annual Report for the year ended 31 July 2016 will be published on the respective websites of the Stock Exchange and the Company and despatched to Shareholders in about mid-November 2016.

By Order of the Board  
**Low Chee Keong**  
*Chairman*

Hong Kong, 19 October 2016

*As at the date of this announcement, the Board comprises four Executive Directors, namely Messrs. Lui Siu Tsuen, Richard (Chief Executive Officer), Chew Fook Aun, Lam Hau Yin, Lester and Yip Chai Tuck; two Non-executive Directors, namely Madam U Po Chu and Mr. Andrew Y. Yan; and four Independent Non-executive Directors, namely Messrs. Low Chee Keong (Chairman), Lo Kwok Kwei, David and Alfred Donald Yap and Dr. Ng Lai Man, Carmen.*