

Corporate Information

PLACE OF INCORPORATION

Cayman Islands

BOARD OF DIRECTORS

Executive Directors

Chew Fook Aun (*Chairman*)
Lam Kin Ming (*Deputy Chairman*)
Lam Kin Hong, Matthew (*Executive Deputy Chairman*)
Lam Hau Yin, Lester (*Chief Executive Officer*)
Cheng Shin How
Lee Tze Yan, Ernest
Tham Seng Yum, Ronald (appointed on 19 August 2019)
U Po Chu

Non-executive Directors

Lucas Ignatius Loh Jen Yuh
Puah Tze Shyang
(also alternate director to Lucas Ignatius Loh Jen Yuh)

Independent Non-executive Directors

Ku Moon Lun
Lam Bing Kwan
Law Kin Ho
Mak Wing Sum, Alvin
Shek Lai Him, Abraham

AUDIT COMMITTEE

Law Kin Ho (*Chairman*)
Lam Bing Kwan
Lucas Ignatius Loh Jen Yuh

REMUNERATION COMMITTEE

Lam Bing Kwan (*Chairman*)
Chew Fook Aun
Ku Moon Lun
Law Kin Ho
Lucas Ignatius Loh Jen Yuh

AUTHORISED REPRESENTATIVES

Chew Fook Aun
Lam Kin Ming

COMPANY SECRETARY

Yim Lai Wa

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

Tel: (852) 2741 0391
Fax: (852) 2741 9763

SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

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

LISTING INFORMATION

Shares

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

Stock Code/Board Lot

1125/400 shares

Notes

US\$350,000,000 5.65% guaranteed notes due 2023 (Stock Code: 5087) issued by Lai Fung Bonds (2018) Limited, a wholly-owned subsidiary of the Company, are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

AMERICAN DEPOSITARY RECEIPT

CUSIP Number:	50731L104
Trading Symbol:	LNGHY
ADR to Ordinary Share Ratio:	1:8
Depository Bank:	The Bank of New York Mellon

WEBSITE

www.laifung.com

INVESTOR RELATIONS

Tel: (852) 2853 6116
Fax: (852) 2853 6651
E-mail: ir@laifung.com

Results

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

Condensed Consolidated Income Statement

For the six months ended 31 January 2020

	Notes	For the six months ended 31 January	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
TURNOVER	3	599,898	571,086
Cost of sales		(287,849)	(211,949)
Gross profit		312,049	359,137
Other income and gains		30,526	38,121
Selling and marketing expenses		(33,010)	(19,707)
Administrative expenses		(132,522)	(122,416)
Other operating expenses, net		(39,231)	(11,507)
Fair value gains/(losses) on investment properties		(387,598)	109,692
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(249,786)	353,320
Finance costs	5	(115,477)	(73,549)
Share of losses of joint ventures		(107)	(18,305)
Share of profits/(losses) of associates		(8)	23
PROFIT/(LOSS) BEFORE TAX		(365,378)	261,489
Tax	6	(205,412)	(178,803)
PROFIT/(LOSS) FOR THE PERIOD		(570,790)	82,686
ATTRIBUTABLE TO:			
Owners of the Company		(442,388)	69,005
Non-controlling interests		(128,402)	13,681
		(570,790)	82,686
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	7		
Basic		(HK\$1.351)	HK\$0.211
Diluted		(HK\$1.351)	HK\$0.211

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2020

	For the six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(570,790)	82,686
OTHER COMPREHENSIVE INCOME/(EXPENSES) THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		
Exchange differences:		
Exchange differences arising on translation to presentation currency	(424,811)	351,925
Reclassification adjustments upon winding-up of a subsidiary	—	(10,134)
	(424,811)	341,791
Share of other comprehensive expenses of joint ventures	—	(7,165)
Share of other comprehensive expenses of an associate	(9)	(7)
	(424,820)	334,619
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE PERIOD	(995,610)	417,305
ATTRIBUTABLE TO:		
Owners of the Company	(851,504)	392,401
Non-controlling interests	(144,106)	24,904
	(995,610)	417,305

Condensed Consolidated Statement of Financial Position

As at 31 January 2020

	Notes	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,632,349	3,627,227
Prepaid land lease payments		—	3,951
Right-of-use assets		442,034	—
Investment properties		20,447,565	20,455,200
Properties under development		591,227	711,362
Investment in a joint venture		1,210	1,317
Investments in associates		1,165	5,804
Derivative financial instruments		24,323	20,581
Total non-current assets		25,139,873	24,825,442
CURRENT ASSETS			
Properties under development		1,123,906	1,811,683
Completed properties for sale		1,892,248	902,331
Inventories		6,667	5,012
Debtors, deposits and prepayments	8	594,772	554,897
Prepaid tax		25,086	42,031
Pledged and restricted time deposits and bank balances		1,214,086	1,173,775
Cash and cash equivalents		1,249,053	1,923,484
Assets classified as held for sale		6,105,818	6,413,213
		17,325	70,972
Total current assets		6,123,143	6,484,185
CURRENT LIABILITIES			
Creditors and accruals	9	2,193,121	2,062,621
Contract liabilities, deposits received and deferred income	9	508,648	540,744
Dividend payable		65,499	—
Interest-bearing bank loans		1,049,407	433,536
Lease liabilities		6,450	—
Loans from a fellow subsidiary		—	316,259
Tax payable		192,318	155,643
Other borrowings		41,148	41,440
Total current liabilities		4,056,591	3,550,243
NET CURRENT ASSETS		2,066,552	2,933,942
TOTAL ASSETS LESS CURRENT LIABILITIES		27,206,425	27,759,384
NON-CURRENT LIABILITIES			
Lease liabilities		2,742	—
Long-term deposits received	9	141,609	149,213
Interest-bearing bank loans		5,654,503	5,554,150
Advances from a former substantial shareholder		51,933	53,006
Loans from a fellow subsidiary		382,359	—
Guaranteed notes		2,703,874	2,720,857
Derivative financial instruments		3,660	—
Deferred tax liabilities		3,143,768	3,100,475
Total non-current liabilities		12,084,448	11,577,701
		15,121,977	16,181,683

Condensed Consolidated Statement of Financial Position

(Continued)

As at 31 January 2020

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Issued capital	1,637,483	1,636,935
Reserves	13,280,924	14,197,072
	14,918,407	15,834,007
Non-controlling interests	203,570	347,676
	15,121,977	16,181,683

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2020

	Attributable to owners of the Company								Non-controlling interests	Total
	Issued capital	Share premium account	Share option reserve	Exchange fluctuation reserve	Capital reserve	Statutory reserve	Retained earnings	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 July 2019 and 1 August 2019 (Audited)	1,636,935	4,087,322	31,851	211,632	137,165	242,871	9,486,231	15,834,007	347,676	16,181,683
Loss for the period	—	—	—	—	—	—	(442,388)	(442,388)	(128,402)	(570,790)
Other comprehensive expenses for the period, net of tax:										
Exchange differences	—	—	—	(409,107)	—	—	—	(409,107)	(15,704)	(424,811)
Share of other comprehensive expenses of an associate	—	—	—	(9)	—	—	—	(9)	—	(9)
Total comprehensive expenses for the period, net of tax	—	—	—	(409,116)	—	—	(442,388)	(851,504)	(144,106)	(995,610)
Issue of shares upon exercise of share option*	548	431	(250)	—	—	—	—	729	—	729
Equity-settled share option arrangements	—	—	674	—	—	—	—	674	—	674
Transfer to statutory reserve	—	—	—	—	—	17,166	(17,166)	—	—	—
Release of reserve upon lapse of share options	—	—	(227)	—	—	—	227	—	—	—
Final 2019 dividend payable**	—	—	—	—	—	—	(65,499)	(65,499)	—	(65,499)
As at 31 January 2020 (Unaudited)	1,637,483	4,087,753[#]	32,048[#]	(197,484)[#]	137,165[#]	260,037[#]	8,961,405[#]	14,918,407	203,570	15,121,977

[#] These reserve accounts comprise the consolidated reserves of HK\$13,280,924,000 (31 July 2019: HK\$14,197,072,000) in the condensed consolidated statement of financial position.

^{*} During the period ended 31 January 2020, 109,591 ordinary shares of HK\$5.00 each were issued in respect of share options exercised under the Company's share option scheme at an exercise price of HK\$6.65 per share and total cash consideration of HK\$729,000 was received. The share option reserve of HK\$250,000 was released to the share premium account.

^{**} On 20 December 2019, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.20 per share payable in cash with a scrip dividend alternative (the "2019 Scrip Dividend Scheme") for the year ended 31 July 2019.

Further details of the 2019 Scrip Dividend Scheme are set out in the Company's circular dated 8 January 2020.

Condensed Consolidated Statement of Changes in Equity

(Continued)

For the six months ended 31 January 2020

	Attributable to owners of the Company							Sub-total	Non-controlling interests	Total
	Issued capital	Share premium account	Share option reserve	Exchange fluctuation reserve	Capital reserve	Statutory reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 July 2018 and 1 August 2018 (Audited)	1,635,221	4,085,811	29,529	489,186	137,165	373,345	8,752,610	15,502,867	285,457	15,788,324
Profit for the period	—	—	—	—	—	—	69,005	69,005	13,681	82,686
Other comprehensive income/(expenses) for the period, net of tax:										
Exchange differences	—	—	—	330,568	—	—	—	330,568	11,223	341,791
Share of other comprehensive expenses of joint ventures	—	—	—	(7,165)	—	—	—	(7,165)	—	(7,165)
Share of other comprehensive expenses of an associate	—	—	—	(7)	—	—	—	(7)	—	(7)
Total comprehensive income for the period, net of tax	—	—	—	323,396	—	—	69,005	392,401	24,904	417,305
Equity-settled share option arrangements	—	—	2,322	—	—	—	—	2,322	—	2,322
Transfer to statutory reserve	—	—	—	—	—	13,784	(13,784)	—	—	—
Reserve realised upon winding-up of a joint venture	—	—	—	—	—	(136,588)	136,588	—	—	—
Final 2018 dividend payable*	—	—	—	—	—	—	(65,409)	(65,409)	—	(65,409)
As at 31 January 2019 (Unaudited)	1,635,221	4,085,811 [#]	31,851 [#]	812,582 [#]	137,165 [#]	250,541 [#]	8,879,010 [#]	15,832,181	310,361	16,142,542

These reserve accounts comprise the consolidated reserves of HK\$14,196,960,000 (31 July 2018: HK\$13,867,646,000) in the condensed consolidated statement of financial position.

* On 21 December 2018, the Company's shareholders approved at the annual general meeting a final dividend of HK\$0.20 per share payable in cash with a scrip dividend alternative (the "2018 Scrip Dividend Scheme") for the year ended 31 July 2018.

Further details of the 2018 Scrip Dividend Scheme are set out in the Company's circular dated 10 January 2019.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2020

	For the six months ended	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOW USED IN OPERATING ACTIVITIES	(298,903)	(82,079)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	12,416	11,564
Additions to investment properties	(810,258)	(903,166)
Additions to property, plant and equipment	(184,010)	(654,281)
Repayment from a joint venture	—	657
Repayment from an associate	4,495	—
Dividend received from a joint venture	—	1,540,176
Decrease in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired	39,309	—
Increase in pledged and restricted time deposits and bank balances	(70,203)	(74,895)
NET CASH FLOW USED IN INVESTING ACTIVITIES	(1,008,251)	(79,945)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	729	—
New bank loans, net of direct costs	957,545	3,549,658
Repayment of bank loans	(193,418)	(1,974,999)
Loans from fellow subsidiaries	388,359	63,762
Repayment of loans from a fellow subsidiary	(322,259)	(48,171)
Loans from a joint venture	—	462,834
Repayment of loans from a joint venture	—	(825,225)
Increase in other borrowings	—	41,560
Increase in put option liabilities	—	280,532
Amount received from a potential non-controlling shareholder	110,963	—
Principal portion of lease payments	(2,433)	—
Interest and bank financing charges paid	(235,828)	(244,006)
NET CASH FLOW FROM FINANCING ACTIVITIES	703,658	1,305,945
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(603,496)	1,143,921
Cash and cash equivalents at beginning of period	1,884,175	1,364,285
Effect of foreign exchange rate changes, net	(31,626)	17,053
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,249,053	2,525,259
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged and non-restricted cash and bank balances	1,040,210	1,823,465
Non-pledged and non-restricted time deposits	208,843	701,794
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	1,249,053	2,525,259

Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2020 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**” and the “**Stock Exchange**”) and the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements for the period under review are consistent with those used in the Group’s audited consolidated financial statements for the year ended 31 July 2019. These unaudited condensed consolidated results should be read in conjunction with the Company’s annual report for the year ended 31 July 2019.

In addition, the Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”, which also include HKASs and Interpretations) for the first time for the current period’s unaudited financial statements:

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

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

HKFRS 16 Leases

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

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 August 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 August 2019, and the comparative information for the six months ended 31 January 2019 and as at 31 July 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

Notes to Condensed Consolidated Financial Statements

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 Leases (Continued)

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of certain office, warehouse premises and staff dormitory. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impact on transition

Lease liabilities at 1 August 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 August 2019. The Group elected to present the lease liabilities separately in the condensed consolidated statement of financial position. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 August 2019 was about 5.65%.

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

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

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Notes to Condensed Consolidated Financial Statements

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 Leases (Continued)

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

Impact on transition (continued)

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

	Increase/(decrease) (Unaudited) HK\$'000
Assets	
Right-of-use assets	452,808
Property, plant and equipment	(440,268)
Prepaid land lease payments	(3,951)
Increase in total assets	8,589
Liabilities	
Lease liabilities	8,589
Increase in total liabilities	8,589

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

	(Unaudited) HK\$'000
Operating lease commitments as at 31 July 2019	9,833
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 July 2020	(776)
Weighted average incremental borrowing rate as at 1 August 2019	5.65%
Lease liabilities as at 1 August 2019	8,589

Summary of new accounting policies

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

Right-of-use assets

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

Notes to Condensed Consolidated Financial Statements

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 Leases (Continued)

Summary of new accounting policies (Continued)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

3. TURNOVER AND OPERATING SEGMENT INFORMATION

The Group's turnover represents revenue from the sale of properties, investment properties, hotels and serviced apartments, building management operation and theme park operation for the period ended 31 January 2020.

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

	For the six months ended	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover from contracts with customers		
Sale of properties	175,186	145,668
Hotel and serviced apartment operation	78,168	80,072
Building management operation	54,743	55,551
Theme park operation	13,949	—
	322,046	281,291
Turnover from other sources		
Rental income from investment properties	277,852	289,795
Total turnover	599,898	571,086
Timing of recognition of turnover from contracts with customers		
At a point in time	175,186	145,668
Over time	146,860	135,623
Total	322,046	281,291

Notes to Condensed Consolidated Financial Statements

(Continued)

3. TURNOVER AND OPERATING SEGMENT INFORMATION (CONTINUED)

During the period ended 31 January 2020, segment information of hotels and serviced apartments previously included in the "property investment" segment has been reclassified to the "hotel and serviced apartment" segment. Accordingly, the comparative segment information has been reclassified to conform to the current period's presentation.

	For the six months ended 31 January (Unaudited)							
	Property development		Property investment		Hotel and serviced apartment		Consolidated	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue/results:								
Segment revenue								
Sales to external customers	175,186	145,668	346,544	345,346	78,168	80,072	599,898	571,086
Other revenue	393	194	9,512	22,614	113	20	10,018	22,828
Total	175,579	145,862	356,056	367,960	78,281	80,092	609,916	593,914
Segment results	125,694	72,905	(354,207)	285,533	(12,231)	9,250	(240,744)	367,688
Interest income from bank deposits							12,416	11,564
Unallocated gains							8,092	3,729
Unallocated expenses, net							(29,550)	(29,661)
Profit/(loss) from operating activities							(249,786)	353,320
Finance costs							(115,477)	(73,549)
Share of losses of joint ventures	(107)	(18,305)	—	—	—	—	(107)	(18,305)
Share of profits/(losses) of associates	—	—	(8)	23	—	—	(8)	23
Profit/(loss) before tax							(365,378)	261,489
Tax							(205,412)	(178,803)
Profit/(loss) for the period							(570,790)	82,686
Other segment information:								
Fair value gains/(losses) on investment properties	—	—	(387,598)	109,692	—	—	(387,598)	109,692
Gain on disposal of assets classified as held for sale	47,587	—	—	—	—	—	47,587	—
Loss on disposal of items of property, plant and equipment	35	2	633	142	—	—	668	144
Corporate and other unallocated loss on disposal of items of property, plant and equipment	—	—	—	—	—	—	104	—

Notes to Condensed Consolidated Financial Statements

(Continued)

3. TURNOVER AND OPERATING SEGMENT INFORMATION (CONTINUED)

	Property development		Property investment		Hotel and serviced apartment		Consolidated	
	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Segment assets/liabilities:								
Segment assets	3,670,048	3,467,453	22,335,001	22,358,508	2,296,837	1,855,727	28,301,886	27,681,688
Investments in joint ventures	1,210	1,317	—	—	—	—	1,210	1,317
Investments in associates	—	—	1,165	5,804	—	—	1,165	5,804
Unallocated assets	—	—	—	—	—	—	2,941,430	3,549,846
Assets classified as held for sale	17,325	70,972	—	—	—	—	17,325	70,972
Total assets							31,263,016	31,309,627
Segment liabilities	641,385	615,643	946,900	1,307,972	885,283	449,799	2,473,568	2,373,414
Unallocated liabilities	—	—	—	—	—	—	13,667,471	12,754,530
Total liabilities							16,141,039	15,127,944

4. PROFIT/LOSS FROM OPERATING ACTIVITIES

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

	For the six months ended	
	31 January 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipments [#]	103,613	36,438
Depreciation of right-of-use assets [#]	8,383	—
Fair value losses/(gains) on cross currency swaps ^{##}	(3,742)	5,513
Fair value losses on foreign currency forward contract ^{##}	3,660	—
Foreign exchange differences, net ^{##}	(16,446)	(24,727)
Gain on disposal of assets classified as held for sale ^{##}	(47,587)	—
Loss on disposal of items of property, plant and equipment ^{##}	772	144
Amortisation of prepaid land lease payments	—	89

[#] The depreciation charge for hotels and serviced apartments and related leasehold improvements is HK\$18,213,000 (six months ended 31 January 2019: HK\$29,027,000). The depreciation charge for theme parks is HK\$84,135,000 (six months ended 31 January 2019: Nil). These items are included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

^{##} These items of expenses/(income) are included in "Other operating expenses, net" on the face of the condensed consolidated income statement.

Notes to Condensed Consolidated Financial Statements

(Continued)

5. FINANCE COSTS

	For the six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on:		
Bank loans	158,002	151,343
Guaranteed notes	74,126	74,126
Loans from a joint venture	—	7,112
Amortisation of:		
Bank loans	10,125	15,881
Guaranteed notes	2,336	2,206
Bank financing charges and direct costs	1,491	4,919
Interest on lease liabilities	228	—
	246,308	255,587
Less: Capitalised in properties under development	(20,708)	(59,683)
Capitalised in investment properties under construction	(92,443)	(69,688)
Capitalised in construction in progress	(17,680)	(52,667)
	(130,831)	(182,038)
Total finance costs	115,477	73,549

6. TAX

The statutory rate of Hong Kong profits tax is 16.5% (six months ended 31 January 2019: 16.5%). No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the period (six months ended 31 January 2019: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	For the six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current — Mainland China		
Corporate income tax	44,487	41,435
Land appreciation tax	52,803	54,468
Deferred	108,122	82,900
Total tax charge for the period	205,412	178,803

In connection with the listing of the Company on the Stock Exchange (currently on the Main Board), a tax indemnity deed was signed on 12 November 1997, pursuant to which Lai Sun Development Company Limited (“LSD”) has undertaken to indemnify the Group in respect of certain potential Mainland China income tax and land appreciation tax payable or shared by the Group in consequence of the disposal of certain property interests attributable to the Group through its subsidiaries and its joint ventures as at 31 October 1997. During the period, no tax indemnity was received by the Group under the aforesaid indemnities (six months ended 31 January 2019: Nil).

Notes to Condensed Consolidated Financial Statements

(Continued)

7. EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/loss per share amounts was based on the profit/loss for the period attributable to owners of the Company of loss of HK\$442,388,000 (six months ended 31 January 2019: profit of HK\$69,005,000), and the weighted average number of ordinary shares of 327,493,578 (six months ended 31 January 2019: 327,044,134) in issue during the period.

During the period ended 31 January 2020, as anti-dilutive effect is resulted following the losses sustained by the Group, no adjustment has been made to the calculation of the dilutive loss per share.

During the period ended 31 January 2019, the calculation of diluted earnings per share amounts was based on the profit for the period attributable to owners of the Company as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended	
	31 January 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company used in the basic earnings/(loss) per share calculation	(442,388)	69,005
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	327,493,578	327,044,134
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	376,452
	327,493,578	327,420,586

Notes to Condensed Consolidated Financial Statements

(Continued)

8. DEBTORS, DEPOSITS AND PREPAYMENTS

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

An ageing analysis of the trade receivables as at the end of the reporting period, based on payment due date, is as follows:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Trade receivables, net:		
Within one month	103,630	102,169
One to three months	2,768	3,467
Over three months	3,127	5,346
	109,525	110,982
Other receivables, deposits and prepayments	485,247	443,915
Total	594,772	554,897

9. CREDITORS AND ACCRUALS AND CONTRACT LIABILITIES, DEPOSITS RECEIVED AND DEFERRED INCOME

An ageing analysis of the trade payables as at the end of the reporting period, based on payment due date, is as follows:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Trade payables:		
Within one month	232,272	921,207
One to three months	5,117	11
Over three months	24,268	1,798
	261,657	923,016
Accruals and other payables	1,653,717	859,885
Put option liabilities	277,747	279,720
Total	2,193,121	2,062,621

Notes to Condensed Consolidated Financial Statements

(Continued)

9. CREDITORS AND ACCRUALS AND CONTRACT LIABILITIES, DEPOSITS RECEIVED AND DEFERRED INCOME (CONTINUED)

An analysis of the contract liabilities, deposits received and deferred income as at the end of the reporting period is as follows:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Contract liabilities	306,212	267,143
Deposits received and deferred income	344,045	422,814
	650,257	689,957
Amount classified as current liabilities	(508,648)	(540,744)
Non-current portion	141,609	149,213

10. COMMITMENTS

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

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Contracted, but not provided for: Construction, development and resettlement costs	407,635	1,288,365

Notes to Condensed Consolidated Financial Statements

(Continued)

11. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	For the six months ended 31 January	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Lai Sun Garment (International) Limited ("LSG") and its subsidiaries excluding eSun Holdings Limited ("eSun") and its subsidiaries:			
Rental and management fee expenses paid or payable	(i)	1,408	1,350
Rental and management fee income received or receivable	(ii)	731	32
Advance of loans received	(iii)	382,359	—
Sharing of corporate salaries on a cost basis allocated from		12,710	13,461
Sharing of administrative expenses on a cost basis allocated from		4,392	2,119
Sharing of corporate salaries on a cost basis allocated to		2,020	1,959
Sharing of administrative expenses on a cost basis allocated to		455	974
eSun and its subsidiaries excluding the Group:			
Rental and management fee income received or receivable	(iv)	3,893	4,167
Advance of loans received	(v)	6,000	63,762
Repayment of loans	(v)	322,259	48,171
Sharing of corporate salaries on a cost basis allocated from		1,283	1,253
Sharing of administrative expenses on a cost basis allocated from		185	3
Sharing of corporate salaries on a cost basis allocated to		631	557
Sharing of administrative expenses on a cost basis allocated to		50	278
A subsidiary of CapitaLand Limited:			
Management and other service fees paid or payable	(vi)	4,695	5,015

Notes to Condensed Consolidated Financial Statements

(Continued)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Notes	For the six months ended	
		31 January 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Joint ventures of the Group:			
Advance of loans received	(vii)	—	462,834
Advance of a loan repaid	(vii)	—	825,225
Repayment of loans		—	657
Interest expenses paid or payable	(vii)	—	7,112
Dividend received	(viii)	—	1,540,176
An associate of the Group:			
Repayment of loans	(ix)	4,495	—

Notes:

- (i) The related companies are LSD and a subsidiary of LSD, which are the subsidiaries of LSG (the ultimate holding company of the Company). The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.
- (ii) The related company is a subsidiary of LSD. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related company.
- (iii) The related company is a subsidiary of LSD where the Company does not hold, directly or indirectly, any equity interest in the related company. During the period, the related company became a non-controlling shareholder of a subsidiary of the Company (the "Subsidiary") and advanced loans amounting to HK\$382,359,000 (six months ended 31 January 2019: Nil) according to its percentage of interest in the Subsidiary.
- (iv) The related companies are subsidiaries of eSun (an intermediate holding company of the Company) where the Company does not hold, directly or indirectly, any equity interest in the related companies. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.
- (v) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. During the period, the related company, a then non-controlling shareholder of the Subsidiary, advanced loans amounting to HK\$6,000,000 (six months ended 31 January 2019: advanced loans amounting to HK\$63,762,000 and received repayment of loans amounting to HK\$48,171,000) according to its percentage of interest in the Subsidiary. Thereafter, the related company ceased to be a non-controlling shareholder of the Subsidiary and received repayment of loans amounting to HK\$322,259,000.
- (vi) The related company is a subsidiary of CapitaLand Limited and the Company is an associate of CapitaLand Limited. The related company provides management and other services on the serviced apartment operation of the Group. The terms of the management and other service fees were determined based on the agreement entered into between the Group and the related company.

Notes to Condensed Consolidated Financial Statements

(Continued)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Notes (Continued):

- (vii) The related companies are joint ventures of the Group, Guangzhou Beautiwin Real Estate Development Company Limited and Beautiwin Limited. The terms of the interest-bearing and interest-free loans are determined based on the agreements entered into between the Group and the related companies. During the period ended 31 January 2019, interest expenses were charged at fixed interest rates of 3.045%-4.20% per annum for the interest-bearing loans advanced from the related companies to the Group.
- (viii) The related company is a joint venture of the Group, Beautiwin Limited. During the period ended 31 January 2019, dividend of HK\$1,540,176,000 was received from the related company.
- (ix) The related company is an associate of the Group. The advances were unsecured, interest-free and had no fixed term of repayment.

(b) Compensation of key management personnel of the Group

	For the six months ended	
	31 January	2019
	2020	(Unaudited)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	15,713	14,283
Pension scheme contributions	74	65
Equity-settled share option expense	674	—
Total	16,461	14,348

Notes to Condensed Consolidated Financial Statements

(Continued)

12. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Financial assets				
Derivative financial instruments				
— cross currency swaps ("CCS")	24,323	20,581	24,323	20,581
Financial liabilities				
Derivative financial instruments				
— foreign currency forward contract	3,660	—	3,660	—
Guaranteed notes	2,703,874	2,720,857	2,639,057	2,667,667
	2,707,534	2,720,857	2,642,717	2,667,667

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

- (i) The fair values of guaranteed notes are based on quoted market prices;
- (ii) Derivative financial instruments — CCS are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves as well as other unobservable inputs. The carrying amounts of the derivative financial instruments are the same as their fair values.

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

- (iii) In respect of derivative financial instruments — foreign currency forward contract, the Group relies on bank valuations to determine the fair value of the instruments. These valuations maximise the use of observable market data. Key observable inputs in the valuations are spot rates, strike rates, volatility, time to expiration and risk free rate.

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

Notes to Condensed Consolidated Financial Statements

(Continued)

12. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

31 January 2020

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments-CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$1.21 million to HK\$16.79 million	1
		Expected exposure at default — the Company	HK\$2.12 million to HK\$16.71 million	2
		Credit spread — counterparty	6.52 basis point to 96.44 basis point	3
		Credit spread — the Company	288.38 basis point to 520.06 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

31 July 2019

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments-CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK\$1.58 million to HK\$19.87million	1
		Expected exposure at default — the Company	HK\$3.45 million to HK\$20.96 million	2
		Credit spread — counterparty	9.07 basis point to 106.44 basis point	3
		Credit spread — the Company	302.23 basis point to 517.02 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

Notes:

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

Notes to Condensed Consolidated Financial Statements

(Continued)

12. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets/(liabilities) measured at fair value

As at 31 January 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial instruments — CCS	—	—	24,323	24,323
Derivative financial instruments — foreign currency forward contract	—	(3,660)	—	(3,660)

As at 31 July 2019

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Derivative financial instruments — CCS	—	—	20,581	20,581

Save as disclosed above, the Group did not have any financial assets or liabilities measured at fair value as at 31 January 2020 and 31 July 2019.

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

Liabilities for which fair values are disclosed

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

13. SHARE OPTION SCHEME

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

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

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

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

Notes to Condensed Consolidated Financial Statements

(Continued)

13. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

14. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 27 March 2020.

Interim Dividend

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2020 (six months ended 31 January 2019: Nil).

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Over the six months ended 31 January 2020 (“**Period Under Review**”), the Chinese economy was predominantly shadowed by the uncertainties around the trade disputes with the United States. Coupled with the anti-speculation measures by the government, home prices across China grew at a much slower pace than in recent years. The Group’s turnover during the Period Under Review remained relatively stable at HK\$599.9 million, increasing by 5.0% compared to HK\$571.1 million for the six months ended on 31 January 2019 (“**Last Corresponding Period**”).

The Lunar New Year holiday in 2020 was extended in the Mainland because of the outbreak of the novel coronavirus (COVID-19). Containment measures including, but not limited to, restrictions on group gatherings and public events, closure of unnecessary public communal space and amenities, designated drop-off and pick-up points for parcel and food delivery to minimise contact, quarantine controls and denial of access for certain individuals, lockdown of residential communities, etc. were imposed by local governments. As a result, factories were closed, travels were restricted, and cities were effectively in lockdown for an extended period of time. Many developers in China were faced with suspension of sales and construction. Subsequent to the Period Under Review, on 12 March 2020, the World Health Organisation officially declared the outbreak of the novel coronavirus a pandemic as confirmed cases surged to over 118,000 in 114 countries, posing a threat to the global supply chain. While the long term impact of such a global pandemic remains difficult to predict, the Group has been proactive in preparing for the challenges ahead, and will work closely with its stakeholders, and continue to prudently manage its financial position to weather the storm.

Property investment segment continued to be the major contributor to the Group’s results. The Group’s rental portfolio, comprising a total of 4.5 million square feet of rental gross floor area (“**GFA**”) as of 31 January 2020 in Shanghai, Guangzhou, Zhongshan and Hengqin, being Tier 1 cities in China and cities within the Greater Bay Area, contributed over 68% of its total turnover for the Period Under Review.

Top tier cities and the Greater Bay Area will remain as the primary drivers for the Group’s rental GFA growth in the coming years. Upon completion of the construction works of the existing projects on hand, which include the combined redevelopment of Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building, the development of Guangzhou Haizhu Plaza, and Phase II (“**Novotown Phase II**”) of the Novotown project in Hengqin (“**Novotown**”), the Group will have a rental portfolio of approximately 9.3 million square feet.

Aside from rental GFA growth, the Group also strives to strengthen its rental portfolio through operational enhancements. The two themed indoor experience centres in Phase I (“**Novotown Phase I**”) of Novotown, namely “Lionsgate Entertainment World®” and “National Geographic Ultimate Explorer Hengqin”, commenced operations on 31 July 2019 and 9 September 2019, respectively. The hotel, known as “Hyatt Regency Hengqin” soft opened on 31 December 2019. Leasing of the commercial area of Novotown Phase I is underway with approximately 76% of the leasable area having been leased. The introduction of Zhuhai Da Hengqin Real Estate Co., Ltd. (珠海大橫琴置業有限公司) in January 2020 strengthened the cash position for the operation of Novotown Phase I.

Despite the temporary closure of Novotown Phase I as part of preventive and protective measures in light of the outbreak of novel coronavirus since 24 January 2020, the Group remains confident that the resumption of operations will make Novotown a new contributor to the Group’s results in the long run. The Group is carefully monitoring the evolving situation, stays in close contact with local officials and will announce the reopening date upon confirmation. On 23 January 2020, the Group renewed the management agreement with Ascott Group with respect to the serviced residence in Shanghai. Through extending the longstanding partnership with Ascott, the Group wishes to continue to leverage on the Ascott Group’s extensive experience and expertise in operating and branding serviced residences to enhance the value of the serviced residence to the Group.

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

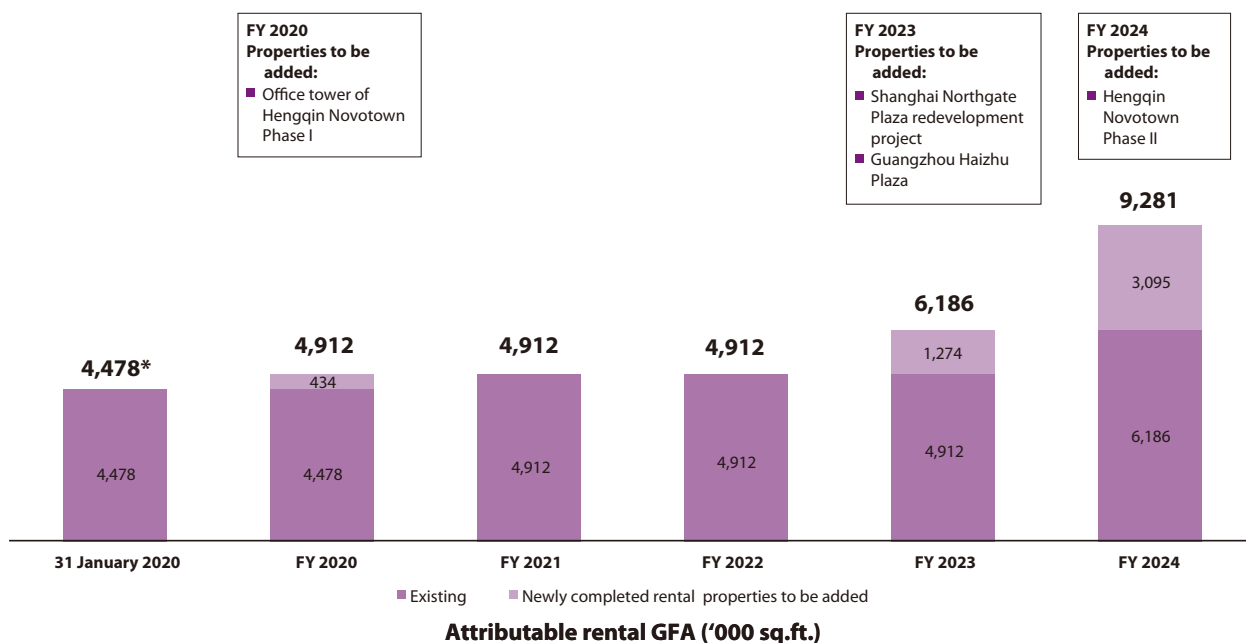
Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

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

Set out below is the expected growth of the Group's rental portfolio and the property development pipeline as at 31 January 2020, with reference to existing projects in hand:

Rental Portfolio



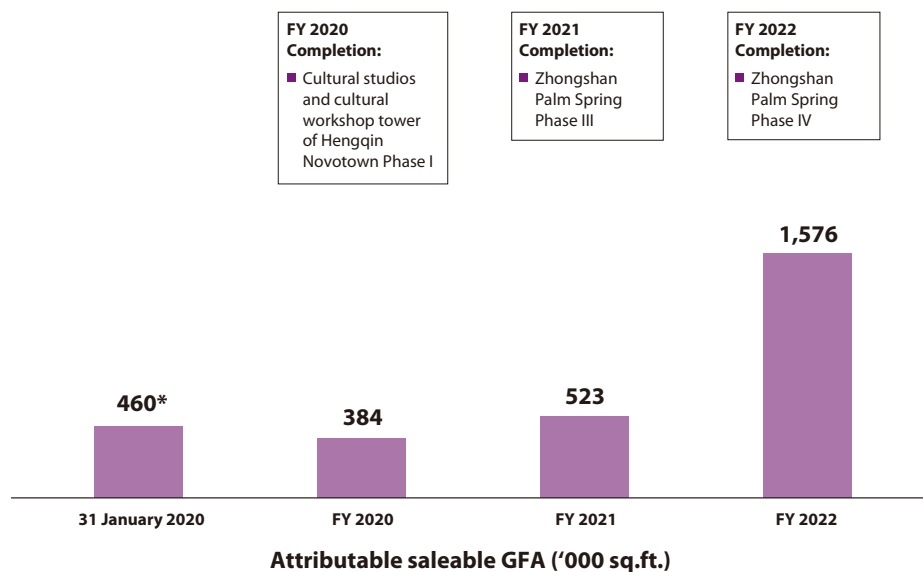
FY 2020 Properties to be added:
 ■ Office tower of Hengqin Novotown Phase I

FY 2023 Properties to be added:
 ■ Shanghai Northgate Plaza redevelopment project
 ■ Guangzhou Haizhu Plaza

FY 2024 Properties to be added:
 ■ Hengqin Novotown Phase II

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

For-sale Projects



FY 2020 Completion:
 ■ Cultural studios and cultural workshop tower of Hengqin Novotown Phase I

FY 2021 Completion:
 ■ Zhongshan Palm Spring Phase III

FY 2022 Completion:
 ■ Zhongshan Palm Spring Phase IV

* Excluding commercial portion of the Zhongshan Palm Spring for self-use

Management Discussion and Analysis (Continued)

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

As disclosed in an announcement made by the Company on 18 September 2019, the public float of the Company fell below 25% of the total issued shares of the Company. The Company has been monitoring the situation closely and is considering steps to restore the public float at the minimum prescribed percentage in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 21 February 2020, the Company disclosed in a joint announcement that it had been approached by Lai Sun Development Company Limited (“LSD”) and its wholly-owned subsidiary, Holy Unicorn Limited (“Offeror”) in connection with a conditional voluntary general cash offer (“LFH Offers”) to acquire all of the issued shares of the Company (other than those already owned by LSD, the Offeror or the other wholly-owned subsidiaries of LSD) and to cancel all the outstanding share options of the Company. The composite document containing, among other things, further terms and details of the LFH Offers will be despatched to shareholders and optionholders of the Company as soon as practicable in compliance with the requirements of the Hong Kong Code on Takeovers and Mergers and other applicable laws and regulations. As at the date of this Interim Report, the Company remains a 50.99%-owned subsidiary of eSun Holdings Limited.

As at 31 January 2020, the Group has approximately HK\$2,463.1 million of cash on hand (HK\$3,097.3 million as at 31 July 2019) and undrawn facilities of HK\$3,756.0 million (HK\$2,647.9 million as at 31 July 2019) with a net debt to equity ratio of 50% as at 31 January 2020 (38% as at 31 July 2019). The Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

OVERVIEW OF INTERIM RESULTS

For the Period Under Review, the Group recorded a turnover of HK\$599.9 million (2019: HK\$571.1 million) and a gross profit of HK\$312.0 million (2019: HK\$359.1 million). Set out below is the turnover by segment:

	Six months ended 31 January			Six months ended 31 January		
	2020 ¹	2019 ¹	% change	2020	2019	% change
	(HK\$ million)	(HK\$ million)		(RMB million)	(RMB million)	
Rental income ²	410.8	425.4	-3.4%	370.2	373.5	-0.9%
Sale of properties	175.2	145.7	+20.2%	157.9	127.9	+23.5%
Theme park operation	13.9	—	N/A	12.5	—	N/A
Total:	599.9	571.1	+5.0%	540.6	501.4	+7.8%

1. The exchange rates adopted for the six months ended 31 January 2020 and 2019 are 0.9012 and 0.8780, respectively
2. Including rental turnover of major properties of the Group and property management income

Net loss attributable to owners of the Company was approximately HK\$442.4 million for the Period Under Review, as compared to net profit attributable to owners of the Company of HK\$69.0 million for the Last Corresponding Period. The decline in results was primarily due to the decrease in fair value of the investment properties held by the Group, resulting in the recognition of a significant fair value loss arising from the revaluation of the Group's investment properties for the Period Under Review.

Net loss per share was HK\$1.351 (2019: net profit of HK\$0.211 per share).

Management Discussion and Analysis (Continued)

OVERVIEW OF INTERIM RESULTS (CONTINUED)

Excluding the net effect of property revaluations, net loss attributable to owners of the Company was approximately HK\$213.1 million for the Period Under Review, as compared to the net loss of HK\$12.9 million for the Last Corresponding Period. Net loss per share excluding the effect of property revaluations was approximately HK\$0.6508 (2019: net loss of HK\$0.0395 per share).

Profit/(loss) attributable to owners of the Company (HK\$ million)	Six months ended 31 January	
	2020	2019
Reported	(442.4)	69.0
Adjustments in respect of investment properties		
Revaluation of properties	387.6	(109.7)
Deferred tax on investment properties	(96.9)	27.4
Non-controlling interests' share of revaluation movements less deferred tax	(61.4)	0.4
Net loss after tax excluding revaluation gains/losses of investment properties	(213.1)	(12.9)

Net assets attributable to owners of the Company as at 31 January 2020 amounted to HK\$14,918.4 million (31 July 2019: HK\$15,834.0 million). Net asset value per share attributable to owners of the Company decreased slightly to HK\$45.55 per share as at 31 January 2020 from HK\$48.36 per share as at 31 July 2019.

PROPERTY PORTFOLIO COMPOSITION

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 January 2020:

	Commercial/ Retail	Office	Hotels and Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental ¹	2,436 ²	1,067	—	—	3,503	2,274
Completed Hotels Properties and Serviced Apartments	—	—	975	—	975	—
Properties under Development ³	3,425	1,548	346	1,968	7,287	3,316
Completed Properties Held for Sale	34 ⁴	—	—	460	494	2,167
Total GFA of major properties of the Group	5,895	2,615	1,321	2,428	12,259	7,757

1. Completed and rental generating properties
2. Including cultural attraction spaces in Novotown Phase I that have been occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin with approximately 194,325 square feet and 40,309 square feet attributable to the Group, respectively
3. All properties under construction
4. Completed properties for sale, including 33,699 square feet of commercial space in Zhongshan Palm Spring which is currently for self-use

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT

Rental Income

For the six months ended 31 January 2020, the Group's rental operations recorded a turnover of HK\$410.8 million. The average Renminbi exchange rate for the Period under Review depreciated by approximately 2.6% compared with the Last Corresponding Period. Excluding the effect of currency translation, the Renminbi denominated revenue from lease of properties decreased slightly by 0.9% to RMB370.2 million.

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

	Six months ended 31 January			Six months ended 31 January			Period end occupancy (%)
	2020 [#] HK\$ million	2019 [#] HK\$ million	% Change	2020 RMB million	2019 RMB million	% Change	
Shanghai							
Shanghai Hong Kong Plaza	209.4	227.9	-8.1%	188.7	200.1	-5.7%	Retail: 97.5% Office: 90.4% Serviced Apartments: 64.1%
Shanghai May Flower Plaza	35.7	32.7	+9.2%	32.2	28.7	+12.2%	Retail: 100.0% Hotel: 57.7%
Shanghai Regents Park	11.7	10.6	+10.4%	10.6	9.3	+14.0%	100.0%
Guangzhou							
Guangzhou May Flower Plaza	62.8	65.1	-3.5%	56.6	57.2	+1.0%	98.3%
Guangzhou West Point	12.8	13.2	-3.0%	11.5	11.6	-0.9%	99.9%
Guangzhou Lai Fung Tower	61.5	62.9	-2.2%	55.4	55.2	+0.4%	Retail: 100.0% Office: 98.9%*
Zhongshan							
Zhongshan Palm Spring**	3.5	6.0	-41.7%	3.2	5.3	-39.6%	Retail: 84.4%*
Hengqin							
Hengqin Novotown	5.7	—	N/A	5.1	—	N/A	Retail: 75.8%*** Hotel: N/A****
Others	7.7	7.0	+10.0%	6.9	6.1	+13.1%	N/A
Total:	410.8	425.4	-3.4%	370.2	373.5	-0.9%	

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

* Excluding self-use area

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

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

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

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Rental Income (Continued)

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

	Six months ended 31 January 2020			Six months ended 31 January 2019		
	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK\$ million)	Attributable GFA (square feet)
Shanghai						
Shanghai Hong Kong Plaza	100%			100%		
Retail		98.4	468,434		106.9	468,434
Office		52.0	362,096		57.9	362,096
Serviced Apartments (room revenue and F&B)		56.0	355,267		60.0	355,267
Car-parking Spaces		3.0	N/A		3.1	N/A
		209.4	1,185,797		227.9	1,185,797
Shanghai May Flower Plaza	100%			100%		
Retail		17.3	320,314		13.5	320,314
Hotel (room revenue and F&B)		16.5	143,846		17.3	143,846
Car-parking Spaces		1.9	N/A		1.9	N/A
		35.7	464,160		32.7	464,160
Shanghai Regents Park	95%			95%		
Retail		10.6	77,959		8.9	77,959
Car-parking Spaces		1.1	N/A		1.7	N/A
		11.7	77,959		10.6	77,959
Guangzhou						
Guangzhou May Flower Plaza	100%			100%		
Retail		54.9	357,424		57.2	357,424
Office		6.5	79,431		6.6	79,431
Car-parking Spaces		1.4	N/A		1.3	N/A
		62.8	436,855		65.1	436,855
Guangzhou West Point	100%			100%		
Retail		12.8	171,968		13.2	171,968
Guangzhou Lai Fung Tower	100%			100%		
Retail		7.5	112,292		8.1	99,054
Office		51.1	625,821		52.1	606,495
Car-parking Spaces		2.9	N/A		2.7	N/A
		61.5	738,113		62.9	705,549
Zhongshan						
Zhongshan Palm Spring	100%			100%		
Retail*		3.5	147,408		3.2	147,408
Serviced Apartments** (room revenue)		—	N/A		2.8	98,556
		3.5	147,408		6.0	245,964
Hengqin						
Novotown Phase I	80%			80%		
Retail***		0.1	545,661		—	N/A
Hotel (room revenue and F&B)		5.6	475,805		—	N/A
		5.7	1,021,466		—	N/A
Others		7.7	N/A		7.0	N/A
Total:		410.8	4,243,726		425.4	3,288,252

* Excluding self-use area

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

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

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Review of Major Rental Properties

Shanghai Hong Kong Plaza

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

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

The Group owns 100% of this property.

Shanghai May Flower Plaza

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

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

Shanghai Regents Park

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

Guangzhou May Flower Plaza

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

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

The Group owns 100% of this property.

Management Discussion and Analysis (Continued)

PROPERTY INVESTMENT (CONTINUED)

Review of Major Rental Properties (Continued)

Guangzhou West Point

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

Guangzhou Lai Fung Tower

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

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

Zhongshan Palm Spring Rainbow Mall

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

Hengqin Novotown Phase I

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

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

Management Discussion and Analysis *(Continued)*

PROPERTY INVESTMENT *(CONTINUED)*

Review of Major Rental Properties *(Continued)*

Hengqin Novotown Phase I (Continued)

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

The Group owns 80% of the Novotown Phase I.

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

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

STARR Hotel Shanghai

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

Hyatt Regency Hengqin

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

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT

Recognised Sales

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

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

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

Before business tax and value-added tax inclusive

** The exchange rate adopted for the six months ended 31 January 2020 is 0.9012

* After business tax and value-added tax exclusive

Contracted Sales

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

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

Contracted Sales (Continued)

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

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

Before business tax and value-added tax inclusive

The exchange rate adopted for the six months ended 31 January 2020 is 0.9012

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

Review of Major Properties Completed for Sale and under Development

Shanghai Northgate Plaza redevelopment project

Shanghai Northgate Plaza I is located on Tian Mu Road West in the Jing'an District of Shanghai near the Shanghai Railway Terminal and comprises office units, a retail podium and car-parking spaces. Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. In September 2016, the Group completed the acquisition of the 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan which includes an office tower, a shopping mall and an underground car-parking structure and is expected to add a total GFA of approximately 693,600 square feet excluding car-parking spaces to the rental portfolio of the Group. This project is expected to complete in the second half of 2022.

Shanghai Wuli Bridge Project

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

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

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

Shanghai May Flower Plaza

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

Shanghai Regents Park

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

Guangzhou King's Park

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

Guangzhou Haizhu Plaza

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

Zhongshan Palm Spring

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

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

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

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

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

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

Zhongshan Palm Spring (Continued)

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

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

* Excluding car-parking spaces and ancillary facilities

Hengqin Novotown

Phase I

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

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

The Group owns 80% of the Novotown Phase I.

Phase II

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

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

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

Management Discussion and Analysis (Continued)

PROPERTY DEVELOPMENT (CONTINUED)

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

Hengqin Novotown (Continued)

Phase II (Continued)

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

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

The Group will continue to explore and evaluate potential strategic alliances and financing alternatives to accelerate the growth of Novotown.

CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE

As at 31 January 2020, cash and bank balances held by the Group amounted to HK\$2,463.1 million and undrawn facilities of the Group was HK\$3,756.0 million.

As at 31 January 2020, the Group had total borrowings amounting to HK\$9,883.2 million (as at 31 July 2019: HK\$9,119.2 million), representing an increase of HK\$764.0 million from 31 July 2019. The consolidated net assets attributable to the owners of the Company amounted to HK\$14,918.4 million (as at 31 July 2019: HK\$15,834.0 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 50% (as at 31 July 2019: 38%). The maturity profile of the Group's borrowings of HK\$9,883.2 million is well spread with HK\$1,090.6 million repayable within one year, HK\$3,340.5 million repayable in the second year, HK\$4,329.4 million repayable in the third to fifth years and HK\$1,122.7 million repayable beyond the fifth year.

Approximately 32% and 64% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the guaranteed notes, the Group's other borrowings of HK\$7,179.3 million were 49% denominated in Renminbi ("**RMB**"), 44% in Hong Kong dollars ("**HKD**") and 7% in United States dollars ("**USD**").

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

The Group's cash and bank balances of HK\$2,463.1 million were 80% denominated in RMB, 13% in HKD and 7% in USD.

Management Discussion and Analysis *(Continued)*

CAPITAL STRUCTURE, LIQUIDITY AND DEBT MATURITY PROFILE *(CONTINUED)*

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

Certain assets of the Group have been pledged to secure borrowings and bank facilities of the Group, including investment properties with a total carrying amount of approximately HK\$11,698.3 million, serviced apartments and related leasehold improvements with a total carrying amount of approximately HK\$416.5 million, completed properties for sale with a total carrying amount of approximately HK\$1,089.4 million and bank balances of approximately HK\$1,069.2 million.

Taking into account the amount of cash being held as at the end of the reporting period, the available banking facilities and the recurring cash flows from the Group's operating activities, the Group believes that it would have sufficient liquidity to finance its existing property development and investment projects.

CONTINGENT LIABILITIES

There has been no material change in contingent liabilities of the Group since 31 July 2019.

Particulars of Major Properties

COMPLETED PROPERTIES HELD FOR RENTAL

Property name	Location	Group interest	Tenure	Approximate attributable GFA (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	468,434	362,096	830,530	350
May Flower Plaza	Sujiaxiang, Jing'an District	100%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	320,314	—	320,314	—
Regents Park	88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,959	—	77,959	—
Subtotal of major completed properties held for rental in Shanghai:				866,707	362,096	1,228,803	350
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	357,424	79,431	436,855	136
West Point	Zhongshan Qi Road, Liwan District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	171,968	—	171,968	—
Lai Fung Tower	787 Dongfeng East Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	112,292	625,821	738,113	313
Subtotal of major completed properties held for rental in Guangzhou:				641,684	705,252	1,346,936	449
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	100%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	147,408	—	147,408	—
Subtotal of major completed properties held for rental in Zhongshan:				147,408	—	147,408	—

Particulars of Major Properties (Continued)

COMPLETED PROPERTIES HELD FOR RENTAL (CONTINUED)

Property name	Location	Group interest	Tenure	Approximate attributable GFA (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Hengqin							
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai	80%	The property is held for a term of 40 years for office, commercial and serviced apartment and hotel uses and 50 years for other uses commencing on 31 December 2013	780,294*	—	780,294	1,475
Subtotal of major completed properties held for rental in Hengqin:				780,294	—	780,294	1,475
Total of major completed properties held for rental:				2,436,093	1,067,348	3,503,441	2,274

* Including cultural attraction spaces occupied by Lionsgate Entertainment World® and National Geographic Ultimate Explorer Hengqin with attributable GFA of approximately 194,325 sq.ft. and 40,309 sq.ft., respectively

Particulars of Major Properties (Continued)

COMPLETED HOTEL PROPERTIES AND SERVICED APARTMENTS

Property name	Location	Group interest	Tenure	No. of rooms	Approximate attributable GFA (square feet)	No. of car-parking spaces attributable to the Group
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District	100%	The property is held for a term of 50 years commencing on 16 September 1992	300	355,267	—
STARR Hotel Shanghai	Sujiaxiang, Jing'an District	100%	The property is held for a term of 50 years for commercial use commencing on 5 February 2007	239	143,846	—
Subtotal of major completed hotel properties and serviced apartments in Shanghai:				539	499,113	—
Hengqin						
Hyatt Regency Hengqin	1295 Qisecaihong Road, Hengqin, Zhuhai	80%	The property is held for a term of 40 years commencing on 31 December 2013	493	475,805	—
Subtotal of major completed hotel properties and serviced apartments in Hengqin:				493	475,805	—
Total of major completed hotel properties and serviced apartments:				1,032	974,918	—

Particulars of Major Properties (Continued)

PROPERTIES UNDER DEVELOPMENT

Property name	Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) (Note 1)	Approximate attributable GFA (square feet)				Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
						Commercial/ Retail	Office	Serviced apartments	Residential		
Guangzhou											
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Construction work in progress	H1 2023	90,708	104,163	476,662	—	—	580,825	305
Subtotal of major properties under development in Guangzhou:						104,163	476,662	—	—	580,825	305
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase 3: Q3 2020 Phase 4: Q3 2021	2,547,298 (Note 2)	131,493	—	—	1,967,670	2,099,163	1,446
Subtotal of major properties under development in Zhongshan:						131,493	—	—	1,967,670	2,099,163	1,446
Shanghai											
Northgate Plaza redevelopment project	Tian Mu Road West, Jing'an District	100%	Construction work in progress	H2 2022	107,223	94,174	599,426	—	—	693,600	554
Subtotal of major properties under development in Shanghai:						94,174	599,426	—	—	693,600	554
Hengqin											
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai	80%	Construction work substantially completed	H1 2020 (Note 3)	1,401,184 (Note 2)	—	472,396	345,620	—	818,016	—
Novotown Phase II	East side of Yiwener Road, south side of Xiangjiang Road, west side of Yiwenyi Road and north side of Zhishui Road, Hengqin New Area, Zhuhai	100%	Construction work in progress	2023	1,547,523	3,095,045	—	—	—	3,095,045	1,011
Subtotal of major properties under development in Hengqin:						3,095,045	472,396	345,620	—	3,913,061	1,011
Total of major properties under development:						3,424,875	1,548,484	345,620	1,967,670	7,286,649	3,316

Note 1: On project basis

Note 2: Including portions of the projects that have been completed for sale/sold/leased

Note 3: Pending for the filing of as-built inspection with relevant construction administrative department of the Chinese government

Particulars of Major Properties (Continued)

COMPLETED PROPERTIES HELD FOR SALE

Property name	Location	Group interest	Approximate attributable GFA (square feet)				Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
			Commercial/Retail	Residential	Office			
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	100%	33,699	261,012	—	294,711	1,215	
Subtotal of major completed properties held for sale in Zhongshan:			33,699	261,012	—	294,711	1,215	
Hengqin								
Novotown Phase I	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai	80%	—	120,733	—	120,733	—	
Subtotal of major completed properties held for sale in Hengqin:			—	120,733	—	120,733	—	
Shanghai								
Wuli Bridge Project	Wuliqiao Road, 104 Jie Fang, Huangpu District	100%	—	77,856	—	77,856	95	
May Flower Plaza	Sujiaxiang, Jing'an District	100%	—	—	—	—	458	
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	235	
Subtotal of major completed properties held for sale in Shanghai:			—	77,856	—	77,856	788	
Guangzhou								
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	—	—	—	—	13	
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	50%	—	—	—	—	17	
King's Park	Donghua Dong Road, Yuexiu District	100%	—	—	—	—	13	
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	121	
Subtotal of major completed properties held for sale in Guangzhou:			—	—	—	—	164	
Total of major completed properties held for sale:			33,699	459,601	—	493,300	2,167	

Corporate Governance and Other Information

CORPORATE GOVERNANCE

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

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

None of the existing non-executive directors (“**NEDs**”, including the independent non-executive directors (“**INEDs**”)) of the Company is appointed for a specific term. However, all directors of the Company (“**Directors**”) are subject to the retirement provisions of the Amended and Restated Articles of Association of the Company (“**Articles of Association**”) which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by the shareholders of the Company (“**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, in accordance with the provisions of the Articles of Association, any person appointed by the Board as a Director (including a NED) either to fill a casual vacancy or as an addition to the Board 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 (in the case of an addition to the Board) and will then be eligible for re-election. 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. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**EDs**”). In January 2019, the Company adopted the Nomination Policy which sets out the criteria, process and procedures by which the Company will select candidate for possible inclusion in the Board. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

Board

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

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

The Board currently comprises 15 members, of whom eight are EDs, two are NEDs and the remaining five are INEDs. The current composition of the Board is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills. The current Board comprises individuals who are professionals with real estate, investment, banking, accounting, financial, general management and legal backgrounds.

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

Corporate Governance and Other Information *(Continued)*

CORPORATE GOVERNANCE *(CONTINUED)*

Board *(Continued)*

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

Chairman and Chief Executive

During the six months ended 31 January 2020 and up to the date of this Interim Report, Mr. Chew Fook Aun was the Chairman of the Board while Mr. Lam Hau Yin, Lester acted as the Chief Executive Officer of the Company. This segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is defined.

SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

Corporate Governance and Other Information (Continued)

SHARE OPTION SCHEMES

On 18 December 2012, the Shareholders approved the adoption of a new share option scheme (“**2012 Share Option Scheme**”) and the termination of the share option scheme adopted by the Company on 21 August 2003 (as amended on 8 August 2018) (“**2003 Share Option Scheme**”) to the effect that no more share options will be granted under the 2003 Share Option Scheme but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

As at 31 January 2020, share options comprising a total of 11,124,526 underlying shares were outstanding, of which a share option comprising 900,000 underlying shares was granted under the 2003 Share Option Scheme and share options comprising 10,224,526 underlying shares were granted under the 2012 Share Option Scheme.

The movement of the share options granted under the 2003 Share Option Scheme and the 2012 Share Option Scheme during the six months ended 31 January 2020 is as follows:

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

Notes:

- The share options vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues or other similar changes in the Company's share capital.
- The closing price of the Company's shares immediately before the exercise date of the share option was HK\$7.04 per share.
- The closing price of the Company's shares immediately before the date of grant of the share option was HK\$6.760 per share.
- Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong) was granted a share option to subscribe for a total of 321,918 shares of the Company on 18 January 2013.

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Share Option Scheme and the 2012 Share Option Scheme during the period under review.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 January 2020 and their respective close associates (as defined in the Listing Rules) were interested or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (“Register of Directors and Chief Executive”); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Securities Code adopted by the Company; or (d) as known to the Directors:

(1) The Company

Long positions in the ordinary shares of HK\$5.00 each of the Company (“Shares”) and underlying Shares

Name of Director	Capacity	Number of Shares		Number of underlying Shares	Total	Approximate percentage of total issued Shares (Note 2)
		Personal interests	Corporate interests	Personal Interests (Note 1)		
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	709,591 (Note 3)	900,000	1,609,591	0.49%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	3,219,182	3,219,182	0.97%
Cheng Shin How	Beneficial owner	Nil	Nil	643,836	643,836	0.19%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	640,000	640,000	0.19%
Tham Seng Yum, Ronald	Beneficial owner	Nil	Nil	500,000	500,000	0.15%

Notes:

1. These interests in underlying Shares represented interests in share options granted to the Directors under the share option schemes of the Company. Particulars of which are contained in the section headed “Share Option Schemes” of this Interim Report.
2. The percentage has been compiled based on the total number of issued Shares as at 31 January 2020 (i.e. 327,496,556 Shares). As at the date of this Interim Report, the total number of issued Shares was 331,033,443.
3. These Shares are held by The Orchid Growers Association Limited, the entire issued share capital of which is beneficially owned by Mr. Chew Fook Aun.

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated corporations of the Company

(i) eSun Holdings Limited (“eSun”)

Long positions in the ordinary shares of HK\$0.50 each of eSun (“eSun Shares”)

Name of Director	Capacity	Number of eSun Shares		Approximate percentage of total issued eSun Shares (Note)
		Personal interests	Total	
Lam Hau Yin, Lester	Beneficial owner	2,794,443		0.19%

Note: The percentage has been compiled based on the total number of issued eSun Shares as at 31 January 2020 (i.e. 1,491,854,598 eSun Shares).

(ii) Lai Sun Development Company Limited (“LSD”)

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

Name of Director	Capacity	Number of LSD Shares		Number of underlying LSD Shares		Approximate percentage of total issued LSD Shares (Note 2)
		Personal interests	Corporate interests	Personal interests	Total	
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	400,000 (Note 3)	3,773,081	4,173,081	0.69%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	4,173,081	4,173,081	0.69%
Lee Tze Yan, Ernest	Beneficial owner	Nil	Nil	832,000	832,000	0.14%
Tham Seng Yum, Ronald	Beneficial owner	Nil	Nil	800,000	800,000	0.13%
U Po Chu	Beneficial owner	26,919	Nil	Nil	26,919	0.01%

Notes:

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

Name of Director	Date of grant	Number of underlying LSD Shares comprised in share options	Option period	Exercise price per LSD Share (HK\$)
Chew Fook Aun	05/06/2012	3,773,081	05/06/2012 – 04/06/2022	5.35
Lam Hau Yin, Lester	18/01/2013	4,173,081	18/01/2013 – 17/01/2023	16.10
Lee Tze Yan, Ernest	18/01/2013	832,000	18/01/2013 – 17/01/2023	16.10
Tham Seng Yum, Ronald	19/08/2019	800,000	19/08/2019 – 18/08/2029	9.92

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated corporations of the Company (Continued)

(ii) Lai Sun Development Company Limited (“LSD”) (Continued)

Notes: (Continued)

- The percentage has been compiled based on the total number of issued LSD Shares as at 31 January 2020 (i.e. 606,464,125 LSD Shares). As at the date of this Interim Report, the total number of issued LSD Shares was 610,268,025.
- These LSD Shares are held by The Orchid Growers Association Limited, the entire issued share capital of which is beneficially owned by Mr. Chew Fook Aun.

(iii) Lai Sun Garment (International) Limited (“LSG”)

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

Name of Director	Capacity	Number of LSG Shares		Number of underlying LSG Shares	Total	Approximate percentage of total issued LSG Shares (Note 2)
		Personal interests	Corporate interests	Personal interests (Note 1)		
Chew Fook Aun	Beneficial owner/ Owner of controlled corporation	Nil	202,422 (Note 3)	3,819,204	4,021,626	1.04%
Lam Kin Ming	Beneficial owner	1,013,879 (Note 4)	Nil	Nil	1,013,879	0.26%
Lam Hau Yin, Lester	Beneficial owner	12,366,937 (Note 5)	Nil	7,571,626	19,938,563	5.15%
U Po Chu	Beneficial owner	825,525	Nil	Nil	825,525	0.21%

Notes:

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

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

Corporate Governance and Other Information (Continued)

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated corporations of the Company (Continued)

(iii) Lai Sun Garment (International) Limited (“LSG”) (Continued)

Notes: (Continued)

2. The percentage has been compiled based on the total number of issued LSG Shares as at 31 January 2020 (i.e. 386,879,622 LSG Shares). As at the date of this Interim Report, the total number of issued LSG Shares was 388,482,959.
3. These LSG Shares are held by The Orchid Growers Association Limited, the entire issued share capital of which is beneficially owned by Mr. Chew Fook Aun.
4. As at the date of this Interim Report, Dr. Lam Kin Ming was interested in 1,021,443 LSG Shares.
5. As at the date of this Interim Report, Mr. Lam Hau Yin, Lester was interested in 12,459,208 LSG Shares.

(iv) LSD Bonds (2017) Limited

Long position in the 4.6% guaranteed notes due 2022

Name of Director	Capacity	Nature of interests	Principal amount
Mak Wing Sum, Alvin	Beneficial owner	Personal	US\$200,000 (Note)

Note: These notes were jointly held by Mr. Mak Wing Sum, Alvin and his spouse.

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

Corporate Governance and Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS

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

(A) Long positions in the Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares (Note 1)
Substantial Shareholders				
eSun Holdings Limited (" eSun ")	Owner of controlled corporations	Corporate	165,485,406 (Note 2)	50.53%
Lai Sun Development Company Limited (" LSD ")	Owner of controlled corporations	Corporate	165,502,573 (Note 3)	50.54%
Lai Sun Garment (International) Limited (" LSG ")	Owner of controlled corporations	Corporate	165,502,573 (Note 3)	50.54%
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	165,502,573 (Note 4)	50.54%
Merit Worth Limited (" MWL ")	Beneficial owner and owner of controlled corporation	Corporate	165,485,406 (Note 5)	50.53%
Silver Glory Securities Limited (" SGS ")	Beneficial owner	Corporate	77,780,773 (Note 5)	23.75%
CapitaLand China Holdings Pte Ltd (" CapitaLand China ")	Owner of controlled corporation	Corporate	64,400,000 (Note 6)	19.66%
CapitaLand China Investments Limited (" CapitaLand Investments ")	Owner of controlled corporations	Corporate	64,400,000 (Note 6)	19.66%
CapitaLand LF (Cayman) Holdings Co., Ltd. (" CapitaLand Cayman ")	Beneficial owner	Corporate	64,400,000	19.66%
CapitaLand Limited	Owner of controlled corporations	Corporate	64,400,000 (Note 6)	19.66%
Temasek Holdings (Private) Limited (" Temasek ")	Owner of controlled corporations	Corporate	64,400,000 (Note 6)	19.66%

Corporate Governance and Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS (CONTINUED)

(A) Long positions in the Shares of the Company (Continued)

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares (Note 1)
Yu Cheuk Yi	Beneficial owner	Personal	32,864,637 (Note 7)	10.04%
Yu Siu Yuk	Beneficial owner	Personal	32,864,637 (Note 7)	10.04%
Other Person				
Moerus Capital Management LLC	Investment manager	Corporate	26,189,425 (Note 8)	7.99%

Notes:

1. The percentage has been compiled based on the total number of issued Shares as at 31 January 2020 (i.e. 327,496,556 Shares). As at the date of this Interim Report, the total number of issued Shares was 331,033,443.
2. These interests in the Company represented all the Shares beneficially owned by MWL (87,704,633 Shares or approximately 26.78% of the total issued Shares) and SGS (77,780,773 Shares or approximately 23.75% of the total issued Shares), both being wholly-owned subsidiaries of eSun. As at the date of this Interim Report, MWL owned 89,457,323 Shares and SGS owned 79,335,144 Shares, representing approximately 27.02% and 23.97% of the total issued Shares, respectively.
3. LSG owned approximately 56.07% shareholding interests in LSD while LSD owned 74.62% shareholding interests in eSun. As such, LSG and LSD were both deemed to be interested in the same 165,485,406 Shares in which eSun had interests. Transtrend Holdings Limited ("**Transtrend**", a wholly-owned subsidiary of LSD) owned 17,167 Shares. LSG and LSD were both deemed to be interested in the same 17,167 Shares owned by Transtrend. As at the date of this Interim Report, LSG owned approximately 56.30% shareholding interests in LSD and Transtrend owned 17,510 Shares.
4. Dr. Lam Kin Ngok, Peter was deemed to be interested in 165,485,406 Shares held by eSun and 17,167 Shares held by Transtrend in the issued share capital of the Company by virtue of his personal and deemed shareholding interests in approximately 41.96% (excluding share option) of the issued share capital of LSG. As at the date of this Interim Report, Dr. Lam Kin Ngok, Peter was deemed to be interested in 42.10% (excluding share option) of the issued share capital of LSG which in turn owned approximately 56.30% shareholding interests in LSD while LSD owned 74.62% shareholding interests in eSun which in turn owned 50.99% shareholding interests in the Company.
5. SGS is wholly owned by MWL which in turn is wholly owned by eSun. Therefore, MWL was deemed to be interested in the 77,780,773 Shares held by SGS and eSun was deemed to be interested in the 165,485,406 Shares held and deemed to be held by MWL. As at the date of this Interim Report, eSun was deemed to be interested in 168,792,467 Shares.
6. These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which in turn is wholly owned by CapitaLand Investments while CapitaLand Investments is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 64,400,000 Shares held by CapitaLand Cayman by virtue of its approximate 51.01% indirect interest in the issued share capital of CapitaLand Limited. As at the date of this Interim Report, CapitaLand Cayman owned 19.45% shareholding interests in the Company.
7. Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk (collectively "**YUs**") were both taken to be interested in the same 32,864,637 Shares which were held jointly by them. As at the date of this Interim Report, YUs was interested in 34,584,237 Shares.
8. Moerus Capital Management LLC held 26,189,425 Shares in the capacity of investment manager.

Corporate Governance and Other Information (Continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS (CONTINUED)

(B) Long positions in the underlying Shares of the Company

Name	Capacity	Number of underlying Shares	Approximate percentage of total issued Shares (Note 1)
Lam Kin Ngok, Peter	Beneficial Owner	321,918 (Note 2)	0.10%

Notes:

1. The percentage has been compiled based on the total number of issued Shares as at 31 January 2020 (i.e. 327,469,556 Shares). As at the date of this Interim Report, the total number of issued Shares is 331,033,443 Shares.
2. The interests in underlying Shares represented interests in a share option granted to Dr. Lam Kin Ngok, Peter under the share option scheme of the Company. Particulars of which are set out in the section headed "Share Option Schemes" of this Interim Report.

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 January 2020, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISCLOSURE PURSUANT TO PARAGRAPH 13.21 OF CHAPTER 13 OF THE LISTING RULES

On 27 October 2017, two non-wholly owned subsidiaries of the Company, as borrowers, entered into facility agreements pursuant to which two 10-year term loan facilities of amounts up to RMB670,000,000 and RMB68,000,000 were granted to the two borrowers, respectively. The facility agreements were amended on 14 June 2019, pursuant to which eSun shall remain as a holding company of the two borrowers. Upon a breach of this covenant, the lender may, inter alia, declare that the outstanding liabilities under the facilities become immediately due and cancel the remaining undrawn facilities.

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

Corporate Governance and Other Information *(Continued)*

UPDATE ON DIRECTORS' INFORMATION

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

- (a) Mr. Lam Kin Hong, Matthew ceased to be a member of the Central Advisory Committee and the Chairman of the Publicity Committee of the Senior Police Call on 31 December 2019.
- (b) Mr. Tham Seng Yum, Ronald was appointed the Chairman of the Registration and Practising Committee of the Hong Kong Institute of Certified Public Accountants on 24 January 2020.
- (c) Mr. Mak Wing Sum, Alvin resigned as an independent non-executive director of I.T Limited with effect from 2 December 2019.
- (d) The Group usually considers adjusting basic salaries and pays discretionary bonuses in January. Directors' remuneration for the six months ended 31 January 2020 and 2019 are as follows:

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension Scheme contributions HK\$'000	Total remuneration HK\$'000
For the six months ended 31 January 2020					
<i>Executive directors:</i>					
Chew Fook Aun	—	2,336	—	9	2,345
Lam Kin Ming	—	570	—	—	570
Lam Kin Hong, Matthew	—	570	—	29	599
Lam Hau Yin, Lester	—	862	—	9	871
Cheng Shin How	—	3,851	—	9	3,860
Lee Tze Yan, Ernest	—	927	—	9	936
Tham Seng Yum, Ronald (appointed on 19 August 2019)	—	2,081	674	9	2,764
U Po Chu	—	2,126	—	—	2,126
		13,323	674	74	14,071
<i>Non-executive directors:</i>					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Puah Tze Shyang	—	—	—	—	—
	—	—	—	—	—
<i>Independent non-executive directors:</i>					
Ku Moon Lun	175	—	—	—	175
Lam Bing Kwan	175	—	—	—	175
Law Kin Ho	175	—	—	—	175
Mak Wing Sum, Alvin	175	—	—	—	175
Shek Lai Him, Abraham	175	—	—	—	175
	875	—	—	—	875
Total	875	13,323	674	74	14,946

Corporate Governance and Other Information (Continued)

UPDATE ON DIRECTORS' INFORMATION (CONTINUED)

(d) (Continued)

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Equity-settled share option expense HK\$'000	Pension Scheme contributions HK\$'000	Total remuneration HK\$'000
For the six months ended 31 January 2019					
<i>Executive directors:</i>					
Chew Fook Aun	—	2,591	—	9	2,600
Lam Kin Ming	—	570	—	—	570
Lam Kin Hong, Matthew	—	570	—	29	599
Lam Hau Yin, Lester	—	938	—	9	947
Cheng Shin How	—	4,131	—	9	4,140
Lee Tze Yan, Ernest	—	899	—	9	908
U Po Chu	—	2,137	—	—	2,137
		11,836	—	65	11,901
<i>Non-executive directors:</i>					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Puah Tze Shyang	—	—	—	—	—
	—	—	—	—	—
<i>Independent non-executive directors:</i>					
Ku Moon Lun	150	—	—	—	150
Lam Bing Kwan	150	—	—	—	150
Law Kin Ho	150	—	—	—	150
Mak Wing Sum, Alvin	150	—	—	—	150
Shek Lai Him, Abraham	150	—	—	—	150
	750	—	—	—	750
Total	750	11,836	—	65	12,651

EMPLOYEES AND REMUNERATION POLICIES

As at 31 January 2020, the Group employed a total of around 2,000 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Corporate Governance and Other Information *(Continued)*

INVESTOR RELATIONS

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

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

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

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@laifung.com.

REVIEW OF INTERIM REPORT

The audit committee of the Company ("**Audit Committee**") currently comprises two of the INEDs, namely Mr. Law Kin Ho and Mr. Lam Bing Kwan, and a NED, Mr. Lucas Ignatius Loh Jen Yuh (alternate Director: Mr. Puah Tze Shyang). The Audit Committee has reviewed the interim report (containing the unaudited condensed consolidated financial statements) of the Company for the six months ended 31 January 2020.

By Order of the Board
Chew Fook Aun
Chairman

Hong Kong, 27 March 2020