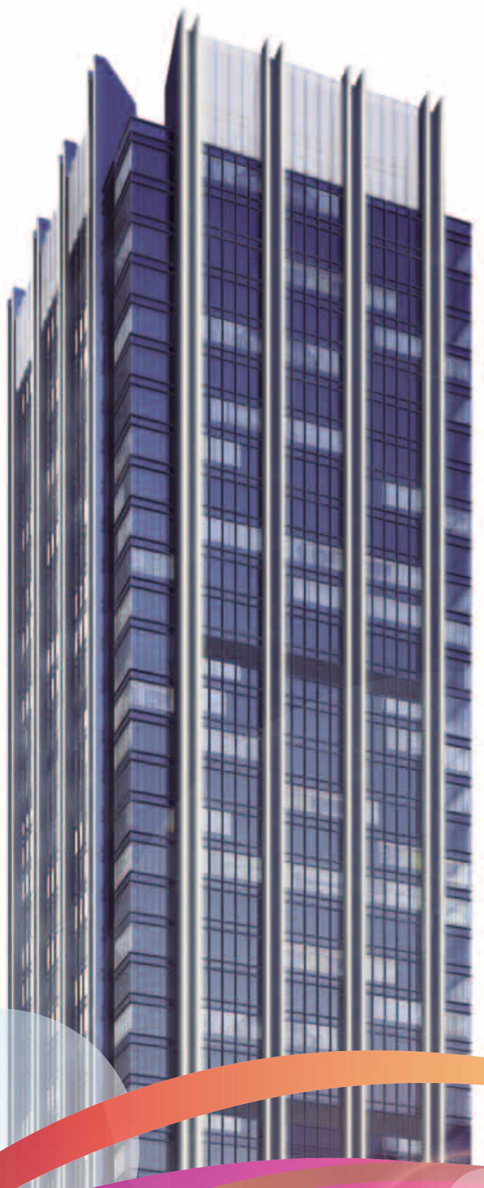
eSun Holdings Limited
豐德麗控股有限公司

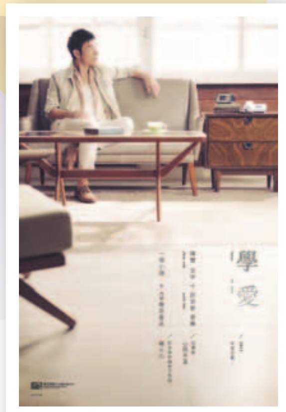
(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 571)



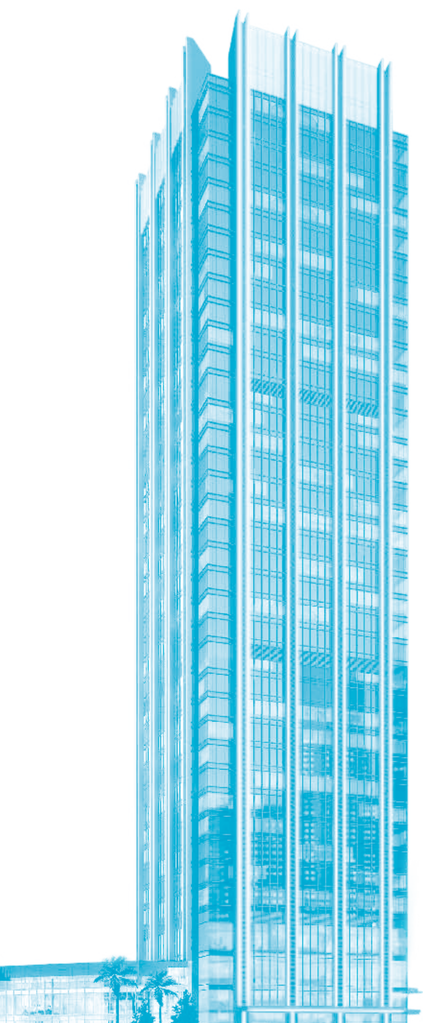
Annual Report

Year ended 31 July 2012
二零一二年七月三十一日止年度報告



We are
evolving
for the future

我們為未來演進



Cover Photo:
Office Tower of Guangzhou Eastern Place Phase V — a residential / office / commercial property of the Company's subsidiary Lai Fung Holdings Limited located at Guangzhou, Mainland China

封面圖片
本公司附屬公司麗豐控股有限公司位於中國廣州之住宅／辦公樓／商業物業 — 廣州東風廣場第五期（辦公樓）

CONTENTS

CORPORATE INFORMATION

Place of Incorporation

Bermuda

Board of Directors

Executive Directors

Lam Kin Ngok, Peter
Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Chew Fook Aun

Non-executive Directors

U Po Chu
Andrew Y. Yan

Independent Non-executive Directors

Low Chee Keong *(Chairman)*
Alfred Donald Yap
Ng Lai Man, Carmen
Lo Kwok Kwei, David

Audit Committee

Ng Lai Man, Carmen *(Chairwoman)*
Alfred Donald Yap
Low Chee Keong

Remuneration Committee

Low Chee Keong *(Chairman)*
Ng Lai Man, Carmen
Alfred Donald Yap
Lui Siu Tsuen, Richard

Authorised Representatives

Lui Siu Tsuen, Richard
Kwok Siu Man

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office

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

Tel: (852) 2741 0391
Fax: (852) 2785 2775

Company Secretary

Kwok Siu Man

Share Registrars and Transfer Office in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Branch Share Registrars and Transfer Office in Hong Kong

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Independent Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China Limited
China CITIC Bank Corporation Limited
China Construction Bank Corporation
The Bank of East Asia, Limited

Shares Information

Place of Listing

The Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

571

Board Lot

2,000 shares

Website

www.esun.com

Investor Relations

ir@esun.com

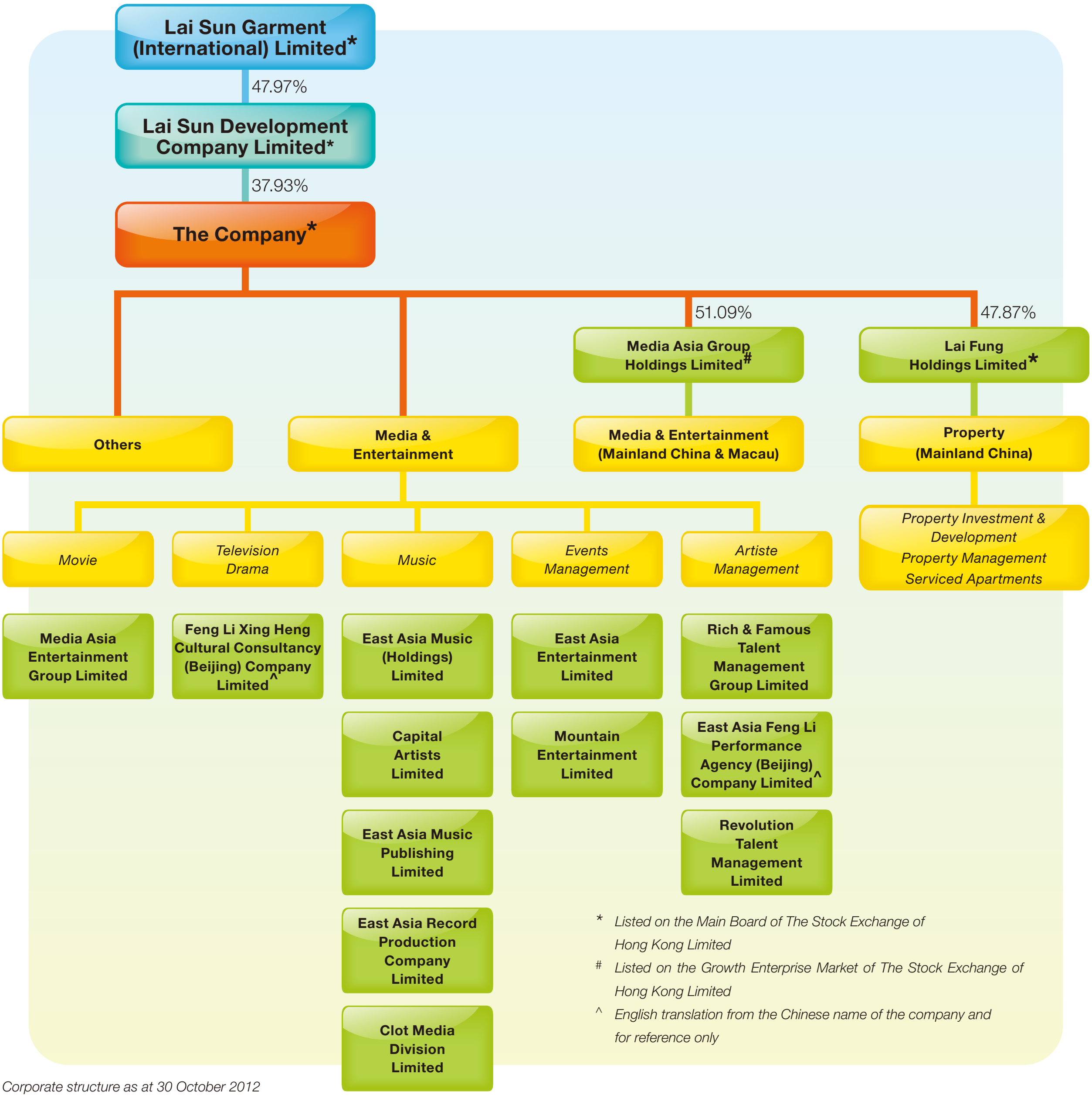
Notes:
With effect from 1 November 2012,
1. Mr. Lam Hau Yin, Lester will be appointed an Executive Director;
2. Mr. Chew Fook Aun ("Mr. Chew"), an Executive Director, will be appointed a member of the Remuneration Committee;
3. Mr. Chew will be appointed an Authorised Representative in place of Mr. Lui Siu Tsuen, Richard; and
4. the address of the Share Registrars and Transfer Office in Bermuda will be changed to 26 Burnaby Street, Hamilton HM 11, Bermuda.

CORPORATE PROFILE

eSun Holdings Limited ("**Company**") is a member of the Lai Sun Group which has been established in Hong Kong since 1947. The Company acted as an investment holding company during the year. The principal activities of its subsidiaries included the development and operation of and investment in media, entertainment, music production and distribution, the investment in and production and distribution of television programs, film and video format products, the provision of advertising agency services, the sale of cosmetic products and property development and investment.

Since 9 June 2011, Media Asia Group Holdings Limited ("**MAGHL**", formerly known as "Rojam Entertainment Holdings Limited") has become a subsidiary of the Company. MAGHL is a GEM Board listed company in Hong Kong (Stock Code: 8075). The Company currently holds about 51.09% of the issued shares in MAGHL which is diversified to engage in entertainment businesses including music, film, artiste management, television drama and entertainment consultancy services, and which primarily focuses on Mainland China and Macau markets.

In addition, as at 30 October 2012, the Company held about 47.87% of the issued shares in Lai Fung Holdings Limited, a Main Board listed company in Hong Kong (Stock Code: 1125), which is engaged in property development and investment in Mainland China.



Corporate structure as at 30 October 2012

CHAIRMAN'S STATEMENT

Low Chee Keong
Chairman

I am pleased to present the audited consolidated results of eSun Holdings Limited ("**Company**") and its subsidiaries ("**Group**") for the year ended 31 July 2012. We have early adopted a number of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") this year. One of which, HKFRS 10 *Consolidated Financial Statements*, allowed us to consolidate the results of Lai Fung Holdings Limited ("**Lai Fung**") from 11 June 2012 onwards while Lai Fung remained as an associate for the seven months ended 31 July 2011 ("**Period**") and prior to 11 June 2012.

Overview of Final Results

For the year ended 31 July 2012, the Group recorded a turnover of HK$702.2 million (Period: HK$316.3 million), representing an increase of 30% over the pro-forma annualised turnover of the Group for the Period. The Group recorded a net profit after tax attributable to shareholders of HK$1,161.6 million (Period: HK$524.5 million). The substantial increase in net profit after tax was dominated by the increase in gain on bargain purchase from acquisition of the additional interest in Lai Fung.

Shareholders' equity as at 31 July 2012 amounted to HK$7,997.9 million (2011: HK$6,837.5 million), bolstered by the strong asset base of Lai Fung after consolidation of its accounts. Net asset value per share attributable to owners of the Company similarly increased to HK$6.433 (2011: HK$5.506).

Final Dividend

The board of directors of the Company ("**Board**") does not recommend the payment of dividend for the year ended 31 July 2012 (Period: Nil).

Business Review and Outlook

The Group delivered an encouraging performance for the year under review. Momentum for the media and entertainment and film production and distribution businesses remained steady and is expected to continue given an underlying schedule of new releases in movies, events and music albums for the next 12 months.

"The Company has further strengthened its steady fundamentals and results through the consolidation of Lai Fung Holdings Limited."

Guangzhou Eastern Place Phase V Residential Blocks

Media Asia Group Holdings Limited ("**MAGHL**")

Acquisition of MAGHL (in which the Company has a 51.09% shareholding interest) has provided us with a dedicated platform to better leverage our resources to deliver our China strategy in this segment, including film production, music production, distribution and publishing, artiste management, new media (such as internet content licensing), live entertainment and television programme production and distribution. The acquisition of Media Magic Holdings Limited, which is principally engaged in entertainment content production and artiste management in Mainland China, has secured the services of seasoned directors, producers and artiste managers as well as artistes which greatly facilitate MAGHL's development in the related markets. We are confident that MAGHL's financial contribution to the Group to improve going forward and deliver shareholders' value.

Lai Fung Holdings Limited ("**Lai Fung**")

After completion of the Lai Fung open offer and additional purchases from the open market, the Group now owns 47.87% shareholding interest in Lai Fung which is accounted as a subsidiary effective from 11 June 2012 upon the Board's adoption of HKFRS 10.

Prudent macro policies and various tightening measures on the property market adopted by the Central Government to rein back a property bubble was the dominating theme for the property sector in Mainland China throughout the year under review. With the continuing enforcement of the tight credit policy and restrictions on home purchases throughout the year 2011, the China property market has inevitably slowed down towards the end of 2011, particularly in the residential property market. The contraction in transaction volume persisted in the first few months of 2012 where the broad policy direction on curbing the property market remained unchanged. Notwithstanding these challenging conditions, Lai Fung delivered an encouraging set of results. Growth in turnover and profit translated into steady growth in net asset value.

CHAIRMAN'S STATEMENT

Further expansion through mergers and acquisitions

The Group will continue to look for suitable investment opportunities that have synergies with its existing core businesses in Hong Kong and overseas. In particular, the Group will look for investment opportunities that have good cash yield and potential for long-term capital appreciation.

Other matters relating to the Company

*Litigation with Passport Special Opportunities Master Fund, LP and Passport Global Master Fund SPC Limited ("**Passport**")*

In December 2008, Passport, a substantial shareholder of the Company at the time, commenced litigation against the Company, alleging that the Company had entered into a placement exercise for an improper purpose of diluting Passport's shareholding in the Company. Passport also alleged, in the alternative, that the directors of the Company failed to have proper regard to the interest of the minority shareholders when making the decision to enter into the placement, and were therefore in breach of their fiduciary duty. The trial took place between November 2009 and January 2010. In June 2011, the court issued a judgment in favour of the Company and dismissed Passport's claims against the Company and the directors. In January 2012, the court further ordered Passport to pay the Company's costs of the trial despite Passport's objections.

Although Passport filed a notice to appeal the judgment, Passport subsequently withdrew the appeal on 12 June 2012. On 13 June 2012, the appeal was dismissed by consent of the parties on the terms that Passport had agreed to pay the Company's legal costs (to be taxed if not agreed). As of the date of this annual report, Passport and the Company are still in negotiations with regard to the legal costs.

Outlook

Media and entertainment/film production and distribution

Backed by government support of the cultural industry, the entertainment and media spending of Mainland China reached USD109 billion in 2011 and it surpassed Germany to become the world's third largest media and entertainment market. It is expected that the media and entertainment spending of Mainland China would top USD190 billion by 2016, with a compound annual growth of approximately 12%. The Group continues to further expand its media and entertainment businesses aiming to build up its brand name and maximise income from its film, television, music, live entertainment, talent management and new media operations in Mainland China in order to capitalise on this fast growing industry.

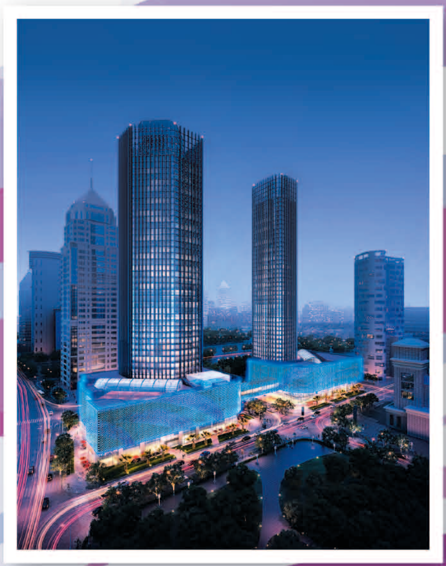
The Group anticipates that a number of its films under production will be released in the coming financial year. By leveraging on our established network, we are actively pursuing opportunities to collaborate with renowned studios, directors and producers in investing and producing high-quality Chinese language films that appeal to the Mainland China market, with the objectives of expanding market share and increasing our film revenue.

The Group plans to increase the volume of its investment and/or production in concerts and live entertainment, particularly in Mainland China, in the coming financial year. In order to bring to the Chinese audience more exuberant choices in live entertainment experiences, the Group will diversify its live performance events from major pop concerts to musical performances and location based entertainment events with popular local as well as international artistes.

The Group believes that a strong artiste roster will complement its media and entertainment businesses. Apart from working with and securing an increasing number of successful and famous artistes in Hong Kong and Mainland China, the Group has recruited a group of new talents in 2012. The Group will continue to look for opportunities in cooperating with high profile Asian artistes and explore new talents in Asia to provide a fresh supply of artistes for its entertainment projects.

CHAIRMAN'S STATEMENT

Zhongshan Palm Spring — High-rise Residential Towers



Shanghai Hong Kong Plaza

Zhongshan Palm Spring

In view of the continued strong demand for good quality television drama from TV stations and online video website operators in Mainland China, the Group will increase its investment and/or production of premium quality programmes with well-known producers and artistes. Meanwhile, the Group will continue its efforts in developing relationships with major television networks, production teams and video websites operators in Mainland China and will actively seek opportunities in investment in other television programme genre such as variety shows.

In light of the enormous yet continuously growing Mainland China market, the Group endeavors to continue expansion of its integrated entertainment platform with the view to provide the most valuable and competitive Chinese language content. The Group will explore cooperation and investment opportunities so as to enrich its portfolio and broaden its income stream with primary focus in the Mainland China market.

Mainland China property development and investment

The Group expects certain restrictive measures such as the home purchase restrictions will remain in force for the foreseeable future. In light of this, the Group has adopted a prudent yet flexible approach with the objective of preserving margin and optimising long-term value for shareholders. The Group believes that it is well-positioned to take advantage of the pent-up demand with its projects currently under development.

Going forward, the Group intends to expand the investment property portfolio through retaining any sizeable commercial and retail elements that it develops to improve recurring income which will form the core rental income portfolio for the future.

The retail podium and basement of Shanghai May Flower Plaza with a gross floor area ("**GFA**") of approximately 320,311 square feet has been added to the rental portfolio which has been fully opened since the period end and substantially leased. The office and retail tower of Guangzhou Eastern Place Phase V is expected to add attributable rental GFA of approximately 594,287 square feet to the portfolio in the financial year ending 2014. Phase I of the Palm Spring project in Zhongshan will add approximately another 186,399 square feet of rental GFA when it is fully developed. For serviced apartments, a total attributable GFA of approximately 315,521 square feet will be added from the designated portions of Shanghai May Flower Plaza and Palm Spring in Zhongshan and the entire Paramount Centre in Guangzhou by financial year 2013.

CHAIRMAN'S STATEMENT

Guangzhou King's Park

Zhongshan Palm Spring

Guangzhou Paramount Centre

The Group has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan. The remaining two residential towers at Shanghai May Flower Plaza, Guangzhou Dolce Vita Phase I and Zhongshan Palm Spring Phase I are expected to contribute to the income statement in the coming financial year. The Group expects good pre-sales contributions from the residential units of Guangzhou Eastern Place Phase V and Guangzhou King's Park in the coming financial year. The Group continues to adopt its prudent land replenishment plan, including making acquisitions in accordance with its development needs and market conditions.

Shareholders and Staff

Looking back on this financial year, I would like to thank my Board colleagues, the senior management team, our partners and everyone who worked with us during the year for their loyalty, support and outstanding teamwork.

I am delighted to welcome Mr. Chew Fook Aun who joined the Board as an Executive Director and brings a wealth of experience from his prior appointments. I would also like to thank Miss Leung Churk Yin, Jeanny, Messrs. Tong Ka Wing, Carl, Cheung Wing Sum, Ambrose, Albert Thomas da Rosa, Junior and Cheung Sum, Sam who left the Board during the year for their valuable contributions to the Company during their tenure.

I firmly believe that the concerted efforts of our staff and stakeholders will continue to propel the growth momentum of our Group going forward.

Low Chee Keong
Chairman

Hong Kong
30 October 2012

FINANCIAL SUMMARY AND HIGHLIGHTS

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial accounting periods, is set out below:

Results

	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000 (Restated)	Year ended 31 December 2008 HK$'000 (Restated)
CONTINUING OPERATIONS					
TURNOVER	**702,151**	316,285	459,020	359,455	270,131
PROFIT/(LOSS) BEFORE TAX	**1,102,672**	518,327	844,044	179,719	(429,092)
Income tax	**(16,661)**	(112)	(1,267)	(154)	560
PROFIT/(LOSS) FOR THE YEAR/ PERIOD FROM CONTINUING OPERATIONS	**1,086,011**	518,215	842,777	179,565	(428,532)
DISCONTINUED OPERATION					
Loss for the year/period from a discontinued operation	**–**	–	–	–	(1,068)
PROFIT/(LOSS) FOR THE YEAR/ PERIOD	**1,086,011**	518,215	842,777	179,565	(429,600)
Attributable to:					
Owners of the Company	**1,161,588**	524,538	853,278	199,080	(410,247)
Non-controlling interests	**(75,577)**	(6,323)	(10,501)	(19,515)	(19,353)
	1,086,011	518,215	842,777	179,565	(429,600)

Note: The comparative figures have been restated as a result of the current year's adoption of Amendments of HKAS 12 Income Tax – Deferred Tax: Recovery of Underlying Assets which has been applied retrospectively.

FINANCIAL SUMMARY AND HIGHLIGHTS

Assets, Liabilities and Non-controlling Interests

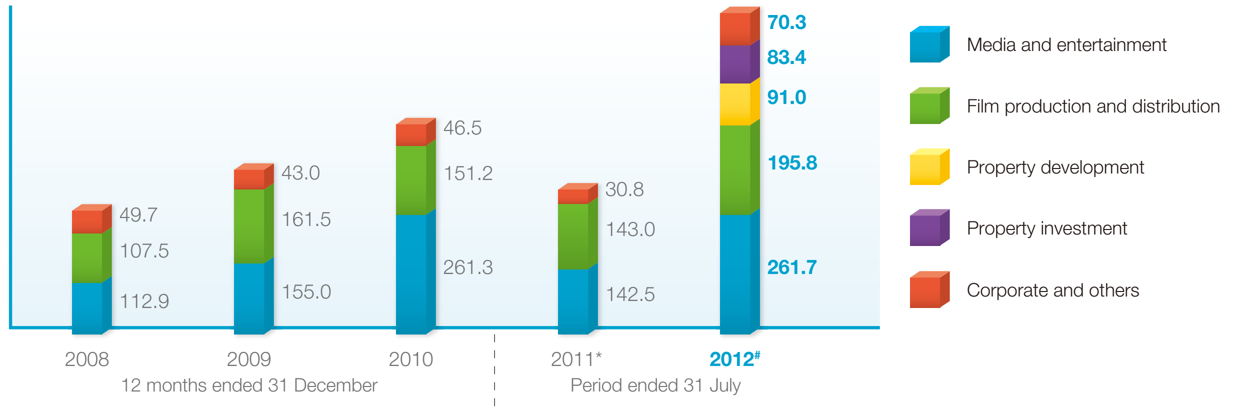
	31 July 2012 HK$'000	31 July 2011 HK$'000	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	31 December 2008 HK$'000 (Restated)
Property, plant and equipment	**2,051,020**	77,639	80,032	84,761	77,206
Property under development	**1,253,651**	–	–	–	–
Investment properties	**10,786,016**	–	–	–	–
Film rights	**47,317**	54,614	60,624	72,568	110,934
Film products	**74,235**	77,277	86,765	68,538	60,430
Music catalogs	**31,999**	48,287	92,530	115,249	108,556
Goodwill	**10,182**	–	–	–	35,202
Other intangible assets	**71,467**	–	–	–	–
Investments in joint ventures	**1,115,588**	74,303	1,037,169	1,044,869	1,076,802
Investments in associates	**6,035**	4,467,382	4,345,306	3,598,804	2,861,791
Available-for-sale investments	**166,209**	78,969	77,946	90,338	65,006
Long-term loan receivables	**–**	–	–	–	63,445
Long-term deposits, prepayments and other receivables	**78,211**	88,764	99,747	102,362	110,369
Forward contract	**–**	8,336	–	–	–
Deferred tax assets	**–**	–	329	423	753
Current assets	**8,026,791**	2,670,195	1,497,134	1,817,388	2,004,480
TOTAL ASSETS	**23,718,721**	7,645,766	7,377,582	6,995,300	6,574,974
Current liabilities	**(3,212,071)**	(349,704)	(700,188)	(613,619)	(422,125)
Long-term deposits received, promissory notes, put option, finance lease payables, bank and other borrowings, convertible notes and fixed rate senior notes	**(2,300,535)**	(320,270)	(161,635)	(118,524)	(181,514)
Deferred tax liabilities	**(2,339,330)**	(61)	–	–	–
TOTAL LIABILITIES	**(7,851,936)**	(670,035)	(861,823)	(732,143)	(603,639)
NON-CONTROLLING INTERESTS	**(7,868,885)**	(138,245)	(317,000)	(326,229)	(345,782)
Equity attributable to owners of the Company	**7,997,900**	6,837,486	6,198,759	5,936,928	5,625,553

Note: The comparative figures have been restated as a result of the current year's adoption of Amendments of HKAS 12 Income Tax – Deferred Tax: Recovery of Underlying Assets which has been applied retrospectively.

FINANCIAL SUMMARY AND HIGHLIGHTS

Turnover by Segmentation

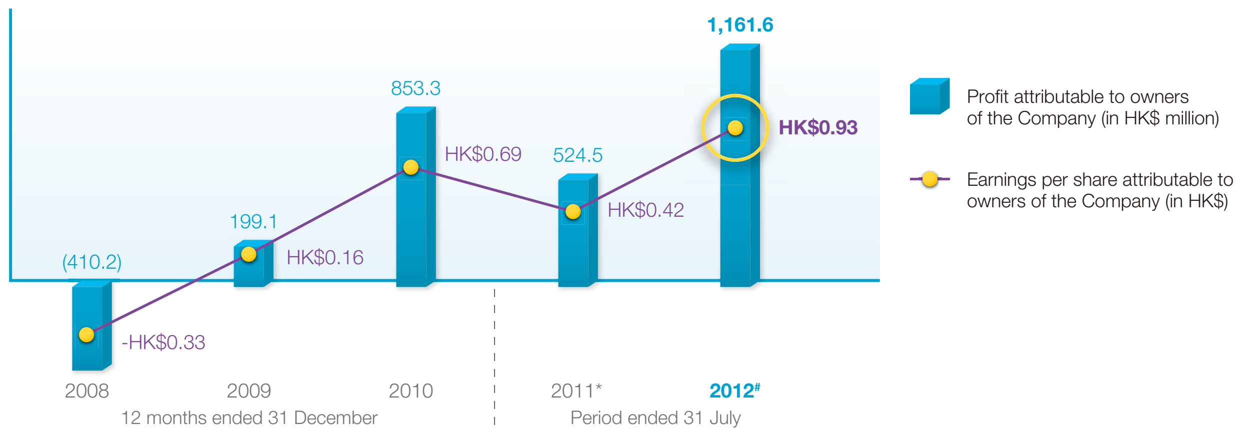
in HK$ million



** From 1 January 2011 to 31 July 2011*
 # From 1 August 2011 to 31 July 2012

Profit Attributable to Owners of the Company

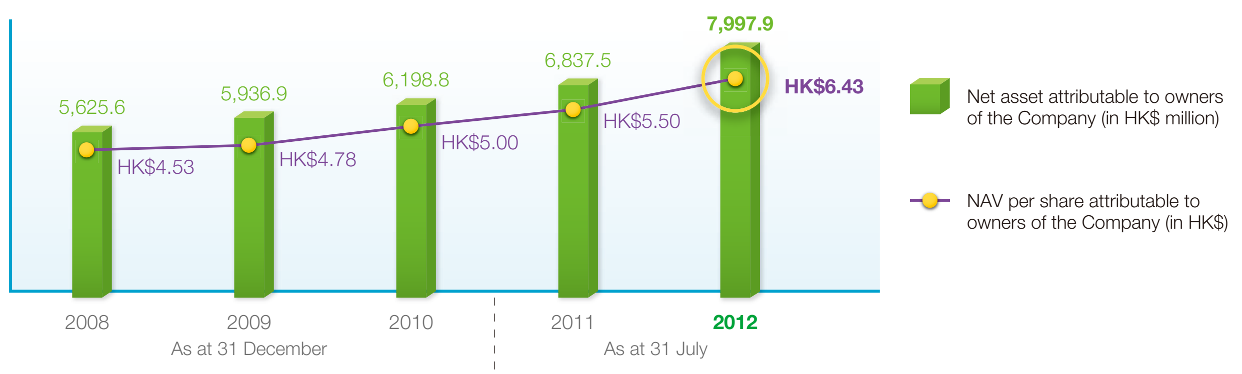
in HK$ million



** From 1 January 2011 to 31 July 2011*
 # From 1 August 2011 to 31 July 2012

Net Assets & Net Asset Value ("NAV") per share

in HK$ million



Overview

During the year under review, the business delivered an encouraging set of results underpinned by a steady improvement in the media and entertainment businesses as well as the gain on the bargain purchases of the additional interest in Lai Fung Holdings Limited ("**Lai Fung**").

For the year under review, the Group recorded a turnover of HK$702.2 million (Period: HK$316.3 million). Gross profit was HK$254.9 million (Period: HK$108.4 million). Increased turnover and profit were essentially due to an improved performance of core businesses and the consolidation of Lai Fung's results.

Profit from operating activities was HK$1,041.0 million (Period: Loss of HK$154.5 million). This is dominated by the gain on bargain purchases of the additional interest in Lai Fung through the open offer of Lai Fung.

The Group recorded a share of profits of associates of HK$99.1 million (Period: HK$35.9 million) which was mainly attributable from Lai Fung for the period from 1 August 2011 to 10 June 2012. The Group's share of profits from joint ventures was HK$8.9 million (Period: Losses of HK$9.5 million).

As a result, the Group recorded a profit attributable to shareholders of HK$1,161.6 million (Period: HK$524.5 million).

Media and Entertainment

During the year under review, this segment recorded a turnover of HK$261.6 million (Period: HK$142.5 million).

Live entertainment

During the year under review, the Group organised and invested in 152 (Period: 58) shows by popular local, Asian and internationally renowned artistes, including Sammi Cheng, Leon Lai, Miriam Yeung, Andy Hui, Denise Ho, Ivana Wong, Janice M. Vidal, Wilfred Lau, Ellen Loo, Pong Nan, A. Mei and Super Junior M.

Since 31 July 2012 and up to the end of September 2012, the Group has organised and participated in 24 shows. The Group has scheduled a further 95 shows to take place in the financial year ending 31 July 2013.

Music production, distribution and publishing

The Group's music production and distribution division demonstrated good momentum and released 82 albums during the year under review (Period: 32 albums), including titles by Andy Lau, Sammi Cheng, Leon Lai, Miriam Yeung, Richie Jen, Andy Hui, William So, Denise Ho, Ivana Wong, Aarif Rahman, Super Junior M, C All Star, Exile and Ellen Loo.

Since 31 July 2012, the Group has scheduled to release another 52 albums in the financial year ending 31 July 2013. The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Television drama, content production and distribution

The Group has made investments, via content directors, producers and artistes from Mainland China, to produce renowned television dramas and content. 168 episodes of television dramas were produced for the year under review (Period: 30 episodes). The Group will continue its production and distribution expansion strategy through mergers and acquisitions.

Film Production and Distribution

During the year under review, the Group recorded a turnover of HK$195.8 million (Period: HK$143.0 million).

The increase in turnover was due to the fact that the contribution from the new releases was higher than the contribution from the blockbuster titles in the prior period. During the year under review, the Group principally completed the photography of 5 films, with 3 other films in the production pipeline or under development.

The Group has released 5 films during the year under review, namely *1911 Revolution*, *Life Without Principle*, *Romancing in Thin Air*, *Love in the Buff* and *Motorway* as compared to 3 films released in the 7-month period from 1 January 2011 to 31 July 2011, namely *Don't Go Breaking My Heart*, *Punished* and *A Beautiful Life*.

Property Investment

The following details are extracted from Lai Fung's annual report and comparative figures are presented on a twelve- month basis for the two years ended 31 July 2011 and 31 July 2012.

Rental income

During the year under review, Lai Fung Group's rental operations recorded a turnover of HK$474.4 million (2011: HK$388.8 million), representing a 22% increase over 2011. Breakdown of rental turnover by major investment properties is as follows:

	Year ended 31 July			Year end
	2012 HK$ million	2011 HK$ million	% change	occupancy (%)
Shanghai Hong Kong Plaza	349.6	279.1	25	Retail: 99 Office: 97 Serviced Apartments: 91
Shanghai Regents Park (commercial podium and car-parking spaces)	10.2	8.4	21	98
Shanghai Northgate Plaza I	7.8	17.4	–55	90
Shanghai May Flower Plaza (commercial podium and car-parking spaces)	2.1	–	N/A	84
Guangzhou May Flower Plaza	88.8	72.4	23	Retail: 99 Office: 100
Guangzhou West Point (commercial podium and car-parking spaces)	15.9	11.5	38	98
Total	**474.4**	**388.8**	22	

Rental income achieved a good increase as a whole with almost full occupancy in major investment properties. The strong performance from Shanghai Hong Kong Plaza was underpinned by a full year's contribution from existing leases and an increase in revenue from the serviced apartments due to a substantial increase in average available rooms to over 304 (2011: 162) rooms after completion of renovations, as well as a general improvement in tenant mix. As Lai Fung Group is considering a comprehensive redevelopment of Shanghai Northgate Plaza I and II, rental income for this property recorded a negative growth as the retail podium was closed for the year under review.

Rental income from Guangzhou May Flower Plaza recorded a healthy increase driven by good rent increases and tenant mix upgrades. Guangzhou West Point demonstrated strong growth as a result of improved occupancy and increased rent on lease renewals.

Pre-lease for the Shanghai May Flower Plaza is substantially completed after the year end and is expected to contribute at close to full occupancy rentals from financial year 2013 onwards.

Property Development

The following details are extracted from Lai Fung's annual report are presented on a twelve-month basis for the year ended 31 July 2012.

Recognised sales

During the year under review, Lai Fung Group's property development operations recorded a turnover of HK$919.6 million (2011: HK$258.4 million) from sale of properties, representing a 256% increase in value and 98% increase in gross floor area ("**GFA**") over the same period in 2011. The increase in recognised sales was due to an increase in volume as well as a change in geographical and product mix, which led to a higher average selling price. Total recognised sales was primarily driven by the sales performance of Shanghai May Flower Plaza of which approximately 210,943 square feet of residential GFA was sold.

During the year under review, average selling price recognised as a whole increased by 97% to approximately HK$4,080 per square feet (2011: HK$2,074 per square feet).

Breakdown of turnover for the year from property sales is as follows:

	Year ended 31 July 2012		
Recognised basis	**Approximate Gross Floor Area** square feet	**Average Selling Price #** HK$/square feet	**Turnover *** HK$ million
Shanghai May Flower Plaza			
Residential Units	210,943	4,203	836.6
Shanghai Regents Park Phase II			
Residential Units	7,106	4,657	31.2
Guangzhou West Point			
Residential Units	16,612	2,586	40.5
Office Units	3,691	2,630	9.2
Sub-total	**238,352**	**4,080**	**917.5**
Guangzhou Eastern Place			
Car-parking Spaces			2.1
Total			**919.6**

Before business tax

* *After business tax*

Contracted sales

During the year under review, Lai Fung Group's property development operations recorded contracted sales of HK$843.0 million (2011: HK$908.3 million) from sale of properties, representing a 7% decrease in value and 35% increase in GFA over 2011.

Breakdown of contracted sales for the year is as follows:

	Year ended 31 July 2012		
Contracted basis	**Approximate Gross Floor Area** square feet	**Average Selling Price #** HK$/square feet	**Turnover #** HK$ million
Shanghai May Flower Plaza			
Residential Units	126,096	3,986	502.7
Office Apartment Units	23,148	2,886	66.8
Shanghai Regents Park Phase II			
Residential Units	18,451	4,782	88.2
Guangzhou West Point			
Residential Units	20,323	2,580	52.4
Office Units	6,354	2,542	16.2
Zhongshan Palm Spring			
Residential High-rise Units	166,891	570	95.1
Residential House Units	12,729	1,514	19.3
Sub-total	**373,992**	**2,248**	**840.7**
Guangzhou Eastern Place			
Car-parking Spaces			2.3
Total			**843.0**
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**	550,737	1,791	986.2

Before business tax

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd., in which the Lai Fung Group has an effective 47.5% interest. Please note that the reported contracted sales of HK$986.2 million is attributable to the full project.*

Liquidity, Financial Resources, Charge on Assets and Gearing

Cash and bank balances

As at 31 July 2012, cash and bank balances held by the Group amounted to HK$4,164.1 million of which over 57% was denominated in Hong Kong dollar and United States dollar currencies, and 43% was denominated in Renminbi ("**RMB**"). As Hong Kong dollars are pegged to United States dollars, the Group considers that the corresponding exposure to exchange rate risk is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned.

Borrowings

As at 31 July 2012, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$3,791.7 million. The borrowings of the Group, which comprises the Company, MAGHL and Lai Fung, are as follows:

Company

As at 31 July 2012, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals was HK$57.3 million for the said unsecured other borrowings as at 31 July 2012. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2012.

MAGHL

As at 31 July 2012, MAGHL had unsecured and unguaranteed First Completion Convertible Notes with an aggregate principal amount of approximately HK$346.4 million, comprising approximately HK$138.1 million and HK$208.3 million issued to the Group and other subscribers, respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the First Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2014 at the principal amount outstanding. On 9 June 2012, MAGHL has issued the Second Completion Convertible Notes (3-year zero coupon convertible notes) with an aggregate principal amount of approximately HK$224.9 million, comprising approximately HK$153.2 million and approximately HK$71.7 million, issued to the Group and other subscribers, respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2015 at the principal amount outstanding. For accounting purposes, after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the First Completion Convertible Notes and the Second Completion Convertible Notes after adjusting for (i) accrued interest and (ii) intra-group elimination was HK$227.2 million as at 31 July 2012.

Lai Fung

As at 31 July 2012, Lai Fung Group had total borrowings in the amount of HK$3,402.2 million comprising bank loans of HK$1,917.7 million, fixed rate senior notes of HK$1,427.3 million and other borrowing of HK$57.2 million. The maturity profile of Lai Fung Group's borrowings of HK$3,402.2 million was spread with HK$1,559.4 million repayable within 1 year, HK$1,691.5 million repayable in the second year and HK$151.3 million repayable in the third to fifth years. Included in the fixed rate senior notes liability of Lai Fung, a carrying amount of HK$7.9 million is held by a subsidiary of the Company.

Approximately 42% and 56% of Lai Fung Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 2% of the Lai Fung Group's borrowings were interest-free.

Apart from the fixed rate senior notes which were denominated in United States Dollars ("**USD**"), Lai Fung Group's other borrowings of HK$1,974.9 million were 70% denominated in RMB, 29% in USD and 1% in Hong Kong dollars ("**HKD**"). Lai Fung Group's cash and bank balances of HK$2,638.7 million were 58% denominated in RMB, 40% in HKD and 2% in USD.

Lai Fung Group's presentation currency is denominated in HKD. Lai Fung Group's monetary assets, liabilities and transactions are principally denominated in RMB, USD and HKD. Lai Fung Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against USD and RMB, respectively. Considering that HKD is pegged against USD, the Lai Fung Group believes that the corresponding exposure to USD exchange rate fluctuation is nominal. However, Lai Fung Group has a net exchange exposure to RMB as the Lai Fung Group's assets are principally located in Mainland China and the revenues are predominantly in RMB.

Under a litigation being processed in a district court in Mainland China, Lai Fung Group, as the claimant, is claiming for a sum of RMB17.2 million from one of Lai Fung Group's contractors. As a measure to preserve the payment ability of the defendant, Lai Fung Group applied to the local court to freeze certain assets of the defendant. In return, Lai Fung Group was required to pledge a leasehold property with a carrying value of approximately HK$44.3 million to the court as collateral.

Charge over assets and gearing

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$7,922.1 million, completed properties for sale with a total carrying amount of approximately HK$1,856.7 million, properties under development with a total carrying amount of approximately HK$896.3 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,782.0 million, a property with carrying amount of approximately HK$99.8 million and bank balances of approximately HK$197.4 million.

In addition, as at 31 July 2012, a revolving term loan facility in the amount of HK$60.0 million was granted by a bank to the Group. The said loan facility is subject to an annual review by the bank for renewal and is secured by a pledge of the Group's land and buildings with a carrying amount of HK$53.6 million as at 31 July 2012. Such bank loan facility had not been utilised by the Group as at 31 July 2012. As at 31 July 2012, an unsecured revolving loan facility in the amount of HK$20.0 million was granted by another bank to the Group. The said unsecured loan facility is subject to an annual review by the bank for renewal and such bank loan facility had not been utilised by the Group as at 31 July 2012. During the year ended 31 July 2012, MAGHL has been granted by a bank with a secured letter of credit facility in the amount of approximately HK$39.0 million for a film production project. As at 31 July 2012, the available unutilised letter of credit facility to MAGHL was approximately HK$9.7 million, which was secured by a pledged deposit of approximately HK$9.7 million of the MAGHL Group.

As at 31 July 2012, the consolidated net assets attributable to the owners of the Company amounted to HK$7,997.9 million (2011: HK$6,837.5 million). As regards gearing, the Group has a consolidated net cash position amounted to HK$372.4 million (cash and bank balances of HK$4,164.1 million less total borrowings of HK$3,791.7 million) as at 31 July 2012. No financial instruments for hedging purposes were employed by the Group during the year under review.

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

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in Note 54 to the Financial Statements.

Employees and Remuneration Policies

As at 31 July 2012, the Group employed a total of around 1,630 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.

Major Investment Properties

Location	Group interest	Tenure	Approximate Attributable Gross Floor Area (square feet) of Use: Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carparking spaces & ancillary facilities)	No. of carparking spaces attributable to the Group
Shanghai								
Commercial podium and certain office and serviced apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Huangpu District	45.48%	The property is held for a term of 50 years commencing on 16 September 1992	201,695	164,028	74,674		440,397	159
Serviced apartment units in the North Tower of Hong Kong Plaza, 282 Huaihaizhong Road, Huangpu District	47.87%	The property is held for a term of 50 years commencing on 16 September 1992			101,369		101,369	
May Flower Plaza, Sujiaxiang, Zhabei District	45.48%	The property is held for a term of 40 years commencing on 5 February 2007	145,666				145,666	
Northgate Plaza I, 99 Tian Mu Road West, Zhabei District	46.43%	The property is held for a term of 50 years commencing on 15 June 1993	89,316	60,472			149,788	47
Commercial portion of Regents Park, 88 Huichuan Road, Changning District	45.48%	The property is held for a term of 70 years commencing on 4 May 1996	37,320				37,320	
Guangzhou								
May Flower Plaza, 68 Zhongshanwu Road, Yuexiu District	37.10%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	124,052	38,016			162,068	50
Commercial podium of West Point, Zhongshan Qi Road, Liwan District	47.87%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 3 July 2005	87,287				87,287	
Subtotal of major investment properties (Note):			**685,336**	**262,516**	**176,043**	**0**	**1,123,895**	**256**

Note: Completed and rental generating properties

PARTICULARS OF PROPERTIES

Major properties under development

Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) *(Note 3)*	Approximate Attributable Gross Floor Area (square feet) of Expected Use: Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carparking spaces & ancillary facilities)	No. of carparking spaces attributable to the Group
Guangzhou										
Eastern Place Phase V, 787 Dongfeng East Road, Yuexiu District	47.87%	Construction work in progress	2014	212,587	27,072	257,413		153,323	437,808	170
Haizhu Plaza, Chang Di Main Road, Yuexiu District	47.87%	Resettlement in progress	*(Note 1)*	90,708	67,907	465,509			533,416	132
King's Park, Donghua Dong Road, Yuexiu District	47.87%	Construction work in progress	2013	35,123	1,211			44,648	45,859	28
Paramount Centre, Da Sha Tou Road, Yuexiu District	47.87%	Construction work in progress	2013	23,788	2,561		35,889		38,450	22
Guan Lu Road Project, Guan Lu Road, Yuexiu District	47.87%	Development under planning	2014	26,178	1,530			66,722	68,252	45
Dolce Vita Jinshazhou Heng Sha Baiyun District	22.74%	Construction work in progress	In phases from 2012 to 2015	3,217,769	12,237			854,994	867,231	358
Zhongshan										
Various portions of Zhongshan Palm Spring, Caihong Planning Area, West District	47.87%	Construction work in progress	In phases from 2012 to 2015	2,114,672	427,637		195,802	2,083,802	2,707,241	2,390
Shanghai										
Northgate Plaza II, Tian Mu Road West, Zhabei District	47.39%	Development under planning	*(Note 2)*	44,293	29,556	93,616			123,172	74
Subtotal of major properties under development *(Note 4)*:					**569,711**	**816,538**	**231,691**	**3,203,489**	**4,821,429**	**3,219**

Notes:

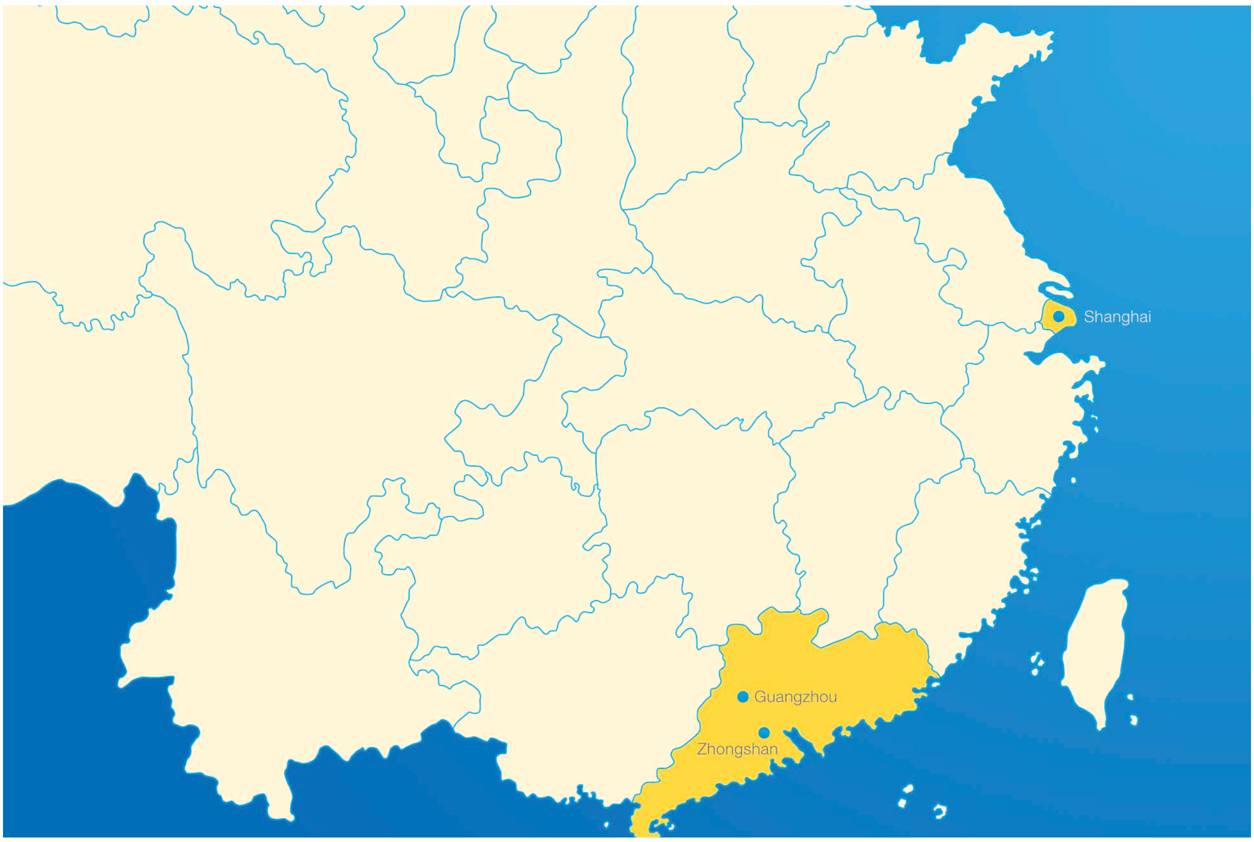
1. *In the process of negotiating a land exchange*
2. *In the process of discussing a comprehensive redevelopment proposal with the district government*
3. *On project basis*
4. *All properties under construction (including investment properties under construction)*

Major completed properties for sale

Location	Group interest	Approximate Attributable Gross Floor Area (square feet) of Expected Use					No. of carparking spaces attributable to the Group
		Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding carparking spaces & ancillary facilities)	
Shanghai							
Certain residential units & serviced apartments and carparking spaces in May Flower Plaza, Sujiaxiang, Zhabei District	45.48%			91,557	189,439	280,996	208
Certain residential units and carparking spaces in Regents Park, Phase II, 88 Huichuan Road, Changning District	45.48%				5,159	5,159	185
Guangzhou							
Certain residential & office units and carparking spaces in West Point, Zhongshan Qi Road, Liwan District	47.87%		4,400		2,904	7,304	67
Certain residential units and carparking spaces in Eastern Place, 787 Dongfeng East Road, Yuexiu District	47.87%				427	427	1
Zhongshan							
Certain residential units and commercial centre of Stage I of Zhongshan Palm Spring, Caihong Planning Area, West District	47.87%	89,229 *(Note 2)*		47,178	194,003	330,410	0
Subtotal of major completed properties for sale *(Note 1)*:		**89,229**	**4,400**	**138,735**	**391,932**	**624,296**	**461**

Notes:

1. *Completed properties for sale/lease*
2. *Portion of the property leased out to third parties will be redesignated to investment properties*



CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively) under Appendix 14 (the Code on Corporate Governance Practices ("**former CG Code**") which was amended as the Corporate Governance Code ("**CG Code**") with most of the amended provisions becoming effective on 1 April 2012).

(1) Corporate Governance Practices

The Company has complied with all the code provisions respectively set out in (a) the former CG Code for the period from 1 August 2011 to 31 March 2012 and (b) the CG Code for the period from 1 April 2012 to 31 July 2012 save for the deviations from code provisions A.4.1 of the former CG Code and the CG Code as well as A.5.1 and A.6.7 of the CG Code.

Under code provision A.4.1 of the former CG Code and the CG Code, 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 Bye-laws of the Company ("**Bye-laws**"), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors ("**Board**") as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company ("**AGM**") and will then be eligible for re-election. Further, in line with the relevant code provision of the former CG Code and the CG Code, each of the Directors appointed to fill a casual vacancy would/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

Under code provision A.5.1 of the CG Code, 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**"). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by Mr. Lo Kwok Kwei, David (INED), Mr. Andrew Y. Yan and Madam U Po Chu (both NEDs), they were not present at the special general meeting of the Company ("**SGM**") held on 11 May 2012. All the aforesaid Directors were neither the chairmen nor the members of any Board committees.

(2) Recommended Best Practices

The Company and its subsidiaries ("**Group**") had implemented some of the recommended best practices contained in the former CG Code during the period from 1 August 2011 to 31 March 2012 for further enhancement of the Group's corporate governance standard as follows:

(a) the Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The insurance coverage is reviewed on an annual basis; and

(b) the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company had been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they could continuously update and further improve their relevant knowledge and skills.

The Company will use its reasonable efforts to identify and implement the best governance practices suitable to the Company's needs.

(3) Board of Directors

(3.1) Responsibilities and delegation

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 established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely the Executive Committee, the Audit Committee and the Remuneration Committee. Specific responsibilities have been delegated to the above Committees.

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.

Decisions relating to the aforesaid matters and any acquisitions or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceed the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board; whereas decisions regarding matters set out in the terms of reference of the Executive Committee and those not specifically reserved for the Board are delegated to the Executive Committee and management.

From April 2012 onwards, 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.

(3.2) Composition of the Board

The Board currently comprises nine members, of whom three are EDs, two are NEDs and the remaining four are INEDs, exceeding the minimum number of INEDs required under Rule 3.10(1) (i.e. at least 3 INEDs) and Rule 3.10A (i.e. INEDs representing at least one-third of the Board by not later than 31 December 2012) of the Listing Rules. The Directors who served the Board during the year ended 31 July 2012 ("**Year**") and up to the date of this Report are named as follows:

Executive Directors

Lam Kin Ngok, Peter	
Lui Siu Tsuen, Richard *(Chief Executive Officer)*	
Chew Fook Aun	(appointed with effect from 5 June 2012)
Cheung Wing Sum, Ambrose	(retired on 21 December 2011)
Cheung Sum, Sam	(resigned on 1 September 2012)

Non-executive Directors

U Po Chu	
Andrew Y. Yan	(appointed on 1 September 2011)
Leung Churk Yin, Jeanny	(resigned on 1 September 2011)
Albert Thomas da Rosa, Junior	(resigned on 1 May 2012)

Independent Non-executive Directors

Low Chee Keong *(Chairman)*	(re-designated from a NED to an INED on 1 September 2011)
Alfred Donald Yap	
Ng Lai Man, Carmen	
Lo Kwok Kwei, David	(re-designated from a NED to an INED on 1 September 2011)
Tong Ka Wing, Carl	(resigned as an INED and ceased to be the Deputy Chairman on 1 September 2011)

The brief biographical particulars of the existing Directors are set out in the section headed "Biographical Details of Directors and Company Secretary" of this Annual Report on pages 34 to 37.

Dr. Lam Kin Ngok, Peter, an ED, is the son of Madam U Po Chu, a NED. Save as aforesaid and as disclosed in the "Biographical Details of Directors and Company Secretary" section of this Annual Report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(3.3) INEDs

The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three independent non-executive directors and the latter Rule requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Save as disclosed immediately below, all INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

On 1 September 2011, Mr. Low Chee Keong ("**Mr. Low**") and Mr. Lo Kwok Kwei, David ("**Mr. Lo**") were re-designated from NEDs to INEDs, thereby increasing the total number of INEDs from three to four (with the resignation of Mr. Tong Ka Wing, Carl as an INED on the same date) and exceeding the minimum number of INEDs required under the Listing Rules as stated in paragraph (3.2) above. Both Mr. Low and Mr. Lo are considered to be independent as neither of them has taken up any executive responsibilities in the Group nor have they been involved in the day-to-day business transactions and operations of the Group since they first joined the Board on 2 August 1999 and 12 March 2009, respectively. Both Mr. Low and Mr. Lo meet all the independence requirements set out in Rule 3.13 of the Listing Rules save for holding the position of NEDs of the Company before they were re-designated as INEDs on 1 September 2011. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

(4) Directors' Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written training materials to develop and refresh their professional skills; the company secretary of the Company ("**Company Secretary**") also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company organised for the Directors and executives an in-house workshop on the Listing Rules conducted by a leading international solicitors' firm, and arranged for the Directors to attend seminars organised by other organisations and professional bodies, chamber(s) and/or the independent auditors of the Company ("**Independent Auditors**").

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the period from 1 April 2012 to 31 July 2012:

	Corporate governance/ updates on laws, rules & regulations		Accounting/financial/ management or other professional skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Dr. Lam Kin Ngok, Peter	✓	✓	–	–
Mr. Lui Siu Tsuen, Richard	✓	✓	✓	–
Mr. Chew Fook Aun (Note 1)	✓	✓	✓	✓
Mr. Cheung Sum, Sam (Note 2)	✓	✓	✓	✓
Non-executive Directors				
Madam U Po Chu	✓	✓	–	–
Mr. Andrew Y. Yan	✓	✓	–	–
Independent Non-executive Directors				
Mr. Low Chee Keong	✓	✓	–	–
Mr. Alfred Donald Yap	✓	✓	–	–
Dr. Ng Lai Man, Carmen	✓	✓	✓	✓
Mr. Lo Kwok Kwei, David	✓	✓	–	–

Notes:

1. *Mr. Chew was appointed an ED with effect from 5 June 2012.*
2. *Mr. Cheung resigned as an ED with effect from 1 September 2012.*

(5) Board Committees

The Executive Committee comprising members appointed by the Board amongst the EDs was established on 23 December 2005 with written terms of reference to assist the Board in monitoring the ongoing management of the Company's business and in implementing the Company's objectives in accordance with the strategy and policies approved by the Board. The Board has also delegated its authority to the following Committees to assist it in the implementation of its functions:

(5.1) Remuneration Committee

On 16 September 2005, the Board established a Remuneration Committee which currently comprises four members, including three INEDs, namely Mr. Low Chee Keong who had held chairmanship until 27 March 2011 before he re-assumed chairmanship from 1 September 2011, Mr. Alfred Donald Yap and Dr. Ng Lai Man, Carmen, and the Chief Executive Officer and an ED, Mr. Lui Siu Tsuen, Richard.

On 29 March 2012, the Board adopted a set of the revised terms of reference of the Remuneration Committee, which has included changes in line with the CG Code's new requirements effective from 1 April 2012. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of Directors and senior management. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

(a) Duties of the Remuneration Committee

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all Directors and senior management, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(b) Work performed by the Remuneration Committee

The Remuneration Committee held three meetings during the Year to discuss remuneration-related matters and consider the appointment of a NED, the re-designation of two NEDs to INEDs and the terms of appointment of an ED (including the grant of a share option). All members of the Remuneration Committee had also deliberated on matters relating to the payment of discretionary bonuses and the review of the remuneration packages of certain EDs by way of circular resolutions.

(5.2) Audit Committee

On 29 April 1999, the Board established an Audit Committee which currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Alfred Donald Yap and Mr. Low Chee Keong (re-designated from a NED to an INED on 1 September 2011). Mr. Tong Ka Wing, Carl was a member until his resignation as an INED with effect from 1 September 2011 and therefore cessation as a member of the Audit Committee on the same date.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive director) is an independent non-executive director who possesses appropriate professional qualifications or accounting or related financial management expertise.

(a) Duties of the Audit Committee (including corporate governance functions)

While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of Audit Committee who are considered to be better positioned to provide an objective and independent guidance on governance-related matters.

On 29 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy ("**CG Policy**"). On the same date, the terms of reference of the Audit Committee were revised in line with the CG Policy and had incorporated the new corporate governance-related functions required under the CG Code effective from 1 April 2012. Such functions include the responsibilities to develop, review, monitor, and make recommendations to the Board (as appropriate) in respect of the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), the practices in compliance with legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on the both websites of the Company and the Stock Exchange.

Subsequent to the Year-end date, an independent external risk advisory firm ("**Independent Advisor**") had been retained to conduct a review of the compliance by the Company with the code provisions of the CG Code. The relevant report from the Independent Advisor was presented to and reviewed by the Audit Committee and the Board.

Apart from performing the corporate governance functions, the Audit Committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgments contained in them before submission to the Board for approval, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process.

(b) Work performed by the Audit Committee

The Audit Committee held two meetings during the Year. It has reviewed the audited results of the Company for the seven months ended 31 July 2011, the unaudited interim results of the Company for the six months ended 31 January 2012 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year. Further, it has reviewed the arrangements for employees to raise concerns about improprieties in financial reporting, internal control or other matters, and the arrangements for the fair and independent investigation of these matters as well as the Group's internal audit plan covering the Year and the ensuing two years, and put forward relevant recommendations to the Board for approval.

On 29 October 2012, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditors. It also reviewed this Corporate Governance Report and certain internal control review reports on the Company prepared by the Independent Advisor.

(6) Chairman and Chief Executive

The CG Code provides that the roles of the chairman and the chief executive should be separate and performed by different individuals.

During the Year and up to the date of this Report, Mr. Low Chee Keong was the Chairman of the Company and Mr. Lui Siu Tsuen, Richard was the Chief Executive Officer of the Company.

(7) Non-executive Directors

As explained in Paragraph (1) above, none of the existing NEDs (including INEDs) was appointed for a specific term.

(8) Nomination of Directors

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. The EDs and the full Board followed such procedures in the appointment of Mr. Andrew Y. Yan, a NED and Mr. Chew Fook Aun, an ED with effect from 1 September 2011 and 5 June 2012, respectively.

(9) Securities Transactions by Directors and Designated Employees

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

(10) Independent Auditors' Remuneration

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors, Messrs. Ernst & Young ("**Ernst & Young**") for the Year amounted to HK$5,592,000 and HK$2,657,000, respectively, of which the analysis is as follows. The non-audit services mainly consisted of certain agreed-upon procedures and tax advisory services.

	Audit service HK$'000	**Non-audit service** HK$'000
The Group (excluding Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGHL**") and their respective subsidiaries)	3,645	1,442
Lai Fung *(Note)* and MAGHL and their respective subsidiaries	1,947	1,215
Total	5,592	2,657

Note: Represented audit service fee and non-audit service fee since 11 June 2012

(11) Directors' Responsibility For Preparing Financial Statements

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs and results of the Group. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

The Group has early adopted a batch of new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") in advance of their respective effective dates for the first time for the financial statements of the Year. They include, amongst others,

(i) HKFRS 10 *Consolidated Financial Statements*, and

(ii) Hong Kong Accounting Standard ("**HKAS**") 12 (Amendments) *Income Taxes-Deferred Tax: Recovery of Underlying Assets*.

HKFRS 10 introduces a new definition of control which is used to determine which entities shall be consolidated and includes detailed guidance to explain when an investor that owns less than 50% of the voting shares in an investee has control over the investee.

The Directors assessed whether or not the Group has control over Lai Fung in accordance with the new definition of control and the related guidance set out in HKFRS 10. After assessment, the Directors concluded that it has had control over Lai Fung since 11 June 2012, being the date of completion of Lai Fung's open offer when the Group's shareholdings in Lai Fung increased from 40.58% to 47.39%. Therefore, in accordance with the requirements of HKFRS 10, Lai Fung has become a subsidiary of the Company since 11 June 2012. Previously, Lai Fung was treated as an associate of the Company and accounted for using the equity method of accounting.

HKAS 12 (Amendments) introduces a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, deferred tax on investment property at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use. The adoption of the HKAS 12 (Amendments) has had no material impact on the reported results and the financial position of the Group.

More detailed descriptions of the changes in accounting policies and the related financial impacts are included in the audited consolidated financial statements of the Group for the Year.

(12) Independent Auditors' Reporting Responsibility

The statement by the Independent Auditors about their reporting and auditing responsibilities for the financial statements is set out in the Independent Auditors' Report contained in this Annual Report.

(13) Attendance Record at Meetings

The attendance record of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meetings and SGMs held during the Year is set out in the following table:

Meetings held during the Year

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Special General Meetings (Note 10)	
				01/08/2011 to 31/03/2012	01/04/2012 to 31/07/2012
Number of Meetings held	8	2	3	2	1
			Number of meetings attended/ Number of meetings held		
Executive Directors					
Dr. Lam Kin Ngok, Peter	8/8	–	–	0/2	0/1
Mr. Lui Siu Tsuen, Richard	8/8	–	3/3	2/2	1/1
Mr. Chew Fook Aun (Note 1)	2/2	–	–	–	–
Mr. Cheung Sum, Sam (Note 2)	8/8	–	–	2/2	1/1
Mr. Cheung Wing Sum, Ambrose (Note 3)	2/3	–	–	2/2	–
Non-executive Directors					
Madam U Po Chu	2/8	–	–	0/2	0/1
Mr. Andrew Y. Yan (Note 4)	3/8	–	–	0/2	0/1
Mr. Albert Thomas da Rosa, Junior (Note 5)	5/6	–	–	2/2	–
Miss Leung Churk Yin, Jeanny (Note 6)	–	–	–	–	–
Independent Non-executive Directors					
Mr. Low Chee Keong (Note 7)	8/8	2/2	3/3	2/2	1/1
Mr. Alfred Donald Yap	8/8	2/2	3/3	2/2	1/1
Dr. Ng Lai Man, Carmen	8/8	2/2	3/3	2/2	1/1
Mr. Lo Kwok Kwei, David (Note 8)	8/8	1/1	–	2/2	0/1
Mr. Tong Ka Wing, Carl (Note 9)	–	–	1/1	–	–

Notes:

1. *Mr. Chew was appointed an ED with effect from 5 June 2012.*
2. *Mr. Cheung resigned as an ED on 1 September 2012.*
3. *Mr. Cheung retired as an ED on 21 December 2011.*
4. *Mr. Yan was appointed a NED on 1 September 2011.*
5. *Mr. da Rosa did not attend one Board meeting held during the Year to avoid a possible conflict of interests and resigned as a NED on 1 May 2012.*
6. *Miss Leung resigned as a NED on 1 September 2011. No Board meeting was held before her resignation.*
7. *Mr. Low was re-designated from a NED to an INED on 1 September 2011.*
8. *Mr. Lo was re-designated from a NED to an INED on 1 September 2011 and participated in part of an Audit Committee meeting held during the Year for reviewing the continuing connected transactions of the Company with all the other INEDs who were members of the Audit Committee.*
9. *Mr. Tong resigned as an INED and ceased to be the Deputy Chairman on 1 September 2011. No Board meeting was held before his resignation.*
10. *INEDs and other NEDs are required to attend general meetings pursuant to code provision A.6.7 of the CG Code effective from 1 April 2012.*

(14) Internal Controls

The Board acknowledges that it is responsible for the internal control system of the Group, and an effective internal control system enhances the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contributes to the effectiveness and efficiency of its operations. As such, the Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system.

Since August 2006, the Board has been engaging the Independent Advisor to conduct various agreed reviews over the Company's internal control system (normally twice a year) in order to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic reviews have covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. Relevant reports from the Independent Advisor were presented to and reviewed by the Audit Committee and the Board. Appropriate recommendations for further enhancing the internal control system have been adopted.

(15) Communication with Shareholders

(15.1) Shareholders' Communication Policy

On 29 March 2012, the Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.esun.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website and the Memorandum of Association and Bye-laws of the Company have been posted on the websites of both the Company and the Stock Exchange;

(iv) AGMs and SGMs provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's branch share registrars in Hong Kong ("**Share Registrars**") serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

(15.2) Details of the last general meeting

The last general meeting of the Company, being the AGM for 2012 (the "**2012 AGM**"), was held at 10:00 a.m. on 23 August 2012 at Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At the 2012 AGM, Shareholders approved unanimously or by a vast majority of votes (i) the election of Mr. Chew Fook Aun as an ED; (ii) the re-election of Dr. Ng Lai Man, Carmen and Mr. Lo Kwok Kwei, David as INEDs; (iii) the postponement of the re-appointment of Independent Auditors for the current year to the date of the adjourned 2012 AGM to be determined by the Directors; and (iv) the granting to the Directors a general mandate to issue, allot and deal with additional shares of the Company ("**Shares**") and a general mandate to repurchase Shares not exceeding 20% and 10% respectively of the issued share capital of the Company, as well as the extension of the general mandate to issue additional Shares by adding the number of Shares repurchased. Further details of the 2012 AGM contained in the Company's circular dated 24 July 2012 were published on both the websites of the Company and the Stock Exchange.

Shareholders also approved at the same meeting that the 2012 AGM be adjourned to a date around mid-December 2012 to be determined by the Directors ("**Adjourned 2012 AGM**") and the Company be authorised to send the audited financial statements of the Company for the Year ("**Financial Statements**") together with the Reports of the Directors and the Independent Auditors thereon to each Shareholder at least 21 days before the date of the Adjourned 2012 AGM. For further details, Shareholders may refer to the announcement dated 23 August 2012 regarding the poll results of the 2012 AGM published on both the websites of the Company and the Stock Exchange.

The Board resolved at its meeting held on 30 October 2012 that the Adjourned 2012 AGM be held on 18 December 2012 for Shareholders to (i) consider and adopt the audited Financial Statements and the Reports of the Directors and the Independent Auditors for the Year; and (ii) re-appoint Ernst & Young as the independent auditors of the Company and to authorise the Board to fix their remuneration.

(16) Shareholders' Rights

(16.1) Procedures for Shareholders to convene a SGM

Pursuant to the Bye-laws, registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**SGM Requisitionists**") can deposit a written request to convene a SGM at the registered office of the Company ("**Registered Office**"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Company Secretary.

The SGM Requisitionists must state in their request(s) the objects of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, a SGM will not be convened as requested.

The SGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM if within twenty-one (21) days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. Any reasonable expenses incurred by the SGM Requisitionists by reason of the Board's failure to duly convene a SGM shall be repaid to the SGM Requisitionists by the Company.

(16.2) Procedures for putting forward proposals at a general meeting

Pursuant to the Bermuda Companies Act 1981, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office stated in paragraph (16.1) above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

(16.3) Procedures for proposing a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.esun.com.

(16.4) Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Fax: (852) 2743 8459
Email: lscomsec@laisun.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

(17) Investor Relations

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our EDs 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.

Subsequent to the Year-end date, we have met with a number of research analysts and investors, as well as attended conferences and non-deal roadshows as follows:

Month	Event	Organiser	Location
August 2012	UBS Hong Kong/China Property Conference 2012	UBS	Hong Kong
September 2012	Hong Kong Property Corporate Access Day	JP Morgan	Hong Kong

The Company keeps 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 6683 during normal business hours, by fax at (852) 2853 6682 or by e-mail at ir@esun.com.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Executive Directors

Each of the current executive directors of the Company ("**Executive Directors**") named below holds directorship in a number of subsidiaries of the Company and all or certain of its listed affiliates, namely Lai Sun Garment (International) Limited ("**LSG**"), Lai Sun Development Company Limited ("**LSD**"), Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGHL**"). The issued shares of LSG, LSD and Lai Fung are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and MAGHL's issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. LSG is the ultimate holding company of LSD which in turn is the controlling shareholder of the Company, while MAGHL is a subsidiary of the Company and as at 30 October 2012, the Company had approximately 47.87% shareholding interest in Lai Fung which is accounted for and consolidated in the consolidated financial statements of the Company as a subsidiary.

Dr. Lam Kin Ngok, Peter, aged 55, has been an Executive Director since October 1996 and is presently a member of the Executive Committee of the Company. Dr. Lam is also the deputy chairman and an executive director of LSG, the chairman and an executive director of LSD, Lai Fung and MAGHL, and an executive director of Crocodile Garments Limited ("**CGL**") which is listed on the Main Board of the Stock Exchange. He has extensive experience in the property development and investments, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts.

Currently, Dr. Lam is a director of The Real Estate Developers Association of Hong Kong. He is also chairman of Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, honorary chairman of Hong Kong Motion Picture Industry Association Limited, vice chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. In addition, Dr. Lam is also a trustee of The Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. Dr. Lam is the son of Madam U Po Chu, a non-executive director of the Company ("**NED**").

Dr. Lam will step down as the chairman and an executive director of Lai Fung with effect from 1 November 2012.

Mr. Lui Siu Tsuen, Richard, aged 56, was appointed the Chief Executive Officer of the Company in January 2011 and is presently a member of both the Executive Committee and the Remuneration Committee of the Company ("**RC**"). He joined the Company in April 2010 as the chief operating officer of its Media and Entertainment Division and became an Executive Director with effect from July 2010. Mr. Lui was also an executive director of LSG, LSD, Lai Fung and MAGHL.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited and 21 Holdings Limited, both listed on the Stock Exchange. Prior to joining the Company, Mr. Lui was a director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited (formerly known as "Wing On Travel (Holdings) Limited"), both listed on the Stock Exchange. He was also a director of PSC Corporation Ltd., a company listed on Singapore Exchange Limited, and a director of MRI Holdings Limited, a company previously listed on the Australian Securities Exchange.

He has over 25 years of experience in property investment, corporate finance and media and entertainment business. Mr. Lui is a fellow member of each of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Chartered Institute of Management Accountants, United Kingdom ("**UK**"), and an associate of The Institute of Chartered Accountants in England and Wales. He holds a Master of Business Administration degree from The University of Adelaide in Australia.

Mr. Lui will resign as an executive director of LSG, LSD and Lai Fung with effect from 1 November 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Mr. Chew Fook Aun, aged 50, was appointed an Executive Director on 5 June 2012. He was also appointed a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD and an executive director of Lai Fung on the same day.

Mr. Chew has over 25 years of experience in accounting, auditing and finance in the UK and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the HKICPA and The Institute of Chartered Accountants in England and Wales. He was a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the Independent Commission Against Corruption and the standing committee on company law reform of the Companies Registry, and a council member of the Financial Reporting Council, all being organisations established in Hong Kong.

Prior to joining the Lai Sun Group, Mr. Chew was an executive director and the group chief financial officer of Esprit Holdings Limited ("**Esprit**") from 1 February 2009 to 1 May 2012, an executive director and the chief financial officer of The Link Management Limited acting as manager of The Link Real Estate Investment Trust ("**Link REIT**") from February 2007 to January 2009. He was also the chief financial officer of Kerry Properties Limited ("**Kerry Properties**") from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and an executive director of Kyard Limited in charge of the property portfolio of a private family office from 2004 to 2007. The issued shares of Esprit and Kerry Properties and the issued units of the Link REIT are listed and traded on the Stock Exchange.

Mr. Chew will be appointed a member of both the Executive Committee of the Company and the RC, and the chairman of Lai Fung with effect from 1 November 2012.

Non-executive Directors

Madam U Po Chu, aged 87, is a NED and was first appointed to the board of directors of the Company (the "**Board**") in October 1996. She is also a non-executive director of LSG and LSD, and an executive director of Lai Fung.

Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business since the mid-1960's. She started to expand the business to fabric bleaching and dyeing in the early 1970's and became involved in property development and investment in the late 1980's. She is the mother of Dr. Lam Kin Ngok, Peter, an Executive Director.

Mr. Andrew Y. Yan, aged 55, was appointed a NED on 1 September 2011. He joined SAIF Partners in 2001 and is currently its managing partner. He holds a Master's degree in International Political Economy from the Princeton University in the United States and a Bachelor's degree in Engineering from the Nanjing Aeronautic Institute (presently the Nanjing University of Aeronautics and Astronautics) in China.

Mr. Yan is currently a non-executive director of China Huiyuan Juice Group Limited, Digital China Holdings Limited, MOBI Development Co., Ltd. and Guodian Technology & Environment Group Corporation Limited; a non-executive director and the chairman of NVC Lighting Holding Limited; and an independent non-executive director of China Resources Land Limited and Fosun International Limited. The issued shares of all the above companies are listed on the Stock Exchange. He is also currently an independent non-executive director of China Petroleum & Chemical Corporation (listed on the Stock Exchange, Shanghai Stock Exchange, London Stock Exchange and New York Stock Exchange ("**NYSE**")). Further, Mr. Yan is a director of Acorn International, Inc. (listed on the NYSE), ATA Inc. (listed on the NASDAQ Global Market) and Eternal Asia Supply Chain Management Ltd. (listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange) as well as an independent director of Giant Interactive Group, Inc. (listed on the NYSE). On 20 December 2011, Mr. Yan ceased to be a director of Global Education & Technology Group Limited when its shares were withdrawn from listing on the NASDAQ Global Market.

In addition, from 2001 to November 2009, Mr. Yan was an independent non-executive director of Stone Group Holdings Limited, the shares of which were listed on the Stock Exchange. He was also an independent non-executive director of China Oilfield Services Limited (listed on the Stock Exchange) from 2002 to June 2009, and a director of China Digital TV Holding Co., Ltd. (listed on the NYSE) from 2004 to September 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Independent Non-executive Directors

Mr. Low Chee Keong, aged 52, has been the Chairman of the Company since June 2010 and is currently a member of the Audit Committee and the chairman of the RC. Mr. Low first joined the Board in August 1999 as an independent non-executive director of the Company ("**INED**"), was re-designated as a NED in June 2010, and was further re-designated as an INED on 1 September 2011. Serving as a member of the RC since October 2009, he was the RC chairman from October 2009 to late March 2011 and re-assumed the RC chairmanship on 1 September 2011.

Mr. Low has been a member of the Chartered Institute of Marketing of the UK since 1986. He has over 15 years' experience in the property development and maintenance industry in Singapore.

Mr. Alfred Donald Yap, J.P., aged 73, is an INED and a member of both the Audit Committee of the Company and the RC. He was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of K. C. Ho & Fong, Solicitors and Notaries. He was a former president of both The Law Society of Hong Kong and The Law Association for Asia and the Pacific (LAWASIA). He was also a former Hong Kong Affairs Adviser appointed by the Chinese Government. Mr. Yap is an independent non-executive director of Hung Hing Printing Group Limited and Wong's International (Holdings) Limited, which are both listed on the Main Board of the Stock Exchange.

Dr. Ng Lai Man, Carmen, aged 48, was appointed an INED in March 2009 and is presently the chairwoman of the Audit Committee of the Company and a member of the RC. She has over 20 years of experience in professional accounting services and corporate finance in Hong Kong, Mainland China, Singapore, the United States, Canada and Europe.

Dr. Ng is a practising certified public accountant in Hong Kong and is currently a director of Cosmos CPA Limited (formerly known as "Cosmos Certified Public Accountants Limited") in Hong Kong. She is a fellow member of the HKICPA and The Association of Certified Chartered Accountants in the UK, and an associate member of The Institute of Chartered Accountants in England and Wales. She received her Doctor of Business Administration from The Hong Kong Polytechnic University, Degree of Juris Doctor from The Chinese University of Hong Kong, Master of Laws in Corporate and Financial Laws from The University of Hong Kong, Master of Business Administration from The Chinese University of Hong Kong and Master of Professional Accounting from The Hong Kong Polytechnic University. In addition, Dr. Ng is an independent non-executive director of Goldin Properties Holdings Limited, Cheong Ming Investments Limited and 1010 Printing Group Limited, which are listed on the Main Board of the Stock Exchange.

Mr. Lo Kwok Kwei, David, aged 52, joined the Board as a NED in March 2009 and has been re-designated from a NED to an INED with effect from 1 September 2011. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984 and has been a member of The Law Society of Hong Kong since 1987. He has been practising as a solicitor in Hong Kong for about 25 years and is a partner of a law firm David Lo & Partners. In addition, he is an independent non-executive director of Man Yue International Holdings Limited and ENM Holdings Limited, which are both listed on the Main Board of the Stock Exchange.

Company Secretary

Mr. Kwok Siu Man, aged 53, has been the company secretary of the Company since 1 February 2011 and is concurrently the company secretary of LSG, LSD, Lai Fung and CGL. The Company's share of his remuneration with such companies for the year ended 31 July 2012 was less than HK$500,000. Prior to joining the Lai Sun group, he had about 25 years' legal, corporate secretarial and management experience gained from reputable listed companies in Hong Kong (including both the Hang Seng Index and Hang Seng Mid-Cap Index Constituent Stock Companies) and overseas. Furthermore, he was the managing director of a leading financial printer in Hong Kong with international affiliation and a director of a property management company for luxury residential properties and has been a director of a charity fund since its incorporation in 1992.

BIOGRAPHICAL DETAILS OF DIRECTORS AND COMPANY SECRETARY

Mr. Kwok is a fellow member of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England and The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and a member of the Hong Kong Securities and Investment Institute. He also possesses professional qualifications in arbitration, taxation, financial planning and human resources management. Moreover, he holds a bachelor's degree of arts and a post-graduate diploma in laws and has passed the Common Professional Examinations in England and Wales. In 1999, he received induction into the International WHO's WHO of Professionals, an international organisation which establishes a network of international elite professionals. He was one of the adjudicators for the "Best Annual Reports Awards" organised by the Hong Kong Management Association in the early 1990's and the late 2000's.

Having been the chief examiner and reviewer of the "Hong Kong Company Secretarial Practice/Corporate Secretaryship" of the international qualifying examinations of the HKICS and participated in the review of the Hong Kong law variant modules thereof for about a decade, Mr. Kwok holds the record of being HKICS's longest-serving council member and director (i.e. for 18 years). Furthermore, he was a member of the Board of Review appointed by the Hong Kong government under the Inland Revenue Ordinance and has been acting as an external examiner/adviser/member of the validation panel of corporate management courses organised by recognised academic and vocational institutions in Hong Kong.

REPORT OF THE DIRECTORS

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2012 ("**Year**" and "**Financial Statements**", respectively).

As disclosed in the annual report of the Company ("**2011 Annual Report**") for the seven months ended 31 July 2011 ("**Period**"), the financial year end date of the Company has been changed from 31 December to 31 July effective from 31 July 2011 in order to align the financial year end date of the Company with its listed affiliates, namely Lai Sun Garment (International) Limited ("**LSG**"), Lai Sun Development Company Limited ("**LSD**") and Lai Fung Holdings Limited ("**Lai Fung**").

Pursuant to the Bye-laws of the Company ("**Bye-laws**") and as explained in the 2011 Annual Report and the Company's circular dated 24 July 2012 ("**Circular**"), the Company held its 2012 annual general meeting ("**2012 AGM**") on 23 August 2012 (i.e. within fifteen months after holding its annual general meeting ("**AGM**") in 2011 to, amongst others, note the position of the Company's audited Financial Statements which were not yet ready for presentation to the shareholders of the Company ("**Shareholders**") at the 2012 AGM due to the change in financial year end date from 31 December to 31 July effective from 2011. For details of the businesses transacted at the 2012 AGM, please refer to the Circular and the paragraph headed "Details of the last general meeting" set out in the Corporate Governance Report of this Annual Report.

At the 2012 AGM, after the agenda items set out in the notice convening the 2012 AGM had been dealt with, Shareholders resolved, amongst others, to adjourn the meeting to a date around mid-December 2012 to be determined by the Directors ("**Adjourned 2012 AGM**") and to authorize the Company to send the audited Financial Statements together with the Reports of the Directors and the Independent Auditors thereon to each Shareholder at least 21 days before the date of the Adjourned 2012 AGM. The board of Directors of the Company ("**Board**") has subsequently determined that the Adjourned 2012 AGM be held on 18 December 2012. Accordingly, the audited Financial Statements will be presented to Shareholders for consideration and adoption at the Adjourned 2012 AGM scheduled for 18 December 2012.

Principal activities

During the Year, the Group increased its equity interest in Lai Fung from 40.58% to 47.87% (representing an increase of 7.29%) and consolidated the results of Lai Fung which has become a subsidiary of the Company as from 11 June 2012 through the early adoption of HKFRS 10 *Consolidated Financial Statements* (for further details, please refer to Note 3.2.2 to the Financial Statements). The Company acted as an investment holding company during the Year. The principal activities of its subsidiaries included the development and operation of and investment in media, entertainment, music production and distribution, the investment in and production and distribution of television programs, film and video format products, the provision of advertising agency services, the sale of cosmetic products and property development and investment.

Results and dividends

Details of the consolidated profit of the Group for the Year and the state of affairs of the Company and the Group as at 31 July 2012 are set out in the Financial Statements and their accompanying notes on pages 56 to 182.

The Board does not recommend the payment of a final dividend in respect of the Year (Period: Nil). No interim dividend was paid or declared in respect of the Year (Period: Nil).

Convertible notes

Details of the convertible notes issued by the Group during the Year, together with the reasons therefor, are set out in Note 40 to the Financial Statements.

Share capital

Details of the movements in the Company's share capital during the Year, together with the reasons therefor, are set out in Note 43 to the Financial Statements.

Directors

The Directors who were in office during the Year and as at the date of this Report are named as follows:

Executive Directors ("EDs")	
Lam Kin Ngok, Peter	
Lui Siu Tsuen, Richard *(Chief Executive Officer)*	
Chew Fook Aun	(appointed with effect from 5 June 2012)
Cheung Wing Sum, Ambrose	(retired on 21 December 2011)
Cheung Sum, Sam	(resigned on 1 September 2012)
Non-executive Directors ("NEDs")	
U Po Chu	
Andrew Y. Yan	(appointed on 1 September 2011)
Leung Churk Yin, Jeanny	(resigned on 1 September 2011)
Albert Thomas da Rosa, Junior	(resigned on 1 May 2012)
Independent Non-executive Directors ("INEDs")	
Low Chee Keong *(Chairman)*	(re-designated from a NED to an INED on 1 September 2011)
Alfred Donald Yap	
Ng Lai Man, Carmen	
Lo Kwok Kwei, David	(re-designated from a NED to an INED on 1 September 2011)
Tong Ka Wing, Carl	(resigned as an INED and ceased to be the Deputy Chairman on 1 September 2011)

Mr. Chew Fook Aun ("**Mr. Chew**") was appointed an ED by the Board with effect from 5 June 2012. Pursuant to Bye-law 86(2) of the Bye-laws and code provision A.4.2 of 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 ("**Stock Exchange**" and "**Listing Rules**", respectively), all directors of listed companies appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Accordingly, Mr. Chew retired and was elected by the Shareholders as an ED at the 2012 AGM.

Before the change in financial year end date effective from 31 July 2011, it has been the Company's past practice to hold its AGMs in May each year; and Directors were required to retire by rotation in accordance with the provisions of the Bye-laws once every three years since their last election at AGMs held in May.

Due to the change in financial year end date of the Company and as the Company had held its 2012 AGM on 23 August 2012 as mentioned at the beginning of this Report, the 2013 AGM is expected to be held in late November 2013 at the latest.

Pursuant to code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. Since Dr. Ng Lai Man, Carmen ("**Dr. Ng**") and Mr. Lo Kwok Kwei, David ("**Mr. Lo**") were last re-elected Directors at the AGM held on 28 May 2010 and due to retire at the AGM to be held in 2013, they would have held office for more than three years by the time the Company holds its 2013 AGM in late November 2013. As a good corporate governance practice and in strict compliance with the above code provision of the CG Code, Dr. Ng and Mr. Lo had agreed to retire voluntarily at the 2012 AGM and offered themselves for re-election. The re-election of both Dr. Ng and Mr. Lo as INEDs were approved by the Shareholders at the 2012 AGM accordingly.

Biographical details of Directors and Company Secretary

Brief biographical particulars of the existing Directors and Company Secretary are set out on pages 34 to 37 of this Annual Report. Directors' other particulars are contained elsewhere in this Report.

Directors' service contracts

None of the Directors will be proposed for re-election at the forthcoming Adjourned 2012 AGM, and none of the Directors has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

Directors' interests in significant contracts

Save as disclosed in Note 6 to the Financial Statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

Controlling shareholder's interests in significant contracts

Save as disclosed in Note 6 to the Financial Statements and the section headed "Continuing connected transactions" of this Report, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined by the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Continuing connected transactions ("CCTs")

The Company had certain CCTs (as defined by the Listing Rules) during the Year, brief particulars of which are as follows:

1. Media Asia Lease

The Company announced on 6 October 2010 that on 6 October 2010, Media Asia Group Limited ("**Media Asia**"), a wholly-owned subsidiary of the Company, entered into an offer letter ("**Offer Letter**") with Gilroy Company Limited ("**Gilroy**"), a wholly-owned subsidiary of LSD, a substantial shareholder of the Company under the Listing Rules, pursuant to which Gilroy agreed to lease to Media Asia the 24th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of 3 years from 1 October 2010 to 30 September 2013 at a monthly rental of HK$202,500 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings) ("**Media Asia Lease**").

As at the date of signing of the Offer Letter, LSD had a 36.08% shareholding interest in the Company. Gilroy was, therefore, an associate of a connected person of the Company, rendering the entering into of the Offer Letter a CCT for the Company under Chapter 14A of the Listing Rules.

For cost control purpose, Media Asia had requested for the early termination of the Media Asia Lease and an amount of HK$384,825, being the aggregate of the rent, management fee, air-conditioning charges, rates and government rent for one and a half months, held by Gilroy as tenancy deposit had been forfeited by Gilroy as compensation for the early termination of the Media Asia Lease. Media Asia and Gilroy had entered into an agreement for surrender and termination of tenancy dated 3 September 2012 to record their agreement to cancel the Media Asia Lease on the terms and conditions stated therein.

2. eSun Lease

The Company announced on 14 December 2009 that on 11 December 2009, it entered into an offer letter ("**2009 Offer Letter**") with Gilroy, pursuant to which Gilroy agreed to lease to the Company the 14th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of 3 years from 6 December 2009 to 5 December 2012 at a monthly rental of HK$187,500 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings) ("**eSun Lease**").

As at the date of entering into the 2009 Offer Letter, LSD held a 36.08% shareholding interest in the Company and Gilroy, being LSD's wholly-owned subsidiary was, therefore, an associate of a connected person of the Company under the Listing Rules; and the entering into of the 2009 Offer Letter, therefore, constituted a CCT for the Company under Chapter 14A of the Listing Rules.

To further control its cost, the Company had requested for the early termination of the eSun Lease and an amount of HK$359,625, being the aggregate of the rent, management fee, air-conditioning charges, rates and government rent for one and a half months, held by Gilroy as tenancy deposit had been forfeited by Gilroy as compensation for the early termination of the eSun Lease. The Company and Gilroy had entered into an agreement for surrender and termination of tenancy dated 3 September 2012 to record their agreement to cancel the eSun Lease on the terms and conditions stated therein.

3. Payment of management fee relating to SAIF Partners III L.P.

The Company announced on 29 June 2012 that the Company invested US$10 million (equivalent to approximately HK$78 million) in January 2007 through its wholly-owned subsidiary Shining Era Investments Limited ("**Shining Era**"), in the SAIF Partners III L.P. ("**SAIF Fund**", an exempted limited partnership established and registered under the laws of the Cayman Islands), which was an independent third party at the relevant time, as one of the limited partners pursuant to a partnership agreement dated 29 January 2007 ("**Partnership Agreement**"). The SAIF Fund is indirectly controlled by Mr. Andrew Y. Yan ("**Mr. Yan**"). Pursuant to the Partnership Agreement, an annual management fee ("**Gross Fee**") is calculated and deducted semiannually from the SAIF Fund for the services provided by the manager of the SAIF Fund ("**SAIF Manager**").

On 4 August 2011, SAIF Partners IV LP acquired 125,000,000 shares in the Company ("**Shares**"), representing approximately 10.05% of the then issued share capital of the Company and became a substantial shareholder of the Company. SAIF Partners IV LP has been indirectly controlled by Mr. Yan and therefore, Mr. Yan is deemed to be interested in the said Shares under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**"). Mr. Yan was subsequently appointed a NED on 1 September 2011.

In light of the above, Mr. Yan has become and remains a connected person of the Company given his deemed shareholding interest in the Company since 4 August 2011 and his directorship since 1 September 2011. Therefore, the payment of the Gross Fee by Shining Era to the SAIF Manager has become a CCT for the Company under Chapter 14A of the Listing Rules since 4 August 2011.

The Gross Fee paid to the SAIF Manager for the Year amounted to approximately HK$1,246,000, and the Company expects the amount of the Gross Fee payable to the SAIF Manager for each of the financial years ending 31 July 2014 to be no more than HK$2,000,000.

The CCTs listed above have been reviewed by all the INEDs who have confirmed that the transactions had been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), the Company's independent auditors, were engaged to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance "Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 *"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the CCTs disclosed above by the Group in accordance with the relevant clauses of Rule 14A.38 of the Listing Rules.

Directors' interests in competing businesses

During the Year and/or up to the date of this Report, the following Directors (together, "**Interested Directors**") are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Dr. Lam Kin Ngok, Peter ("**Dr. Lam**"), Mr. Lui Siu Tsuen, Richard, Mr. Cheung Sum, Sam (up to 31 August 2012 when he resigned as an ED immediately thereafter), Mr. Chew (from 5 June 2012 when he was appointed an ED) and Madam U Po Chu held shareholding interest and/or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong and Mainland China. Mr. Yan controlled certain investment funds which also made investment in companies engaged in (i) the development and operation of and investment in media; (ii) the investment in and production and distribution of television programs, film and video format products; and (iii) the provision of advertising agency services.

REPORT OF THE DIRECTORS

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

Share option schemes

(1) The Company

An employee share option scheme ("**Scheme**") was adopted by the Company on 23 December 2005 ("**Date of Adoption**") and became effective on 5 January 2006. The Scheme will remain in force for a period of 10 years from the effective date. Pursuant to the terms of the Scheme and in compliance with Chapter 17 of the Listing Rules, the initial maximum number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the total number of the issued Shares as at the Date of Adoption ("**Scheme Limit**") without the approval of the Shareholders. At a special general meeting of the Company held on 27 May 2011, Shareholders resolved to refresh the Scheme Limit, thereby allowing the Company to grant further options for subscription of up to a total of 124,321,216 Shares, being 10% of the 1,243,212,165 Shares in issue at the date of passing the relevant resolution. As at the date of approval of these Financial Statements, the Company might grant further options under the Scheme to subscribe for a maximum of 118,105,156 Shares (representing about 9.5% of the issued Shares as at that date).

Information on the movements of share options under the Scheme during the Year is set out below:

Category/Name of participant	Date of grant of share options *(Note 1)*	Number of underlying shares comprised in options: As at 1 August 2011	Granted during the year	Lapsed during the year	As at 31 July 2012	Exercise period of share options	Exercise price of share options per share HK$ *(Note 2)*
Director							
Chew Fook Aun *(Note 3)*	05/06/2012	–	6,216,060	–	6,216,060	05/06/2012 to 04/06/2022	0.92
Leung Churk Yin, Jeanny *(Note 4)*	20/02/2008	1,267,810	–	(1,267,810)	–	01/01/2011 to 31/12/2011	6.52
		1,267,810	6,216,060	(1,267,810)	6,216,060		
Other employees							
In aggregate *(Note 5)*	22/04/2010	2,480,000	–	(2,480,000)	–	01/01/2012 to 31/12/2013	1.70
	22/04/2010	2,480,000	–	(2,480,000)	–	01/01/2013 to 31/12/2013	1.90
Total		4,960,000	–	(4,960,000)	–		
Grand Total		6,227,810	6,216,060	(6,227,810)	6,216,060		

Notes:

1. *The vesting period of the share options is from the date of grant until the date of commencement of the exercise period.*
2. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.*
3. *Mr. Chew was appointed an ED with effect from 5 June 2012 and was granted a share option to subscribe for a total of 6,216,060 Shares on the same date.*

   The closing price of the Company's shares immediately before the date of grant of the share option on 5 June 2012 was HK$0.90 per Share.
4. *A share option comprising in part 1,267,810 Shares with the exercise period from 1 January 2011 to 31 December 2011 lapsed on 1 September 2011 on the resignation of Miss Leung as a Director in accordance with the terms of the Scheme.*
5. *A share option comprising in part 2,480,000 Shares with the exercise period from 1 January 2012 to 31 December 2013 and in part 2,480,000 Shares with the exercise period from 1 January 2013 to 31 December 2013 lapsed on 1 July 2012 on the resignation of a participant in accordance with the terms of the Scheme.*

During the Year, no share options were exercised or cancelled in accordance with the terms of the Scheme.

Further details of the Scheme which commenced with effect from 5 January 2006 are set out in Note 44(a) to the Financial Statements.

(2) MAGHL

MAGHL, a company listed on the Growth Enterprise Market of the Stock Exchange ("**GEM**") and a subsidiary of the Company since 9 June 2011, adopted a share option scheme ("**MAGHL Scheme**") on 19 November 2009. The MAGHL Scheme will remain in force for a period of 10 years from 24 November 2009, being the date of the conditional shares listing approval granted by the Stock Exchange. The initial maximum number of shares in respect of which options may be granted under the MAGHL Scheme shall not exceed 10% of the total number of MAGHL shares in issue on 19 November 2009 ("**MAGHL Scheme Limit**").

In compliance with Chapter 23 of the Rules Governing the Listing of Securities on GEM ("**GEM Listing Rules**"), at the annual general meeting of MAGHL held on 20 August 2011, MAGHL's shareholders resolved to refresh the MAGHL Scheme Limit, thereby allowing MAGHL to grant further options for subscription of up to a total of 1,011,025,761 MAGHL shares, representing 10% of the total issued shares of MAGHL as at the date of passing the relevant resolution.

The refreshment of the MAGHL Scheme Limit was also approved by the Shareholders of the Company at a special general meeting held on 22 October 2011 pursuant to the requirements of Rule 17.01(4) of the Listing Rules and Rule 23.01(4) of the GEM Listing Rules.

As at the date of approval of these Financial Statements, MAGHL might grant further options to subscribe for a maximum of 1,011,025,761 MAGHL shares (representing approximately 7.69% of the MAGHL shares in issue as at that date).

Details on the movements of share options under the MAGHL Scheme during the Year are as follows:

Name of grantee	Number of underlying MAGHL shares comprised in options: As at 1 August 2011	Granted during the year	As at 31 July 2012	Date of grant of MAGHL share options	Exercise period of MAGHL share options	Exercise price of share options per MAGHL share HK$ *(Note 2)*
Director of MAGHL						
Mr. Tang Jun *(Note 1)*	–	31,341,666	31,341,666	26/08/2011	06/08/2012 to 05/08/2013	0.2042
	–	31,341,666	31,341,666	26/08/2011	06/08/2013 to 05/08/2014	0.24504
	–	31,341,668	31,341,668	26/08/2011	06/08/2014 to 05/09/2015	0.26546
	–	2,359,192	2,359,192	17/01/2012	06/08/2012 to 05/08/2013	0.1448
	–	2,359,192	2,359,192	17/01/2012	06/08/2013 to 05/08/2014	0.17376
	–	2,359,192	2,359,192	17/01/2012	06/08/2014 to 05/09/2015	0.18824
Total	–	101,102,576	101,102,576			

Notes:

1. (a) *Mr. Tang, who was appointed an executive director and the chief executive officer of MAGHL with effect from 6 September 2011, resigned on 15 September 2012. The abovementioned share options granted to him lapsed one month after his resignation.*

   (b) *Any part of the share options not exercised in whole in the original exercise period may be carried forward and exercised in the subsequent periods subject to the payment of the appropriate exercise price per share of MAGHL.*

   (c) *For the share option granted on 26 August 2011, the vesting period of the first tranche is from 26 August 2011 to 5 August 2012, the vesting period of the second tranche is from 26 August 2011 to 5 August 2013 and the vesting period of the third tranche is from 26 August 2011 to 5 August 2014.*

   (d) *For the share option granted on 17 January 2012, the vesting period of the first tranche is from 17 January 2012 to 5 August 2012, the vesting period of the second tranche is from 17 January 2012 to 5 August 2013 and the vesting period of the third tranche is from 17 January 2012 to 5 August 2014.*

   (e) *The closing prices of the MAGHL shares immediately before the dates on which the share options were granted (i.e. 26 August 2011 and 17 January 2012) were HK$0.2 and HK$0.138 per MAGHL share respectively. The corresponding fair value of the share options of MAGHL granted on the above dates were HK$8,181,000 and HK$400,000 respectively.*

2. *The exercise price of the share options is subject to adjustment in case of rights issue or other specific changes in MAGHL's share capital.*

During the Year, no share options were exercised or cancelled in accordance with the terms of the MAGHL Scheme.

Further details of the MAGHL Scheme are included in Note 44(b) to the Financial Statements.

(3) Lai Fung

On 21 August 2003, Lai Fung adopted a share option scheme ("**Lai Fung Scheme**") which will remain in force for a period of 10 years from that date. The maximum number of share options permitted to be granted under the Lai Fung Scheme is an amount equivalent, upon their exercise, to 10% of the Lai Fung shares in issue as at the date of adoption of the Lai Fung Scheme.

On 12 June 2012, Mr. Chew Fook Aun (an executive director of Lai Fung and the Company), was granted an option to subscribe for a total of 80,479,564 ordinary shares of HK$0.10 each in the share capital of Lai Fung ("**Lai Fung Shares**") with the exercise period from 12 June 2012 to 11 June 2020 at the exercise price of HK$0.133 per Lai Fung Share. The closing price of each Lai Fung Share immediately before the date on which the share option was granted on 12 June 2012 was HK$0.135. Save for the grant of option disclosed above, no other share options were granted, exercised, lapsed or cancelled in accordance with the terms of the Lai Fung Scheme during the Year. As at the date of approval of these Financial Statements, further options to subscribe for a maximum of 288,019,674 Lai Fung Shares could be granted under the Lai Fung Scheme (representing about 1.79% of the Lai Fung Shares in issue as at that date).

Further details of the Lai Fung Scheme are included in Note 44(c) to the Financial Statements.

Directors' interests

The following Directors and chief executive of the Company who held office on 31 July 2012 and their respective associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the 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 notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**") or (d) as otherwise known by the Directors:

(1) The Company

		Long positions in the ordinary shares of HK$0.50 each ("Shares") and underlying Shares				
		Number of Shares		Share options		
Name of Director	Capacity	Personal interests	Corporate interests	Personal interests	Total	Approximate percentage of issued Shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	471,604,186 *(Note 1)*	Nil	474,398,629	38.16%
Andrew Y. Yan	Owner of controlled corporations	Nil	125,000,000 *(Note 2)*	Nil	125,000,000	10.05%
Chew Fook Aun	Beneficial owner	Nil	Nil	6,216,060 *(Note 3)*	6,216,060	0.50%

Notes:

1. *As at 31 July 2012, Dr. Lam was deemed to be interested in 471,604,186 Shares (approximately 37.93% of the issued shares of the Company) indirectly owned by Lai Sun Development Company Limited ("**LSD**") by virtue of his personal and deemed controlling shareholding interests of approximately 38.06% in Lai Sun Garment (International) Limited ("**LSG**"). LSD was approximately 47.97% directly and indirectly owned by LSG. LSG was approximately 8.07% owned by Dr. Lam and approximately 29.99% owned by Wisdoman Limited which was in turn 50% beneficially owned by Dr. Lam.*
2. *Mr. Yan was deemed to be interested in 125,000,000 Shares owned by SAIF Partners IV LP, as the said limited partnership was indirectly controlled by Mr. Yan as a director and the sole shareholder of SAIF IV GP Capital Limited which was the sole general partner of SAIF IV GP LP which in turn is the sole general partner of SAIF Partners IV LP.*
3. *Details of the share option granted to Mr. Chew (who was appointed as an ED on 5 June 2012) under the share option scheme of the Company are shown in the section headed "Share Option Schemes" of this Report.*

(2) Associated Corporations

(i) Lai Fung – a subsidiary of the Company (since 11 June 2012)

(a) By virtue of his deemed controlling shareholding interests in the Company as described in Note 1 of paragraph (1) above, as at 31 July 2012, Dr. Lam was deemed to be interested in:

– 7,705,451,422 Lai Fung Shares, representing approximately 47.87% of the issued share capital of Lai Fung, which were held by certain wholly-owned subsidiaries of the Company; and

– A principal amount of US$1,025,000 in the 9.125% Senior Notes due 2014 issued by Lai Fung ("**Senior Notes**"), which was beneficially owned by a wholly-owned subsidiary of the Company.

(b) Mr. Cheung Sum, Sam (who resigned as an ED and an exective director of Lai Fung on 1 September 2012) was beneficially interested in a principal amount of US$200,000 in the Senior Notes.

(c) A share option was granted by Lai Fung to Mr. Chew during the Year under the share option scheme of Lai Fung, particulars of which are set out below:

Date of grant	Number of underlying Lai Fung Shares comprised in the share option	Option period	Subscription price
12/06/2012	80,479,564	12/06/2012 – 11/06/2020	HK$0.133 per Lai Fung Share

(ii) MAGHL – a subsidiary of the Company

By virtue of his deemed controlling shareholding interests in the Company as described in Note 1 of paragraph (1) above, Dr. Lam was deemed to be interested in the following shares and underlying shares of MAGHL which were held by Perfect Sky Holdings Limited ("**Perfect Sky**", a wholly-owned subsidiary of the Company):

Capacity/Nature of Interest	Number of MAGHL shares	Number of MAGHL underlying shares	Approximate percentage of MAGHL's issued shares *(Note 1)*
(i) Owner of controlled corporations	6,712,925,500		51.09%
(ii) Deemed interest under S. 317 of the SFO *(Note 2)*	1,732,343,209		13.18%
Total	8,445,268,709		64.27%
(iii) Owner of controlled corporations		14,132,500,000 *(Note 3)*	107.55%
(iv) Deemed interest under S. 317 of the SFO *(Note 2)*		9,650,479,894	73.44%
Total		23,782,979,894	180.99%

Notes:

1. *The total number of issued shares of MAGHL as at 31 July 2012 (that is, 13,140,257,612 shares) has been used in the calculation of the approximate percentage.*
2. *Pursuant to S.317 of the SFO and by virtue of his controlling shareholding interests in the Company, Dr. Lam was deemed to be interested in the shares and underlying shares in MAGHL held by the parties (other than MAGHL) to a subscription agreement dated 23 March 2011 ("**Subscription Agreement**") and entered into amongst Perfect Sky and such parties for the subscription of certain shares in and convertible notes of MAGHL.*
3. *This represents, in aggregate, the 8,632,500,000 underlying shares comprised in the First Completion Convertible Notes issued to Perfect Sky by MAGHL on 9 June 2011 ("**First Completion Date**") and 5,500,000,000 underlying shares comprised in the Second Completion Convertible Notes issued to Perfect Sky by MAGHL on 9 June 2012, i.e. the first anniversary of the First Completion Date, pursuant to the Subscription Agreement described in Note 2 just above.*

Save as disclosed above, as at 31 July 2012, none of the Directors and the chief executive of the Company and their respective associates was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

Arrangement for directors to acquire Shares or debentures

Save as disclosed in the sections headed "Share Option Schemes" and "Directors' interests" in this Report above and in Note 44 to the Financial Statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders' and other persons' interests

As at 31 July 2012, so far as it was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (two being Directors), who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

	Long position in the Shares		
Name	**Capacity**	**Number of Shares**	**Approximate percentage of issued Shares**
Substantial Shareholders			
Lai Sun Development Company Limited *(Note 1)*	Owner of controlled corporation	471,604,186	37.93% *(Note 3)*
Lai Sun Garment (International) Limited *(Note 2)*	Owner of controlled corporations	471,604,186	37.93% *(Note 3)*
Dr. Lam Kin Ngok, Peter	Beneficial owner/Owner of controlled corporations	474,398,629	38.16% *(Note 3)*
SAIF Partners IV LP	Beneficial Owner	125,000,000	10.05% *(Note 4)*
SAIF IV GP LP	Owner of controlled corporation	125,000,000	10.05% *(Note 4)*
SAIF IV GP Capital Limited	Owner of controlled corporations	125,000,000	10.05% *(Note 4)*
Mr. Andrew Y. Yan	Owner of controlled corporations	125,000,000	10.05% *(Note 4)*
Other Persons			
Atlantis Capital Holdings Limited	Owner of controlled corporations	120,000,000	9.65% *(Note 5)*
Ms. Liu Yang	Owner of controlled corporations	120,000,000	9.65% *(Note 5)*

Notes:

1. *As at 31 July 2012, Dr. Lam, Mr. Lui Siu Tsuen, Richard ("**Mr. Lui**"), Mr. Chew Fook Aun ("**Mr. Chew**") and Mr. Cheung Sum, Sam, all EDs, were also executive directors of LSD. Madam U Po Chu ("**Madam U**"), a NED, was also a non-executive director of LSD.*
2. *As at 31 July 2012, Dr. Lam, Mr. Lui and Mr. Chew, all EDs, were also executive directors of LSG. Madam U, a NED, was also a non-executive director of LSG.*
3. *Dr. Lam and LSG were deemed to be interested in the same 471,604,186 Shares held by LSD. Please refer to Note 1 of paragraph (1) in the "Directors' Interests" section above for further details.*
4. *Mr. Yan, a NED, was deemed to be interested in the same 125,000,000 Shares owned by SAIF Partners IV LP, SAIF IV GP LP and SAIF IV GP Capital Limited. Please refer to Note 2 of paragraph (1) in the "Directors' Interests" section above for further details.*
5. *Ms. Liu Yang was deemed to be interested in the same 120,000,000 Shares controlled by Atlantis Capital Holdings Limited by virtue of her directorship/controlling interest in such company.*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 July 2012, 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.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued Shares were held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the Year and up to the date of this Report.

Purchase, sale or redemption of listed shares

During the Year, the Company did not redeem any of the Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such Shares.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

Property, plant and equipment and investment properties

Details of the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in Notes 15 and 18 to the Financial Statements, respectively. Further details of the Group's investment properties are set out in "Particulars of Properties" section in this Annual Report.

Properties under development

Details of the movements in the properties under development of the Group during the Year are set out in Note 17 to the Financial Statements. Further details of the Group's properties under development are set out in the "Particulars of Properties" section in this Annual Report.

Fixed rate Senior Notes

Details of the fixed rate Senior Notes are set out in Note 41 to the Financial Statements.

Reserves

Details of the movements in the reserves of the Group and the Company during the Year are set out in Note 45 to the Financial Statements.

Distributable reserves

As at 31 July 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**"), comprised retained profits of HK$664,395,000 and contributed surplus of HK$845,455,000.

Under the Companies Act, the Company's contributed surplus is available for distribution to the Shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate amount of its liabilities and its issued share capital and share premium account.

In addition, the Company's share premium account, in the amount of HK$4,230,797,000, may be applied to pay up unissued shares to be issued to members of the Company as fully paid bonus shares.

Donations for charitable and other purposes

During the Year, the Group made contributions for charitable or other purposes totalling HK$3,786,000.

Principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2012 are set out in Note 16 to the Financial Statements.

Major customers and suppliers

During the Year, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the Year. Purchase from the Group's five largest suppliers accounted for less than 30% of the Group's total purchase for the Year.

Disclosure pursuant to paragraph 13.21 of Chapter 13 of the Listing Rules

Pursuant to the covenants of the loan agreements and the supplemental loan agreements dated 20 December 2007, 27 July 2010 and 14 September 2010, respectively, Lai Fung and certain subsidiaries of Lai Fung shall procure that (i) LSG, LSD and the Company will together hold not less than 30% of the total issued share capital of Lai Fung at all times throughout the terms of the facilities; (ii) LSG and/or LSD and/or the Company shall together remain as the single largest Shareholder of Lai Fung; and (iii) LSG will maintain management control of Lai Fung.

As at 31 July 2012, the aggregate outstanding loan balances of these facilities amounted to approximately HK$1,083,802,000 with the last instalment repayment falling due in July 2013.

Summary of financial information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial periods is set out in the section headed "Financial Summary and Highlights" on pages 10 and 11 of this Annual Report.

Corporate governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 22 to 33.

Independence of INEDs

The Company has received from each of its INEDs in writing an annual confirmation of his/her independence for the Year pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the INEDs to be independent.

Review by Audit Committee

The audit committee of the Company ("**Audit Committee**") comprises three members, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Alfred Donald Yap and Mr. Low Chee Keong, all INEDs. The Audit Committee has reviewed with the management the audited Financial Statements for the Year.

Adjourned 2012 AGM

As explained in the opening paragraphs of this Report on page 38, due to the change in the financial year end date of the Company from 31 December to 31 July effective from 31 July 2011, Shareholders resolved at the 2012 AGM to, amongst other matters, adjourn the meeting to a date around mid-December 2012 to be determined by the Directors in order to allow time for the Independent Auditors to finalise the audit of the Financial Statements. The Board has subsequently determined that the Adjourned 2012 AGM be held on 18 December 2012.

Independent auditors

At the 2012 AGM, Shareholders resolved to, among others, postpone the re-appointment of the Independent Auditors for the ensuing year to the Adjourned 2012 AGM, in order to allow time for the Independent Auditors to finalise the audit of the Financial Statements.

The Financial Statements have been audited by Ernst & Young, which will retire and being eligible, offer themselves for re-appointment at the forthcoming Adjourned 2012 AGM. Approved by the Board upon the Audit Committee's recommendation, a resolution for the reappointment of Ernst & Young as independent auditors of the Company for the ensuing year will be put to the Adjourned 2012 AGM for Shareholders' approval.

ON BEHALF OF THE BOARD

Low Chee Keong
Chairman

Hong Kong
30 October 2012

SHAREHOLDERS' INFORMATION

Taxation of Holders of Shares

(a) Hong Kong

The purchase, sale and transfer of shares registered in the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.1% of the consideration or, if greater, the fair value of the shares being bought/sold or transferred (rounded up to the nearest HK$'000). In addition, a fixed duty of HK$5.00 is currently payable on an instrument of transfer of shares.

Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Bermuda

Under the present Bermuda laws, transfers and other dispositions of shares in the Company are exempt from Bermuda stamp duty.

(c) Consultation with professional advisers

Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

Key Dates

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	For Financial Year 2011-2012
Final results announcement for the year ended 31 July 2012	30 October 2012
Latest time and date to lodge transfer documents with the Hong Kong branch share registrars for entitlement to attending and voting at the adjourned 2012 annual general meeting ("**Adjourned 2012 AGM**")	4:30 p.m. on 13 December 2012
Adjourned 2012 AGM	18 December 2012 at 9:45 a.m.
	For Financial Year 2012-2013
Interim results announcement for the six months ending 31 January 2013	on or before 31 March 2013
Annual results announcement for the year ending 31 July 2013	on or before 31 October 2013
2013 AGM	November 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of eSun Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of eSun Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 182, which comprise the consolidated and company statements of financial position as at 31 July 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

30 October 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2012

	Notes	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
TURNOVER	7	**702,151**	316,285
Cost of sales		**(447,278)**	(207,878)
Gross profit		**254,873**	108,407
Other revenue	7	**60,799**	11,879
Selling and marketing expenses		**(100,873)**	(63,492)
Administrative expenses		**(358,047)**	(147,126)
Other operating gains		**11,801**	2,634
Other operating expenses		**(114,579)**	(81,708)
Fair value gain/(loss) on a forward contract	33	**(63,332)**	6,585
Gain on bargain purchase of subsidiaries, net	46	**1,350,405**	8,339
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**1,041,047**	(154,482)
Finance costs	9	**(46,416)**	(6,052)
Gain on disposal of investments in joint ventures	10	**–**	652,408
Share of profits and losses of joint ventures		**8,903**	(9,487)
Share of profits and losses of associates		**99,138**	35,940
PROFIT BEFORE TAX	8	**1,102,672**	518,327
Income tax expense	12	**(16,661)**	(112)
PROFIT FOR THE YEAR/PERIOD		**1,086,011**	518,215
Attributable to:			
Owners of the Company	13	**1,161,588**	524,538
Non-controlling interests		**(75,577)**	(6,323)
		1,086,011	518,215
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	14		
Basic		**HK$0.934**	HK$0.422
Diluted		**HK$0.934**	HK$0.422

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2012

	Notes	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
PROFIT FOR THE YEAR/PERIOD		**1,086,011**	518,215
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange realignment on translation of foreign operations		**1,284**	1,358
Share of other comprehensive income of joint ventures		**–**	130
Share of other comprehensive income of associates		**60,075**	101,563
Release of reserves upon disposal of an associate	46(a)	**(253,078)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		**(191,719)**	103,051
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**894,292**	621,266
Attributable to:			
Owners of the Company		**969,802**	627,589
Non-controlling interests		**(75,510)**	(6,323)
		894,292	621,266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,051,020**	77,639
Properties under development	17	**1,253,651**	–
Investment properties	18	**10,786,016**	–
Film rights	19	**47,317**	54,614
Film products	20	**74,235**	77,277
Music catalogs	21	**31,999**	48,287
Goodwill	22	**10,182**	–
Other intangible assets	23	**71,467**	–
Investments in joint ventures	24	**1,115,588**	74,303
Investments in associates	25	**6,035**	4,467,382
Available-for-sale investments	26	**166,209**	78,969
Deposits, prepayments and other receivables	27	**78,211**	88,764
Total non-current assets		**15,691,930**	4,967,235
CURRENT ASSETS			
Properties under development	17	**510,318**	–
Completed properties for sale		**2,683,650**	–
Loans receivable	28	**23,517**	11,000
Films under production	29	**134,771**	104,090
Inventories	30	**8,892**	7,854
Debtors	31	**160,799**	97,680
Deposits, prepayments and other receivables	27	**258,716**	123,647
Options	32	**32,491**	–
Forward contract	33	**–**	8,336
Equity investments at fair value through profit or loss	34	**–**	1,474
Prepaid tax		**49,513**	–
Pledged and restricted time deposits and bank balances	35	**952,875**	12,960
Cash and cash equivalents	35	**3,211,249**	2,311,490
Total current assets		**8,026,791**	2,678,531
CURRENT LIABILITIES			
Creditors and accruals	36	**944,512**	334,561
Deposits received and deferred income		**355,974**	–
Tax payable		**352,109**	2,789
Finance lease payables	37	**119**	125
Interest-bearing bank loans, secured	38	**1,559,357**	12,229
Total current liabilities		**3,212,071**	349,704
NET CURRENT ASSETS		**4,814,720**	2,328,827
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,506,650**	7,296,062

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,506,650**	7,296,062
NON-CURRENT LIABILITIES			
Long term deposits received		**68,045**	–
Finance lease payables	37	**128**	247
Interest-bearing bank loans, secured	38	**358,342**	–
Other borrowings	39	**227,454**	164,601
Convertible notes	40	**227,232**	155,422
Fixed rate senior notes	41	**1,419,334**	–
Deferred tax liabilities	42	**2,339,330**	61
Total non-current liabilities		**4,639,865**	320,331
Net assets		**15,866,785**	6,975,731
EQUITY			
Equity attributable to owners of the Company			
Issued capital	43	**621,606**	621,606
Reserves	45(a)	**7,376,294**	6,215,880
		7,997,900	6,837,486
Non-controlling interests		**7,868,885**	138,245
Total equity		**15,866,785**	6,975,731

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2012

Group

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (Note 1)	Share option reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company									
At 1 August 2011		621,606	4,230,797	891,289	2,145	223,458	21,015	847,176	6,837,486	138,245	6,975,731
Profit/(loss) for the year		–	–	–	–	–	–	1,161,588	1,161,588	(75,577)	1,086,011
Other comprehensive income/(loss) for the year:											
Exchange realignment on translation of foreign operations		–	–	–	–	1,217	–	–	1,217	67	1,284
Share of other comprehensive income of associates		–	–	–	–	54,656	5,419	–	60,075	–	60,075
Release of reserves upon disposal of an associate	46(a)	–	–	–	–	(247,659)	(5,419)	–	(253,078)	–	(253,078)
Total comprehensive income/(loss) for the year		–	–	–	–	(191,786)	–	1,161,588	969,802	(75,510)	894,292
Acquisition of subsidiaries	46	–	–	–	–	–	–	–	–	7,633,988	7,633,988
Equity-settled share option arrangements	44(a)	–	–	–	2,741	–	–	–	2,741	8,708	11,449
Deemed acquisition of partial interests in a subsidiary arising from conversion of convertible notes and placing of new shares of a subsidiary	16(a)	–	–	–	–	–	135,338	–	135,338	155,499	290,837
Acquisition of additional interests in a subsidiary	16(b)	–	–	–	–	–	52,533	–	52,533	(63,331)	(10,798)
Release of reserves upon lapse of share options		–	–	–	(2,145)	–	–	2,145	–	–	–
Recognition of equity component of convertible notes	40	–	–	–	–	–	–	–	–	71,286	71,286
At 31 July 2012		**621,606**	**4,230,797***	**891,289***	**2,741***	**31,672***	**208,886***	**2,010,909***	**7,997,900**	**7,868,885**	**15,866,785**

* *These reserve accounts comprise the consolidated reserves of HK$7,376,294,000 (2011: HK$6,215,880,000) in the consolidated statement of financial position.*

Notes:

1. *The Group's contributed surplus represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange therefor during the Group reorganisation in November 1996.*

2. *No dividend was paid or proposed during the year ended 31 July 2012 (period from 1 January 2011 to 31 July 2011: Nil), nor has any dividend been proposed since the end of the reporting period.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2012

Group (continued)

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(Note 1)*	Share option reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company									
At 1 January 2011		620,366	4,227,678	891,289	2,627	120,407	13,754	322,638	6,198,759	317,000	6,515,759
Profit/(loss) for the period		–	–	–	–	–	–	524,538	524,538	(6,323)	518,215
Other comprehensive income for the period:											
Exchange realignment on translation of foreign operations		–	–	–	–	1,358	–	–	1,358	–	1,358
Share of other comprehensive income of joint ventures		–	–	–	–	130	–	–	130	–	130
Share of other comprehensive income of associates		–	–	–	–	101,563	–	–	101,563	–	101,563
Total comprehensive income for the period		–	–	–	–	103,051	–	524,538	627,589	(6,323)	621,266
Issue of shares upon exercise of share options	43(b)	1,240	3,119	–	(887)	–	–	–	3,472	–	3,472
Equity-settled share option arrangements	44(a)	–	–	–	405	–	–	–	405	–	405
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	136,247	136,247
Shareholder loan from a non-controlling shareholder to a non-wholly-owned subsidiary		–	–	–	–	–	–	–	–	(315,674)	(315,674)
Deemed disposal of partial interests in a subsidiary arising from exercise of its share options		–	–	–	–	–	7,261	–	7,261	6,995	14,256
At 31 July 2011		621,606	4,230,797	891,289	2,145	223,458	21,015	847,176	6,837,486	138,245	6,975,731

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2012

	Notes	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,102,672	518,327
Adjustments for:			
Finance costs	9	46,416	6,052
Gain on bargain purchase of subsidiaries, net	46	(1,350,405)	(8,339)
Gain on disposal of investments in joint ventures	10	–	(652,408)
Share of profits and losses of joint ventures		(8,903)	9,487
Share of profits and losses of associates		(99,138)	(35,940)
Interest income	7	(21,211)	(3,568)
Distribution income from an unlisted available-for-sale investment	7	–	(1,023)
Fair value gain on options	8	(1,080)	–
Gains on disposal of equity investments at fair value through profit or loss	8	(4,911)	–
Fair value losses on equity investments at fair value through profit or loss	8	–	609
Fair value loss/(gain) on a forward contract	33	63,332	(6,585)
Depreciation	8	24,421	5,249
Amortisation of film rights	8	10,447	7,986
Amortisation of film products	8	103,110	67,056
Amortisation of music catalogs	8	4,888	3,053
Amortisation of other intangible assets	8	3,042	–
Impairment of an available-for-sale investment	8	35,805	–
Impairment of music catalogs	8	11,400	41,990
Impairment of films under production	8	967	500
Impairment of goodwill	8	3,477	–
Provision for doubtful debts	8	1,019	–
Provision for advances and other receivables	8	14,231	2,780
Reversal of provision for advances and other receivables	8	(1,096)	(4)
Loss on disposal/write-off of items of property, plant and equipment	8	751	1
Write-off of bad debts	8	–	17
Recovery of bad debts	8	–	(270)
Provision for/(reversal of provision for) inventories	8	464	(82)
Equity-settled share option expense	8	11,449	405
Increase in properties under development		(90,588)	–
Decrease in completed properties for sale		66,129	–
Increase in inventories		(1,502)	(2,455)
Additions of films under production	29	(131,423)	(70,239)
Additions of film products	20	(293)	(262)
Decrease in debtors		6,921	26,793
Increase in long term deposits received		7,457	–
Decrease/(increase) in deposits, prepayments and other receivables		(67,315)	21,911
Decrease in creditors and accruals		(83,741)	(55,178)
Increase in deposits received and deferred income		75,686	–
Cash used in operations		(267,522)	(124,137)
Overseas taxes paid		–	(51)
Hong Kong taxes refunded/(paid)		862	(862)
Mainland China taxes paid, net		(21,725)	–
Net cash flows used in operating activities		(288,385)	(125,050)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2012

	Notes	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		21,360	3,075
Additions of film rights	19	(3,150)	(1,976)
Increase in loans receivable		(12,517)	–
Increase in investment properties		(22,254)	–
Proceeds from redemption of held-to-maturity debt investments		–	51,950
Dividend income from an associate		16,328	16,328
Proceeds from disposal of items of property, plant and equipment		265	420
Purchases of items of property, plant and equipment		(31,730)	(1,904)
Purchases of available-for-sale investments		(123,045)	–
Purchases of equity investments at fair value through profit or loss		(45,462)	–
Advances to joint ventures		(5,195)	(1,798)
Repayment from joint ventures		–	8,757
Net proceeds from issue of convertible notes		70,512	–
Net proceeds from disposal of equity investments at fair value through profit or loss		51,847	–
Net proceeds from disposal of investments in joint ventures		–	1,044,305
Advances to associates		(5,869)	(901)
Payment for share swap transactions		–	(78,353)
Acquisition of subsidiaries	46	1,136,329	288,620
Acquisition of additional interests in a subsidiary	16(b)	(10,798)	–
Capital contribution to a joint venture		(6,151)	–
Increase in pledged and restricted time deposits and bank balances		(202,894)	–
Net cash flows generated from investing activities		827,576	1,328,523
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	43	–	3,472
Proceeds from shares placement of a subsidiary	16(a)	290,837	–
Proceeds from deemed disposal of partial interests in a subsidiary arising from exercise of its share options		–	14,256
Purchase of fixed rate senior notes		(6,218)	–
New bank loans		128,845	–
Repayment of bank loans		(35,941)	–
Capital element of finance lease rental payments		(125)	(72)
Interest paid		(19,341)	(307)
Net cash flows generated from financing activities		358,057	17,349
NET INCREASE IN CASH AND CASH EQUIVALENTS		897,248	1,220,822
Cash and cash equivalents at beginning of year/period		2,311,490	1,089,144
Effect of foreign exchange rate changes, net		2,511	1,524
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	35	3,211,249	2,311,490
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	35	819,745	717,543
Non-pledged and non-restricted time deposits	35	2,391,504	1,593,947
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		3,211,249	2,311,490

STATEMENT OF FINANCIAL POSITION

31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	216	381
Investments in subsidiaries	16	6,135,054	5,357,362
Deposits, prepayments and other receivables	27	10,658	10,658
Total non-current assets		6,145,928	5,368,401
CURRENT ASSETS			
Deposits, prepayments and other receivables	27	645	611
Cash and cash equivalents	35	390,820	1,471,421
Total current assets		391,465	1,472,032
CURRENT LIABILITIES			
Creditors and accruals	36	2,145	123,393
NET CURRENT ASSETS		389,320	1,348,639
TOTAL ASSETS LESS CURRENT LIABILITIES		6,535,248	6,717,040
NON-CURRENT LIABILITIES			
Other borrowings	39	170,254	164,601
Net assets		6,364,994	6,552,439
EQUITY			
Issued capital	43	621,606	621,606
Reserves	45(b)	5,743,388	5,930,833
Total equity		6,364,994	6,552,439

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

1. Corporate Information

eSun Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively, the "Group") were involved in the following principal activities:

- property development for sale and property investment for rental purposes;
- development and operation of and investment in media, entertainment, music production and distribution;
- investment in and production and distribution of films and video format products;
- provision of advertising agency services;
- sale of cosmetic products; and
- investment holding.

Details of the principal activities of the principal subsidiaries, joint ventures and associates are set out in notes 16, 24 and 25 to the financial statements, respectively.

2. Change of Financial Year End Date

During the period from 1 January 2011 to 31 July 2011, the board of directors of the Company resolved to change the financial year end date of the Company from 31 December to 31 July effective from 31 July 2011 in order to align the financial year end date of the Company with its other listed affiliates.

Owing to the change of the financial year end date of the Company from 31 December to 31 July with effect from the financial period ended 31 July 2011, the financial statements of the Company for the period ended 31 July 2011 cover a period of seven months from 1 January 2011 to 31 July 2011. Accordingly, the comparative amounts presented for the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and related notes, which were prepared for the period from 1 January 2011 to 31 July 2011, are not comparable.

3.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction, a forward contract, options, certain available-for-sale investments and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 Basis of Preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2012. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to income statement or retained profits, as appropriate.

3.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs, applicable to the Group, for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

In addition, the Group has early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time for the current year's financial statements.

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*

3.2 Changes in Accounting Policies and Disclosures (continued)

3.2.1 Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. HKAS 12 Amendments are effective for annual periods beginning on or after 1 January 2012. The aforesaid presumption is rebutted in relation to all of the Group's investment properties measured at fair value and the adoption of HKAS 12 Amendments has had no significant financial effect on these financial statements.

3.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities

The HKICPA has issued a package of five new or revised standards on consolidation, joint arrangements, associates and disclosures including HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (2011) *Separate Financial Statements* and HKAS 28 (2011) *Investments in Associates and Joint Ventures* which are effective for annual periods beginning on or after 1 January 2013. In the current year, the Group has applied these five standards in advance of their effective dates (annual periods beginning on or after 1 January 2013).

The impact of the adoption of these standards is set out below:

HKFRS 10 *Consolidated Financial Statements*

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all of the three criteria, including (a) an investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns, must be met. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Much more guidance has been included in HKFRS 10 to explain when an investor has control over an investee. In particular, detailed guidance has been established in HKFRS 10 to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. For example, in assessing whether or not an investor with less than a majority of the voting rights in an investee has a sufficiently dominant voting interest to meet the power criterion, HKFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly, the size of the investor's holding of voting rights relative to the size and dispersion of shareholdings of the other vote holders.

The application of HKFRS 10 has affected the accounting for the Group's 47.39% interest in Lai Fung Holdings Limited ("Lai Fung") and its subsidiaries (the "Lai Fung Group") following the completion of an open offer of Lai Fung (the "Open Offer") which is further detailed as below.

3.2 Changes in Accounting Policies and Disclosures (continued)

3.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities (continued)

HKFRS 10 *Consolidated Financial Statements* (continued)

Pursuant to a joint announcement of the Company and Lai Fung (the "Announcement") dated 27 February 2012, the circular of the Company dated 24 April 2012 and the prospectus of Lai Fung dated 22 May 2012, Lai Fung proposed to raise approximately HK$1,006 million, before expenses, by issuing 8,047,956,478 offer shares by way of the Open Offer at the subscription price of HK$0.125 per offer share (the "Offer Share") on the basis of 1 Offer Share for every 1 share held by the qualifying shareholders of Lai Fung on the record date (the "Record Date", being 9 May 2012 or such other date as may be agreed as defined in the Announcement). On 27 February 2012, the Company entered into an underwriting agreement with Lai Fung (the "Underwriting Agreement") pursuant to which the Company has irrevocably undertaken to Lai Fung to take up (or procure to be taken up) all the Offer Shares other than those undertaken to be procured for taking up by the Company. The maximum underwriting obligation to the Company is therefore approximately HK$1,006 million.

The Open Offer became unconditional on 6 June 2012. The Open Offer was undersubscribed for 1,096,075,348 Offer Shares. Pursuant to the irrevocable undertaking under the Underwriting Agreement, the Company has procured its wholly-owned subsidiaries to accept and subscribe for, in aggregate, 3,265,688,037 Offer Shares at a subscription price of HK$0.125 per share. Furthermore, the Company has procured its wholly-owned subsidiary to subscribe for the 1,096,075,348 Offer Shares at a subscription price of HK$0.125 per share with a total consideration of approximately HK$137,009,000 pursuant to its underwriting obligations under the Underwriting Agreement. As a result, the Group's shareholdings in Lai Fung increased from approximately 40.58% to approximately 47.39%. Subsequent to the Open Offer, the Group acquired additional shares of Lai Fung from the public shareholders and the shareholding in Lai Fung increased from 47.39% to 47.87% in June 2012.

The directors assessed whether or not the Group has control over Lai Fung in accordance with the new definition of control and the related guidance set out in HKFRS 10. After assessment, the directors concluded that it has had control over Lai Fung since 11 June 2012, being the date of completion of the Open Offer, on the basis of the Group's absolute size and relative size of shareholdings in Lai Fung, the dispersion of the shareholdings owned by the other shareholders and the degree of management involvement. Therefore, in accordance with the requirements of HKFRS 10, Lai Fung became a subsidiary of the Company since 11 June 2012. Previously, Lai Fung was treated as an associate of the Group and accounted for using the equity method of accounting.

The change in accounting policy of the Group's investment in Lai Fung has been reflected in the consolidated financial statements as the business combination took place during the year ended 31 July 2012. No prior period adjustments are required.

3.2 Changes in Accounting Policies and Disclosures (continued)

3.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities (continued)

HKFRS 10 *Consolidated Financial Statements* (continued)

Such a change in accounting policy has affected the amounts reported in the financial statements and the impact is detailed in the table below.

Impact on the consolidated income statement for the year ended 31 July 2012

	Increase/ (decrease) in profit HK$'000
Increase in turnover	174,355
Increase in cost of sales	(102,311)
Increase in other revenue	26,574
Increase in other operating expenses	(83,796)
Increase in finance costs	(22,962)
Increase in share of profits and losses of joint ventures	(2,762)
Decrease in share of profits and losses of associates	6,316
	(4,586)
Gain on bargain purchase of subsidiaries, net	1,350,405
Discount on acquisition of associates	(814,037)
Increase in profit for the year	531,782
Increase in profit for the year attributable to:	
Owners of the Company	536,368
Non-controlling interests	(4,586)
	531,782

3.2 Changes in Accounting Policies and Disclosures (continued)

3.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities (continued)

HKFRS 10 *Consolidated Financial Statements* (continued)

Impact on the consolidated statement of financial position as at 31 July 2012

	Increase/ (decrease) in equity HK$'000
Increase in property, plant and equipment	1,952,830
Increase in properties under development	1,763,969
Increase in investment properties	10,786,016
Increase in investments in joint ventures	1,018,495
Decrease in investments in associates	(5,972,551)
Increase in completed properties for sale	2,683,650
Increase in debtors	65,865
Increase in deposits, prepayments and other receivables	69,253
Increase in prepaid tax	49,513
Increase in pledged and restricted time deposits and bank balances	943,135
Increase in cash and cash equivalents	1,695,551
Increase in creditors and accruals	(687,195)
Increase in deposits received and deferred income	(355,974)
Increase in tax payable	(343,117)
Increase in interest-bearing bank loans, secured	(1,917,699)
Increase in long term deposits received	(68,045)
Increase in other borrowings	(57,200)
Increase in fixed rate senior notes	(1,427,253)
Increase in deferred tax liabilities	(2,321,467)
	7,877,776
Increase in non-controlling interests	(7,541,954)
Impact on equity attributable to owners of the Company	335,822

Impact on earnings per share for the year ended 31 July 2012

	Profit for the year attributable to owners of the Company HK$'000	**Basic earnings per share** HK$	**Diluted earnings per share** HK$
Amount reported	1,161,588	0.934	0.934
Increase in profits/earnings per share due to adoption of HKFRS 10	536,368	0.431	0.431

3.2 Changes in Accounting Policies and Disclosures (continued)

3.2.2 New and revised standards on consolidation, joint arrangements, associates and disclosure of interests in other entities (continued)

HKFRS 11 *Joint Arrangements*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 *Interests in Joint Ventures* had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

Upon the adoption of HKFRS 11, the directors reviewed and assessed the legal form and terms of the contractual arrangements in relation to the Group's investments in joint arrangements.

HKFRS 12 *Disclosure of Interests in Other Entities,* HKAS 27 (2011) *Separate Financial Statements and* HKAS 28 (2011) *Investment in Associates and Joint Ventures*

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 as a result of the issuance of HKFRS 10 and HKFRS 12. The Group has early adopted HKFRS 10 and HKFRS 12, and the consequential amendments to HKAS 27 in the current year's financial statements.

The application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. The adoption of HKAS 27 (2011) does not have significant impact on the Group's consolidated financial statements.

3.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 *Financial Instruments* and HKFRS 7 *Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures* [4]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements Project	Annual Improvements to HKFRSs 2009-2011 Cycle [2]

1 *Effective for annual periods beginning on or after 1 July 2012*
2 *Effective for annual periods beginning on or after 1 January 2013*
3 *Effective for annual periods beginning on or after 1 January 2014*
4 *Effective for annual periods beginning on or after 1 January 2015*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity over which the Group has power over the investee such that the Group is able to direct the subsidiary's relevant activities, has exposure or rights to variable returns from its involvement with the subsidiary and has the ability to use its power over the subsidiary to affect the amount of its returns.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3.4 Summary of Significant Accounting Policies (continued)

Subsidiaries (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the four elements of control listed above.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

Associates

The existence of significant influence is assessed by the Group based on the Group's ownership percentage (considering its direct ownership as well as potentially exercisable or convertible shares) and other contractual rights. An associate is an entity, not being subsidiary or a joint arrangement subject to joint control, in which the Group has an equity voting interest of generally not less than 20% and over which the Group is in a position to exercise significant influence. The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Joint arrangements

Certain of the Group's activities are conducted through joint arrangements. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post acquisition results and reserves of joint ventures is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures and is not individually tested for impairment.

The results of joint ventures are included in the Company's income statement to the extent of dividend received and receivable. The Company's investments in joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

3.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 July. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than completed properties for sale, inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired lease terms
Buildings	2.5% – 5.0%
Serviced apartments	Over the remaining lease terms of the land
Leasehold improvements	Over the terms of the related leases
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	10% – 30%
Computers	18% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each financial year.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3.4 Summary of Significant Accounting Policies (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include land held for a currently undetermined future use and properties which are developed/constructed for future use as investment properties.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of the retirement or disposal.

Properties under development/construction for future use as investment properties have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under development/construction are capitalised as part of the carrying amounts of the investment properties under development/construction. Investment properties under development/construction are measured at fair value as at the end of the reporting period. Any difference between the fair values of the investment properties under development/construction and their carrying amounts is recognised in the income statement in the period in which they arise.

If the fair value of an investment property under development/construction is at present not reliably determinable but is expected to be reliably determinable when construction is complete, such investment property under development/construction is stated at cost until either its fair value becomes reliably determinable or development/construction is completed, whichever is earlier.

Properties under development

Properties under development represent properties developed for sale and are stated at lower of cost and net realisable value. Cost comprises the prepaid land lease payments, or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period.

Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less estimated costs of completion and costs to be incurred in selling the property.

Once the development/construction of these properties is completed, these properties are reclassified to appropriate categories of assets.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Cost is determined by an apportionment of the total costs of land and buildings attributable to unsold properties. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less cost to be incurred in selling the property.

Music catalogs

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

The costs of music catalogs less accumulated impairment loss are amortised to the income statement in proportion to the estimated projected revenue when realised over their economic beneficial period subject to a maximum of 15 years. Additional amortisation/impairment loss is made if estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

3.4 Summary of Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Artiste management contracts

Artiste management contracts are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives ranging from 2 to 12 years.

(ii) Services contract

Services contract is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of 15 years.

Film rights, film products and films under production

Film rights are rights acquired or licensed from outsiders for exhibition and other exploitation of the films. Film products are completed films produced by the Group.

Film rights are stated at cost less accumulated amortisation and impairment losses. Film rights, less estimated residual value and accumulated impairment loss, are amortised in proportion to the estimated projected revenues over their economic beneficial period. Additional amortisation/impairment loss is made if future estimated projected revenues are adversely different from the previous estimation. Estimated projected revenues are reviewed at regular intervals.

Film products are stated at the lower of cost and net realisable value. Film products pending or under theatrical release are included in current assets whereas film products for markets other than theatrical release are included in non-current assets. Cost of film products, accounted for on a film-by-film basis, includes production costs, costs of services, direct labour costs, facilities and raw materials consumed in the creation of a film. Film products, less estimated residual value and accumulated amortisation, are amortised in proportion to the estimated projected revenues over their economic beneficial period.

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

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

3.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, pledged and restricted time deposits and bank balances, debtors, other receivables, loans receivable, a forward contract, options, quoted and unquoted financial instruments, and amounts due from joint ventures and associates.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstance, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

3.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Options

For accounting purpose, options (as defined in note 32) are classified as derivative financial instrument under HKAS 39. The options are subsequently re-measured at fair value with changes in fair value recognised in the income statement. Options are carried as an asset when its fair value is positive and as a liability when the fair value is negative.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other revenue in the income statement. The loss arising from impairment is recognised in the income statement as other operating expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other revenue in the income statement. The loss arising from impairment is recognised in the income statement as other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted investment and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other revenue, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to the income statement in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively, and are recognised in the income statement as other revenue in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

3.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to income statement over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

3.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.4 Summary of Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include creditors and accruals, interest-bearing bank borrowings, other borrowings, convertible notes and fixed rate senior notes.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Forward contract

For accounting purpose, forward contract on the Second Completion Convertible Notes (as defined in note 16(a)) is classified as derivative financial instrument under HKAS 39. The forward contract recognised at its fair value as an asset or a liability on the commitment date and is subsequently re-measured at fair value with changes in fair value recognised in the income statement. Forward contract is carried as an asset when its fair value is positive and as a liability when its fair value is negative.

Convertible notes/convertible bonds

The component of convertible notes/convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes/convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes/convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

3.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories comprise cosmetic and video products and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

3.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Revenue recognition

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

(a) revenue from the sale of properties is recognised when the significant risks and rewards of properties are transferred to the purchasers, which refers to the time when the construction of relevant properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sales agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as deposits received;

(b) rental and property management fee income is recognised in the period in which the properties are let and on the straight-line basis over the lease terms;

(c) turnover from entertainment events organised by the Group, when the events are completed;

(d) net income from entertainment events organised by other co-investors, when the events are completed and in proportion as agreed with co-investors;

(e) income from films licensed to movie theatres, when the films are exhibited;

(f) licence income from films licensed for a fixed fee or non-refundable guarantee under a non-cancellable contract, where an assignment is granted to the licensee which permits the licensee to exploit those film rights freely and where the Group has no remaining obligations to perform and when the film materials have been delivered to licensees. Revenue recognised is limited to the amount of consideration received and subject to due allowance for contingencies;

(g) licence income from films licensed, other than for a fixed fee or non-refundable guarantee under a non-cancellable contract, to licensees, over the licence period and when the films are available for showing or telecast;

(h) sale of products and albums, when significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the products and albums sold;

(i) distribution commission income, when the album or film materials have been delivered to the wholesalers and distributors;

3.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

(j) album licence income and music publishing income, on an accrual basis in accordance with the terms of the relevant agreements;

(k) advertising agency, artiste management fee and consultancy service income, in the period in which the relevant services are rendered;

(l) service fee income is recognised when the relevant services have been rendered;

(m) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(n) dividend and distribution income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Group operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the black-scholes model and binomial option pricing model, further details of which are given in note 44 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or transaction of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or income statement are also recognised in other comprehensive income or income statement, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year/period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year/period are translated into Hong Kong dollars at the weighted average exchange rates for the year/period.

Dividends

Final dividends proposed by the board of directors are not recognised as a liability until they have been approved and declared by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Mainland China Land Appreciation Tax ("LAT")

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3.4 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Control over Lai Fung

As described in note 3.2.2, Lai Fung became a subsidiary of the Group during the year ended 31 July 2012 because the Group increased its shareholding in Lai Fung from 40.58% to 47.39% upon the completion of the Open Offer. The remaining shareholdings are held by numerous shareholders, except for a few shareholders held an aggregate of approximately 27%. Subsequent to the Open Offer, the Group acquired additional shares of Lai Fung from the public shareholders and the shareholding in Lai Fung increased from 47.39% to 47.87%.

The directors assessed whether or not the Group has control over Lai Fung based on whether the Group has the practical ability to direct the relevant activities of Lai Fung unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in Lai Fung and the relative size, dispersion of the shareholdings owned by the other shareholders and the degree of management involvement. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Lai Fung and therefore the Group has control over Lai Fung.

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or for both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(iii) When fair value of an investment property under development/construction can be reliably determined

If the fair value of an investment property under development/construction is at present not reliably determinable, such property is stated at cost until either its fair value becomes reliably determinable or development/construction is completed, whichever is earlier.

The Group has to exercise judgement in determining when the fair value of an investment property under development/construction can be reliably determined by assessing whether a substantial part of the project risk has been reduced or eliminated, which might include the consideration of (i) whether the asset is being constructed in a developed liquid market; (ii) whether the construction permits have been obtained; and (iii) the stage of development/construction or completion. Other indications may also be appropriate in light of the facts and circumstances of individual developments.

(iv) Impairment of non-financial assets

In determining whether an asset is impaired or the events previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(v) Income tax

Deferred tax is provided using the liability method, on all temporary differences as at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As explained in note 42 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

The Group's investment properties at fair value are all held to earn rental income and/or for capital appreciation and they are considered to be held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly, deferred tax on the Group's investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of the investment properties through use.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Accounting for film rights and film products

The costs of film rights and film products, less residual values, are amortised in proportion to the estimated projected revenues over the economic beneficial period. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

4. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(i) Accounting for film rights and film products (continued)

Management bases its estimates of total projected revenues of each film on the historical performance of similar films, incorporating factors such as the past box office record of the leading actors and actresses, the genre of the film, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales.

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amounts of film rights and film products at 31 July 2012 were HK$47,317,000 and HK$74,235,000, respectively.

(ii) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for properties in the same location and condition and subject to similar lease and other contracts. In the absence of such information, the Group considers information from a variety of sources, including (i) by reference to independent valuations; (ii) current prices in an active market for properties of a different nature, condition and location (or subject to different leases or other contracts), adjusted to reflect those differences; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

(iii) Estimation of total budgeted costs and costs to completion for properties under development/investment properties under construction

The total budgeted costs for properties under development/investment properties under construction comprise (i) prepaid land lease payments, (ii) building costs, and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties under development/investment properties under construction, management makes reference to information such as (i) current offers from contractors and suppliers, (ii) recent offers agreed with contractors and suppliers, and (iii) professional estimation on construction and material costs.

(iv) Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(v) Useful lives of other intangible assets

The Group determines the estimated useful lives and related amortisation charges for the Group's other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(vi) Impairment of other intangible assets

The Group assesses at the end of each reporting period whether there is an indication that other intangible assets may be impaired. If any indication exists, the Group estimates the recoverable amount of the other intangible assets. The Group measures the recoverable amount of the other intangible assets with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from other intangible assets and a suitable discount rate in order to calculate the present value. As at 31 July 2012, the carrying amount of other intangible assets was approximately HK$71,467,000.

(vii) Accounting for music catalogs

The cost of music catalogs is amortised in proportion to the estimated projected revenues over the economic beneficial period. Additional amortisation is made if estimated projected revenues are materially different from the previous estimation.

Management bases its estimates of the total projected revenues of each music catalog based on the current and past popularity of the artistes or song writers, the initial or expected commercial acceptability of the products, the current and past popularity of the genre of music/songs that the products are designed to appeal to, and agreements for future sales.

Based on this information, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projection or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amount of music catalogs at 31 July 2012 was HK$31,999,000.

(viii) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(ix) Impairment of trade and other receivables

The Group makes impairment of receivables based on assessments of the recoverability of trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment of receivables in the year/period in which such estimate has been changed.

4. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(x) Fair value of derivative financial instruments

Where fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgements include considerations of inputs such as cash flow projections, the discount rate, adjustment factors to the stock price, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. As at 31 July 2012, the fair value of the Group's options was approximately HK$32,491,000.

5. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has the following reportable segments:

(a) the property development segment engages in the development of properties in Mainland China for sale;

(b) the property investment segment invests in serviced apartments, as well as commercial and office buildings in Mainland China for their rental income potential;

(c) the media and entertainment segment engages in the investment in, and the production of entertainment events, the provision of artiste management services, album sales and distribution and licence of music;

(d) the film production and distribution segment engages in the investment in, production of, sale and distribution of films as well as the distribution of video format products derived from these films and films licensed-in by the Group; and

(e) the corporate and others segment comprises business segment not constituted a reportable segment individually, and including advertising agency services, sales of cosmetic products, together with corporate income and expense items, and the Group's interests in Lai Fung for the period from 1 August 2011 to 10 June 2012 and the seven months ended 31 July 2011.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and finance costs are excluded from such measurement.

Segment assets exclude available-for-sale investments, equity investments at fair value through profit or loss, a forward contract, prepaid tax and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, convertible notes, finance lease payables, fixed rate senior notes, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

In determining the Group's geographical information, revenue information is based on the location of the customers, and asset information is based on the location of the assets.

There were no material intersegmental sales and transfers during the year (period from 1 January 2011 to 31 July 2011: Nil). Segment results for the year ended 31 July 2012 include segment results of Lai Fung since its consolidation into the Group. Before the consolidation, the result of Lai Fung was included as share of profits and losses of associates.

5. Operating Segment Information (continued)

Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 January 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 January 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 January 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 January 2011 to 31 July 2011 HK$'000	**Year ended 31 July 2012 HK$'000**	Period from 1 January 2011 to 31 July 2011 HK$'000
Segment revenue:												
Sales to external customers	**90,969**	–	**83,386**	–	**261,645**	142,518	**195,803**	142,965	**70,348**	30,802	**702,151**	316,285
Other revenue	**113**	–	**17,003**	–	**2,546**	3,012	**5,926**	2,898	**476**	1,379	**26,064**	7,289
Total	**91,082**	–	**100,389**	–	**264,191**	145,530	**201,729**	145,863	**70,824**	32,181	**728,215**	323,574
Segment results	**(5,127)**	–	**46,500**	–	**(46,957)**	(60,201)	**(22,371)**	(3,454)	**(221,912)**	(101,393)	**(249,867)**	(165,048)
Unallocated interest and other gains	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**34,735**	4,590
Gain on disposal of equity investments at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**4,911**	–	**4,911**	–
Fair value losses on equity investments at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(609)	**–**	(609)
Impairment of an available-for-sale investment	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(35,805)**	–
Gain on bargain purchase of subsidiaries, net	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,350,405**	–
Fair value gain/(loss) on a forward contract	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(63,332)**	6,585
Profit/(loss) from operating activities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,041,047**	(154,482)
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(46,416)**	(6,052)
Gain on disposal of investments in joint ventures	**–**	–	**–**	–	**–**	–	**–**	–	**–**	652,408	**–**	652,408
Share of profits and losses of joint ventures	**(2,763)**	–	**–**	–	**(1,526)**	1,662	**13,192**	(2,821)	**–**	(8,328)	**8,903**	(9,487)
Share of profits and losses of associates	**–**	–	**–**	–	**(575)**	(339)	**–**	–	**99,713**	36,279	**99,138**	35,940
Profit before tax											**1,102,672**	518,327
Income tax expense											**(16,661)**	(112)
Profit for the year/period											**1,086,011**	518,215

Segments assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Segment assets	**4,494,051**	–	**12,708,060**	–	**473,562**	759,372	**564,488**	517,033	**4,021,875**	1,738,897	**22,262,036**	3,015,302
Investments in joint ventures	**1,018,494**	–	**–**	–	**16,520**	9,565	**80,574**	64,738	**–**	–	**1,115,588**	74,303
Investments in associates	**–**	–	**–**	–	**179**	690	**5,856**	–	**–**	4,466,692	**6,035**	4,467,382
Unallocated assets											**335,062**	88,779
Total assets											**23,718,721**	7,645,766
Segment liabilities	**597,138**	–	**366,323**	–	**87,277**	69,106	**79,834**	88,769	**237,960**	176,686	**1,368,532**	334,561
Unallocated liabilities											**6,483,404**	335,474
Total liabilities											**7,851,936**	670,035

5. Operating Segment Information (continued)

Other segment information:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Depreciation	265	–	12,798	–	5,218	2,135	1,779	104	4,361	3,010	24,421	5,249
Amortisation of film rights	–	–	–	–	–	–	10,447	7,986	–	–	10,447	7,986
Amortisation of film products	–	–	–	–	–	–	103,110	67,056	–	–	103,110	67,056
Amortisation of music catalogs	–	–	–	–	4,888	3,053	–	–	–	–	4,888	3,053
Amortisation of other intangible assets	–	–	–	–	3,042	–	–	–	–	–	3,042	–
Write-off of bad debts	–	–	–	–	–	17	–	–	–	–	–	17
Recovery of bad debts	–	–	–	–	–	–	–	–	–	(270)	–	(270)
Provision for doubtful debts	–	–	–	–	–	–	40	–	979	–	1,019	–
Provision for advances and other receivables	–	–	–	–	3,314	2,780	–	–	10,917	–	14,231	2,780
Reversal of provision for advances and other receivables	–	–	–	–	(1,096)	–	–	(2)	–	(2)	(1,096)	(4)
Provision for/(reversal of provision for) inventories	–	–	–	–	–	–	–	–	464	(82)	464	(82)
Impairment of music catalogs	–	–	–	–	11,400	41,990	–	–	–	–	11,400	41,990
Impairment of films under production	–	–	–	–	–	–	967	500	–	–	967	500
Impairment of goodwill	–	–	–	–	–	–	–	–	3,477	–	3,477	–
Additions of property, plant and equipment	281	–	62	–	28,944	1,679	262	75	2,181	150	31,730	1,904
Additions of properties under development	81,089	–	–	–	–	–	–	–	–	–	81,089	–
Additions of investment properties	–	–	14,875	–	–	–	–	–	–	–	14,875	–
Additions of film rights	–	–	–	–	–	–	3,150	1,976	–	–	3,150	1,976
Additions of film products	–	–	–	–	–	–	293	262	–	–	293	262
Additions of films under production	–	–	–	–	–	–	131,423	70,239	–	–	131,423	70,239
Additions of music catalogs	–	–	–	–	–	800	–	–	–	–	–	800
Additions of other intangible assets	–	–	–	–	74,825	–	–	–	–	–	74,825	–

5. Operating Segment Information (continued)

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Revenue:								
Sales to external customers	196,152	139,931	452,978	147,860	53,021	28,494	702,151	316,285
Assets:								
Segment assets:								
– non-current assets	1,007,892	323,162	14,362,434	4,565,104	–	–	15,370,326	4,888,266
– current assets	1,711,527	2,554,734	6,298,866	102,042	2,940	11,945	8,013,333	2,668,721
Unallocated assets							335,062	88,779
Total assets							23,718,721	7,645,766
Other information:								
Additions of property, plant and equipment	25,142	673	6,588	1,231	–	–	31,730	1,904
Additions of properties under development	–	–	81,089	–	–	–	81,089	–
Additions of investment properties	–	–	14,875	–	–	–	14,875	–
Additions of film rights	3,150	1,976	–	–	–	–	3,150	1,976
Additions of film products	293	262	–	–	–	–	293	262
Additions of films under production	131,423	70,239	–	–	–	–	131,423	70,239
Additions of music catalogs	–	800	–	–	–	–	–	800
Additions of other intangible assets	–	–	74,825	–	–	–	74,825	–

Information about a major customer:

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the year. For the period from 1 January 2011 to 31 July 2011, revenue of approximately HK$42,827,000 was derived from a single customer of the film production and distribution segment which contributed to 10% or more of the Group's revenue for the period.

6. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year/period.

(a) Transactions with related parties

	Notes	Group Year ended 31 July 2012 HK$'000	Group Period from 1 January 2011 to 31 July 2011 HK$'000
Lai Sun Development Company Limited ("LSD") and its subsidiaries (the "LSD Group"), a major shareholder of the Company:			
Rental expense and building management fee paid	(i)	**7,766**	4,283
Joint ventures:			
Consultancy and production service fee paid	(ii)	**2,230**	1,042
Consultancy service income	(ii)	**4,300**	2,439
Interest income received	(iii)	**3,266**	1,473
The Lai Fung Group, a then associate of the Company:			
Management fee income	(ii)	**736**	1,587
Advertising agency income	(iv)	**619**	575
Underwriting income from the Open Offer	16(b)	**7,931**	–
Management fee and other service fees paid or payable to a related company	(v)	**1,533**	–

Notes:

(i) The rental expense and building management fee were charged with reference to market rates.

(ii) The consultancy and production service fee, consultancy service income and management fee income were charged on bases mutually agreed by the respective parties.

(iii) The interest income was charged with reference to the People's Bank of China's base interest rate per annum.

(iv) The advertising agency income was charged with reference to market rates.

(v) The management fee and other service fees were charged based on an agreement entered into between the Group and a subsidiary of CapitaLand Limited, a substantial shareholder of Lai Fung.

Pursuant to the respective lease agreements, the rental expenses paid or payable by the Group to the LSD Group constituted continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The details of these continuing connected transactions, which were subject to the reporting requirement set out in Chapter 14A of the Listing Rules, were disclosed under the section of "Continuing connected transactions" in the Report of the Directors.

6. Related Party Transactions (continued)

(b) Compensation of key management personnel of the Group

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Short term employee benefits	20,894	14,040
Post-employment benefits	141	175
Equity-settled share option expense	6,419	–
Total compensation paid to key management personnel	27,454	14,215

Further details of directors' emoluments are included in note 11 to the financial statements.

7. Turnover and Other Revenue

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

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Turnover		
Sale of properties	90,969	–
Rental income from investment properties and serviced apartments	83,386	–
Entertainment event income	180,103	89,271
Distribution commission income and licence fee income from film products and film rights	194,054	141,085
Album sales, licence income and distribution commission income from music publishing and licensing	46,007	36,303
Artiste management fee income	29,658	12,021
Advertising agency income	22,192	15,005
Sale of products	55,782	22,600
	702,151	316,285

7. Turnover and Other Revenue (continued)

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Other revenue		
Property management fee income	16,027	–
Bank interest income	16,787	1,506
Interest income on held-to-maturity debt investments	1,433	389
Interest income from an amount due from a joint venture	2,991	1,673
Consultancy service income from a joint venture	4,027	2,305
Distribution income from an unlisted available-for-sale investment	–	1,023
Underwriting income from the Open Offer	7,931	–
Others	11,603	4,983
	60,799	11,879
	762,950	328,164

8. Profit before Tax

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

	Notes	Group	
	Notes	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Cost of completed properties sold		84,507	–
Outgoings in respect of rental income		17,804	–
Cost of film rights, licence rights and film products		115,958	77,179
Cost of artiste management services, advertising agency services, and services for entertainment events provided		190,058	114,215
Cost of inventories sold		38,951	16,484
Total cost of sales		447,278	207,878

8. Profit before Tax (continued)

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

	Notes	Group Year ended 31 July 2012 HK$'000	Group Period from 1 January 2011 to 31 July 2011 HK$'000
Employee benefit expense (including directors' emoluments *(note 11)*):			
Wages and salaries		**187,435**	75,046
Equity-settled share option expense		**11,449**	405
Pension scheme contributions ###		**2,692**	1,494
		201,576	76,945
Capitalised in properties under development/ investment properties under construction		**(16,881)**	–
		184,695	76,945
Auditors' remuneration		**5,592**	5,084
Depreciation	15	**24,421**	5,249
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events ##		**3,295**	1,491
Others		**19,072**	8,445
Contingent rents incurred for entertainment events ##		**12,839**	13,562
Total operating lease payments		**35,206**	23,498
Impairment of an available-for-sale investment **	26	**35,805**	–
Impairment of music catalogs **	21	**11,400**	41,990
Impairment of films under production #	29	**967**	500
Impairment of goodwill **	22	**3,477**	–
Share of net income from entertainment events organised by co-investors *		**(6,336)**	(1,124)
Fair value gain on options *	32	**(1,080)**	–
Gain on disposal of equity investments at fair value through profit or loss *		**(4,911)**	–
Fair value losses on equity investments at fair value through profit or loss **		**–**	609

8. Profit before Tax (continued)

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

	Notes	Group Year ended 31 July 2012 HK$'000	 Period from 1 January 2011 to 31 July 2011 HK$'000
Amortisation of film rights #	19	**10,447**	7,986
Amortisation of film products #	20	**103,110**	67,056
Amortisation of music catalogs #	21	**4,888**	3,053
Amortisation of other intangible assets #	23	**3,042**	–
Provision for doubtful debts **	31	**1,019**	–
Provision for advances and other receivables **	27	**14,231**	2,780
Reversal of provision for advances and other receivables #	27	**(1,096)**	(4)
Loss on disposal/write-off of items of property, plant and equipment **		**751**	1
Write-off of bad debts **		**–**	17
Recovery of bad debts *		**–**	(270)
Provision for/(reversal of provision for) inventories #		**464**	(82)
Foreign exchange differences, net		**248**	(2,222)

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

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

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

These items are included in "Cost of sales" on the face of the consolidated income statement. The contingent rents are charged based on certain percentages of the gross ticket proceeds collected in respect of the entertainment events.

As at 31 July 2012 and 31 July 2011, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

9. Finance Costs

An analysis of finance costs is as follows:

		Group	
	Notes	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Interest on:			
Bank loans wholly repayable within five years		**16,746**	367
Other borrowings wholly repayable within five years		**5,653**	3,280
Fixed rate senior notes, net		**21,689**	–
First Completion Convertible Notes		**16,820**	2,404
Second Completion Convertible Notes		**768**	–
Finance leases		**–**	1
Amortisation of fixed rate senior notes	41	**1,209**	–
Bank financing charges		**409**	–
		63,294	6,052
Less: Capitalised in properties under development	17	**(9,499)**	–
Capitalised in investment properties	18	**(7,379)**	–
		(16,878)	–
Total finance costs		**46,416**	6,052

10. Gain on Disposal of Investments in Joint Ventures

On 15 June 2011, East Asia Satellite Television (Holdings) Limited ("EAST (Holdings)") (a then indirect non-wholly-owned subsidiary of the Company), the Company and Melco Crown Entertainment Limited ("MCE") entered into a sale and purchase agreement, pursuant to which, among other things, EAST (Holdings) conditionally agreed to sell, and MCE conditionally agreed to purchase 60% equity interest in Cyber One Agents Limited ("Cyber One") and the shareholder loan of US$60 million (equivalent to approximately HK$467.7 million) advanced to Cyber One (the "Cyber One Transfer Securities") at a consideration of approximately US$306.9 million (equivalent to approximately HK$2,391.9 million) (the "Cyber One Disposal"), which includes the consideration for the Cyber One Transfer Securities payable by MCE to EAST (Holdings) in the amount of US$260.0 million (equivalent to approximately HK$2,025.9 million) and the release of the obligation of the Group to pay to the Macau government the outstanding land premium in the amount of approximately MOP377 million (equivalent to approximately HK$366 million) in relation to the land grant modification premium of MSC (defined below) project.

On 15 June 2011, Boom Faith Limited ("Boom Faith") (an indirect wholly-owned subsidiary of the Company), CapitaLand Commercial Limited ("CapitaLand Commercial"), CapitaLand Integrated Resorts Pte. Ltd ("CIR"), EAST (Holdings) and the Company entered into a waiver and termination agreement, pursuant to which, among other things, CIR conditionally agreed to sell, and Boom Faith conditionally agreed to purchase 33.33% of the equity interest of EAST (Holdings) held by CIR (the "East Asia Shares") at a consideration of HK$658,756,800 (the "Cyber One Acquisition"). These parties conditionally agreed to terminate the share purchase agreement entered into between Boom Faith, CapitaLand Commercial, CIR and the Company on 9 January 2007 in relation to the sale and purchase of the 33.33% equity interest in EAST (Holdings) (the "East Asia SPA") and the joint venture agreement entered into between Boom Faith, CapitaLand Commercial, CIR, EAST (Holdings) and the Company on 12 March 2007 in relation to the management and ownership and the governance of the business and affairs of EAST (Holdings).

10. Gain on Disposal of Investments in Joint Ventures (continued)

Pursuant to the waiver and termination agreement, the Cyber One Acquisition is conditional upon the Cyber One Disposal. The Cyber One Disposal and the Cyber One Acquisition (collectively, the "Cyber One Transactions") are considered by the Company as an inter-connected series of transactions.

It was further agreed that on the completion date, Boom Faith would reimburse CIR an amount of US$548,600 (equivalent to approximately HK$4.3 million), representing the legal and administrative costs, charges and expenses reasonably incurred by CIR and CapitaLand Commercial in respect of the legal proceedings in relation to Cyber One, in accordance with a pre-existing letter agreement. Upon the completion of the Cyber One Acquisition, EAST (Holdings) would use the proceeds received from the Cyber One Disposal to repay the shareholder loans advanced by Boom Faith and CIR in the amount of approximately US$80 million (equivalent to approximately HK$624.2 million) and approximately US$40 million (equivalent to approximately HK$312.1 million), respectively, in accordance with the East Asia SPA.

Prior to the completion of the Cyber One Transactions, the Group held a 60% interest in Cyber One and its subsidiaries (the "Cyber One Group"), through EAST (Holdings), a 66.67%-owned subsidiary. CIR held the remaining 33.33% interest in EAST (Holdings). New Cotai, LLC ("New Cotai") was the US joint venture partner holding a 40% equity interest in the Cyber One Group.

Cyber One, through its interest in East Asia Televisão Por Satélite, Limitada ("EAST (Macau)"), held a piece of land in Macau which the Group wished to see be developed into a retail complex, hotels, a television studio, a concert hall and a convention and exhibition centre (the "MSC").

The Cyber One Disposal constituted a major transaction for the Company and the Cyber One Acquisition constituted discloseable and connected transactions for the Company under the Listing Rules. Further details of the Cyber One Disposal and Cyber One Transactions are set out in the Company's announcement dated 16 June 2011 and the Company's circular dated 7 July 2011. Resolutions for approving the Cyber One Transactions were duly passed at a special general meeting of the Company on 23 July 2011.

The Cyber One Transactions were completed on 27 July 2011 pursuant to a supplemental agreement entered into amongst contractual parties on 27 July 2011 (the "Cyber One Transactions Completion Date").

For the period from 1 January 2011 to 31 July 2011, the Group had recognised a net gain of approximately HK$652,408,000 arising from the disposal consideration of approximately HK$2,026 million less the Group's carrying value in Cyber One as at the date of disposal of approximately HK$947 million, the acquisition consideration for the East Asia Shares amounted to approximately HK$659 million; and the other costs and expenses amounting to approximately HK$130 million associated with the Cyber One Transactions; plus derecognition of accrued land premium of approximately HK$219 million and the reversal of the put option of approximately HK$144 million as at the date of the disposal.

Upon completion of Cyber One Transactions, the Group ceased to hold any equity interest in Cyber One, and accordingly, the Cyber One Group ceased to be joint ventures of the Group.

11. Directors' and Employees' Emoluments

(a) Directors' emoluments

Directors' remuneration for the year/period, disclosed pursuant to the Listing Rules and the disclosure requirement of Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Fees	2,175	1,310
Other emoluments:		
Basic salaries, housing and other allowances, and benefits in kind	18,719	12,730
Equity-settled share option benefits	6,419	–
Pension scheme contributions	141	175
	25,279	12,905
	27,454	14,215
Capitalised in properties under development/ investment properties under construction	(1,221)	–
	26,233	14,215

11. Directors' and Employees' Emoluments (continued)

(a) Directors' emoluments (continued)

During the year, a director was granted share options in respect of his services to the Group under the share option schemes of the Company and Lai Fung, further details of which are set out in note 44 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2012					
Executive directors:					
Lam Kin Ngok, Peter	120*	8,272	–	–	8,392
Lui Siu Tsuen, Richard	120*	4,043	–	13	4,176
Chew Fook Aun (appointed on 5 June 2012)	–	854	6,419	4	7,277
Cheung Wing Sum, Ambrose (retired on 21 December 2011)	–	2,650	–	109	2,759
Cheung Sum, Sam (resigned on 1 September 2012)	–	1,849	–	15	1,864
	240	17,668	6,419	141	24,468
Non-executive directors ("NEDs"):					
U Po Chu	–	591	–	–	591
Andrew Y. Yan (appointed on 1 September 2011)	220	15	–	–	235
Albert Thomas da Rosa, Junior (resigned on 1 May 2012)	180	45	–	–	225
Leung Churk Yin, Jeanny (resigned on 1 September 2011)	–	–	–	–	–
	400	651	–	–	1,051
Independent non-executive directors ("INEDs"):					
Low Chee Keong (re-designated from a NED to an INED on 1 September 2011)	671	95	–	–	766
Alfred Donald Yap	240	100	–	–	340
Ng Lai Man, Carmen	340	100	–	–	440
Lo Kwok Kwei, David (re-designated from a NED to an INED on 1 September 2011)	240	70	–	–	310
Tong Ka Wing, Carl (resigned on 1 September 2011)	44	35	–	–	79
	1,535	400	–	–	1,935
	2,175	18,719	6,419	141	27,454

* *The amounts were paid by Media Asia Group Holdings Limited ("MAGHL").*

11. Directors' and Employees' Emoluments (continued)

(a) Directors' emoluments (continued)

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Period from 1 January 2011 to 31 July 2011					
Executive directors:					
Lam Kin Ngok, Peter	15*	4,667	–	–	4,682
Lui Siu Tsuen, Richard	15*	2,079	–	7	2,101
Cheung Wing Sum, Ambrose (retired on 21 December 2011)	–	3,267	–	163	3,430
Cheung Sum, Sam (appointed on 1 March 2011 and resigned on 1 September 2012)	–	610	–	5	615
	30	10,623	–	175	10,828
Non-executive directors ("NED"):					
U Po Chu	–	–	–	–	–
Albert Thomas da Rosa, Junior (resigned on 1 May 2012)	140	45	–	–	185
Leung Churk Yin, Jeanny (re-designated as a NED on 1 January 2011 and resigned on 1 September 2011)	–	1,762	–	–	1,762
	140	1,807	–	–	1,947
Independent non-executive directors ("INED"):					
Low Chee Keong (re-designated from a NED to an INED on 1 September 2011)	365	60	–	–	425
Alfred Donald Yap	140	60	–	–	200
Ng Lai Man, Carmen	198	70	–	–	268
Lo Kwok Kwei, David (re-designated from a NED to an INED on 1 September 2011)	140	40	–	–	180
Tong Ka Wing, Carl (resigned on 1 September 2011)	297	70	–	–	367
	1,140	300	–	–	1,440
	1,310	12,730	–	175	14,215

* *The amounts were paid by MAGHL.*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (period from 1 January 2011 to 31 July 2011: Nil).

11. Directors' and Employees' Emoluments (continued)

(b) Employees' emoluments

The five highest paid employees during the year included three (period from 1 January 2011 to 31 July 2011: four) directors, details of whose emoluments are set out above. Details of the remuneration of the remaining two (period from 1 January 2011 to 31 July 2011: one) non-director, highest paid employees for the year are as follows:

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Salaries, allowances and benefits in kind	**9,265**	3,094
Equity-settled share option expense	**5,029**	–
Pension scheme contributions	**10**	7
	14,304	3,101

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Group Number of employees	
	Year ended 31 July 2012	Period from 1 January 2011 to 31 July 2011
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
HK$10,500,001 – HK$11,000,000	**1**	–
	2	1

12. Income Tax Expense

No provision for Hong Kong profits tax was made for the year ended 31 July 2012 as there were no assessable profits arising in Hong Kong for the year (period from 1 January 2011 to 31 July 2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Current		
– Hong Kong	**–**	–
– Elsewhere		
Overprovision in prior years	**(547)**	–
– Mainland China		
Corporate income tax		
Charge for the year/period	**16,605**	147
LAT		
Charge for the year/period	**13,579**	–
	30,184	147
	29,637	147
Deferred tax *(note 42)*	**(12,976)**	(35)
Total tax charge for the year/period	**16,661**	112

12. Income Tax Expense (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group			
	Year ended 31 July 2012 HK$'000	%	Period from 1 January 2011 to 31 July 2011 HK$'000	%
Profit before tax	**1,102,672**		518,327	
Tax at the statutory tax rate	**181,941**	**16.5**	85,524	16.5
Adjustments for tax rates for other jurisdictions	**(245)**	**–**	98	0.1
Provision for LAT	**13,579**	**1.2**	–	–
Tax effect of provision for LAT	**(3,395)**	**(0.3)**	–	–
Profits and losses attributable to joint ventures and associates	**(17,826)**	**(1.6)**	(4,365)	(0.8)
Income not subject to tax	**(226,055)**	**(20.5)**	(111,286)	(21.5)
Expenses and losses not deductible for tax	**55,707**	**5.1**	17,998	3.5
Deferred tax arising from temporary difference	**(12,976)**	**(1.2)**	–	–
Estimated tax losses utilised from previous periods	**(4,793)**	**(0.4)**	(2,545)	(0.5)
Estimated tax losses not recognised	**31,271**	**2.8**	14,688	2.8
Adjustments in respect of current tax of prior periods	**(547)**	**(0.1)**	–	–
Tax charge at the Group's effective rate	**16,661**	**1.5**	112	0.1

Tax Indemnity

In connection with the listing of Lai Fung on The Stock Exchange of Hong Kong Limited (currently on the Main Board) (the "Listing"), a tax indemnity deed was signed on 12 November 1997, pursuant to which LSD has undertaken to indemnify the Lai Fung Group in respect of certain potential Mainland China income taxes and LAT payable or shared by the Lai Fung Group in consequence of the disposal of any of the property interests attributable to the Lai Fung Group through its subsidiaries and its joint ventures as at 31 October 1997 (the "Property Interests"). These tax indemnities given by LSD apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as "Knight Frank Petty Limited"), independent professionally qualified valuers, as at 31 October 1997 (the "Valuation") and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997 together with the amount of unpaid land costs, unpaid land lease payments and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests.

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Lai Fung Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Lai Fung Group as set out in the prospectus of Lai Fung dated 18 November 1997. The Lai Fung Group had no LAT payable in respect of the Property Interests during the year. No income tax payable by the Lai Fung Group was indemnifiable by LSD during the year.

13. Profit attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 July 2012 includes a loss of HK$4,545,000 (period from 1 January 2011 to 31 July 2011: HK$47,271,000) which has been dealt with in the financial statements of the Company *(note 45(b))*.

14. Earnings per share attributable to Owners of the Company

The calculation of basic earnings per share amounts is based on the profit for the year/period attributable to owners of the Company and the weighted average number of ordinary shares of 1,243,212,165 (period from 1 January 2011 to 31 July 2011: 1,241,937,071) in issue during the year/period.

The calculation of diluted earnings per share amount is based on the profit for the year/period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year/period, as used in the basic earnings per share calculation, and weighted average number of ordinary shares assumed to have been issued at no consideration as if all the Company's outstanding share options have been considered.

The calculation of basic and diluted earnings per share is based on:

	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**1,161,588**	524,538

	Number of shares	
	Year ended 31 July 2012	Period from 1 January 2011 to 31 July 2011
Shares		
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	**1,243,212,165**	1,241,937,071
Effect of dilution – weighted average number of ordinary shares:		
– Share options	**53,202**	545,397
Weighted average number of ordinary shares in issue during the year/period used in the diluted earnings per share calculation	**1,243,265,367**	1,242,482,468

The exercise of share options of MAGHL and Lai Fung, and the conversion of the outstanding convertible notes issued by MAGHL have an anti-dilutive effect on the basic earnings per share amounts presented during the year ended 31 July 2012.

The conversion of outstanding convertible notes issued by MAGHL had an anti-dilutive effect on the basic earnings per share existed during the period ended 31 July 2011.

15. Property, Plant and Equipment

Group

	Note	Land and buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost:								
At 1 January 2011		88,588	–	16,212	9,720	7,927	20,368	142,815
Additions		–	–	44	405	934	521	1,904
Acquisition of subsidiaries	46	–	–	–	229	1,322	472	2,023
Disposals		–	–	(565)	(2)	(738)	(3)	(1,308)
Exchange realignment		–	–	16	40	4	33	93
At 31 July 2011 and 1 August 2011		88,588	–	15,707	10,392	9,449	21,391	145,527
Additions		–	–	27,834	1,673	423	1,800	31,730
Acquisition of subsidiaries	46	169,172	1,825,918	256,124	31,908	17,674	7,009	2,307,805
Disposals		–	–	–	(1,998)	(553)	(671)	(3,222)
Write-off		–	–	(13,205)	(1,674)	–	(100)	(14,979)
Exchange realignment		–	–	6	25	14	12	57
At 31 July 2012		**257,760**	**1,825,918**	**286,466**	**40,326**	**27,007**	**29,441**	**2,466,918**
Accumulated depreciation and impairment:								
At 1 January 2011		19,156	–	12,736	7,383	6,267	17,241	62,783
Provided during the period		1,446	–	1,737	577	854	635	5,249
Acquisition of subsidiaries	46	–	–	–	75	351	257	683
Disposals		–	–	(565)	(2)	(318)	(2)	(887)
Exchange realignment		–	–	7	28	1	24	60
At 31 July 2011 and 1 August 2011		20,602	–	13,915	8,061	7,155	18,155	67,888
Provided during the year		3,093	7,423	9,753	1,286	1,380	1,486	24,421
Acquisition of subsidiaries	46	25,020	224,006	49,619	23,828	13,158	5,134	340,765
Disposals		–	–	–	(1,669)	(365)	(587)	(2,621)
Write-off		–	–	(12,965)	(1,503)	–	(96)	(14,564)
Exchange realignment		(1)	(4)	(10)	16	2	6	9
At 31 July 2012		**48,714**	**231,425**	**60,312**	**30,019**	**21,330**	**24,098**	**415,898**
Net carrying amount:								
At 31 July 2012		**209,046**	**1,594,493**	**226,154**	**10,307**	**5,677**	**5,343**	**2,051,020**
At 31 July 2011		67,986	–	1,792	2,331	2,294	3,236	77,639

15. Property, Plant and Equipment (continued)

Company

	Computers HK$'000
Cost:	
At 1 January 2011, 31 July 2011, 1 August 2011 and 31 July 2012	**824**
Accumulated depreciation:	
At 1 January 2011	347
Provided during the period	96
At 31 July 2011 and 1 August 2011	443
Provided during the year	165
At 31 July 2012	**608**
Net carrying amount:	
At 31 July 2012	**216**
At 31 July 2011	381

The Group's land and buildings are held under medium-term leases and are situated in:

	2012 HK$'000	2011 HK$'000
At net carrying amount:		
Mainland China	44,319	–
Hong Kong	152,767	55,486
Macau	11,960	12,500
	209,046	67,986

The Group's serviced apartments with carrying amounts of approximately HK$1,594,493,000 (2011: Nil) were situated in Mainland China and were held under medium term leases as at 31 July 2012.

As at 31 July 2012, certain land and buildings and serviced apartments (including related leasehold improvements) with carrying amounts of HK$99,847,000 and HK$1,781,952,000, respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 38(a) to the financial statements.

At 31 July 2012, the Group's land and buildings in Hong Kong with net carrying amounts of HK$53,551,000 (2011: HK$55,486,000) were pledged to secure general banking facilities granted to the Group *(note 38)*.

The net carrying amount of the Group's assets held under finance leases included in the total amount of furniture, fixtures and equipment as at 31 July 2012 amounted to approximately HK$243,000 (2011: HK$369,000).

Under a litigation being processed in a district court in Mainland China, the Group, as the claimant, is claiming for a sum of RMB17,200,000 (equivalent to approximately HK$21,066,000) from one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group was required to pledge one of its land and buildings with a carrying amount of HK$44,319,000 to the court as collateral.

There was no significant development in the litigation during the year.

16. Investments in Subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**894,680**	894,680
Amounts due from subsidiaries	**8,299,149**	7,335,816
	9,193,829	8,230,496
Impairment #	**(3,058,775)**	(2,873,134)
	6,135,054	5,357,362

The impairment as at 31 July 2012 represents impairment provision of HK$894,593,000 (2011: HK$894,593,000) and HK$2,164,182,000 (2011: HK$1,978,541,000) for investments and amounts due from subsidiaries, respectively, with reference to the estimated fair value of the underlying assets held by the subsidiaries and the operating performance of these subsidiaries.

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
At the beginning of reporting period	**1,978,541**	1,855,776
Impairment loss recognised	**185,641**	122,765
At the end of reporting period	**2,164,182**	1,978,541

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of the amounts due from subsidiaries approximate their fair values.

The market values at 31 July 2012 and at the date of approval of these financial statements of the listed shares of MAGHL, a non-wholly-owned subsidiary held by the Group were approximately HK$436,340,000 and HK$469,905,000, respectively.

The market values at 31 July 2012 and at the date of approval of these financial statements of the listed shares of Lai Fung, a non-wholly-owned subsidiary held by the Group were approximately HK$1,124,996,000 and HK$1,202,050,000, respectively.

16. Investments in Subsidiaries (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts after fair value adjustments and before intragroup eliminations.

Lai Fung

	2012 HK$'000
Current assets	6,017,286
Non-current assets	15,010,991
Total assets	21,028,277
Current liabilities	(2,945,643)
Non-current liabilities	(4,232,307)
Total liabilities	(7,177,950)
Equity attributable to non-controlling interests of the Group	7,541,954

	Period from 11 June 2012 to 31 July 2012 HK$'000
Revenue	200,929
Expenses	(211,831)
Loss for the period	(10,902)
Other comprehensive loss for the period	(1,314)
	(12,216)
Loss attributable to the non-controlling interests	(4,586)

16. Investments in Subsidiaries (continued)

Lai Fung (continued)

	Period from 11 June 2012 to 31 July 2012 HK$'000
Net cash flow from operating activities	80,748
Net cash flow used in investing activities	(212,641)
Net cash flow from financing activities	86,296
Net cash outflow	(45,597)

MAGHL

	2012 HK$'000	2011 HK$'000
Current assets	977,970	568,521
Non-current assets	129,398	12,887
Total assets	1,107,368	581,408
Current liabilities	(61,609)	(12,318)
Non-current liabilities	(476,838)	(277,248)
Total liabilities	(538,447)	(289,566)
Equity attributable to non-controlling interests of the Group	332,625	141,244

16. Investments in Subsidiaries (continued)

MAGHL (continued)

	Year ended 31 July 2012 HK$'000	Period from 9 June 2011 to 31 July 2011 HK$'000
Revenue	126,121	32,091
Expenses	(414,955)	(23,606)
Profit/(loss) for the year/period	(288,834)	8,485
Other comprehensive income/(loss) for the year/period	(143)	273
	(288,977)	8,758
Loss attributable to the non-controlling interests	(68,047)	(1,997)
Net cash flow used in operating activities	(235,901)	(32,654)
Net cash flow used in investing activities	(96,307)	(47)
Net cash flow from financing activities	521,738	485,651
Net cash inflow	189,530	452,950

16. Investments in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2012 are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Group	Principal activities
Accuremark Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Trading of securities
Capital Artists Limited	Hong Kong	HK$44,394,500	–	100	Music production and distribution
East Asia Entertainment Limited	Hong Kong	HK$2	–	100	Entertainment activity production
East Asia Feng Li Performance Agency (Macao) Limited	Macau	MOP25,000#	–	100	Investment holding and entertainment activity production
East Asia Films Distribution Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment in and licensing of film rights
East Asia Music (Holdings) Limited	Hong Kong	HK$10,000	–	100	Music production and distribution
eSun High-Tech Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
eSun.Com Limited	Hong Kong	HK$2	–	100	Investment in and licensing of film rights
Glynhill International Limited	Hong Kong	HK$912,623,351	100	100	Investment holding
Go Yeah Limited	Hong Kong	HK$1	–	85	Investment in and operation of internet websites
Grandeur Limited	Hong Kong/ Macau	HK$1	–	100	Property holding
Guangzhou Beautifirm Cosmetic Ltd. * ##	PRC/ Mainland China	US$1,260,000#	–	100	Sale of cosmetic products

16. Investments in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2012 are as follows: (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Jadecode Limited	Hong Kong	HK$1	–	100	Investment holding
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Property holding
Media Asia Distribution Ltd.	British Virgin Islands/ Hong Kong	US$80	–	100	Film distribution, licensing of film rights and film investment
Media Asia Distribution (HK) Limited	Hong Kong	HK$2	–	100	Film distribution and film library management
Media Asia Entertainment Group Limited	Bermuda/ Hong Kong	HK$24,000,000	–	100	Investment holding
Media Asia Films Limited	Hong Kong	HK$2	–	100	Film production and investment holding
Media Asia Films (BVI) Ltd.	British Virgin Islands/ Hong Kong	US$7	–	100	Film production, licensing of films and investment holding
Media Asia Group Limited	Hong Kong	HK$2	–	100	Investment holding and provision of management services
Media Asia Holdings Ltd.	British Virgin Islands/ Hong Kong	US$6,831	–	100	Investment holding
Mega Star Video Distribution (HK) Limited	Hong Kong	HK$2	–	100	Licensing of film products and film rights and sale of video products

16. Investments in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2012 are as follows: (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Merit Worth Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
Perfect Sky Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100	–	75	Provision of artiste management services
Silver Glory Securities Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Skymaster International Inc.	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Vision Communications Limited	Hong Kong	HK$2	–	100	Provision of advertising agency services and investment holding
Vision Communications (GZ) Limited * ###	PRC/ Mainland China	HK$3,000,000#	–	90	Provision of advertising agency services
豐麗星恒文化顧問(北京)有限公司 * ##	PRC/ Mainland China	HK$40,000,000#	–	100	Provision of consultancy services in relation to cultural activities
豐麗常升文化顧問(北京)有限公司* ##	PRC/ Mainland China	RMB36,500,000#	–	100	Provision of consultancy services in relation to cultural activities

16. Investments in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2012 are as follows: (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
東亞豐麗演出經紀（北京）有限公司* ##	PRC/ Mainland China	RMB25,000,000#	–	100	Provision of artiste management and performance agency services
Lai Qin Investment Limited	Macau	MOP1,000,000	–	100	Investment holding
橫琴星藝文創天地有限公司	PRC/ Mainland China	RMB100,000,000#	–	100	Investment holding
MAGHL (Listed in the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) *(Note a)*	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK$131,403,000	–	51.09	Investment holding
Champ Universe Limited ^	Hong Kong	HK$1	–	51.09	Provision of management services
Media Asia Entertainment Limited ^	Hong Kong	HK$ 100	–	51.09	Entertainment activity production
Media Asia Film Production Limited ^	Hong Kong	HK$100	–	51.09	Film production
Media Magic Holdings Limited ("Media Magic") ^	British Virgin Islands/ Hong Kong	US$1,000	–	26.06	Investment holding

16. Investments in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2012 are as follows: (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Canvex Limited ^^	Hong Kong	HK$2	–	47.87	Property investment
Eternal Medal Limited ^^	Hong Kong	HK$1	–	47.87	Investment holding
Farron Assets Limited ^^	British Virgin Islands/ Hong Kong	US$1,000	–	37.10	Investment holding
Fore Bright Limited ^^	Hong Kong	HK$1	–	47.87	Investment holding
Frank Light Development Limited ^^	Hong Kong	HK$19,999,999	–	47.87	Investment holding
Gentle Code Limited ^^	Hong Kong	HK$1	–	47.87	Investment holding
Gentle Holdings Limited ^^	Hong Kong	HK$1	–	47.87	Investment holding
Goldthorpe Limited ^^ *	British Virgin Islands/ Hong Kong	US$1	–	47.87	Investment holding
Grand Wealth Limited ^^	Hong Kong	HK$2	–	47.87	Investment holding
Good Strategy Limited ^^ *	British Virgin Islands/ Mainland China	US$1	–	47.87	Property investment
Grosslink Investment Limited ^^	Hong Kong	HK$2	–	37.10	Investment holding
Guangzhou Gentle Code Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$22,830,000#	–	47.87	Property development and investment
Guangzhou Gentle Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$17,080,000#	–	47.87	Property development and investment
Guangzhou Grand Wealth Properties Limited ^^ ### *	PRC/ Mainland China	HK$280,000,000#	–	47.87	Property development and investment

16. Investments in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2012 are as follows: (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Group	Principal activities
Guangzhou Guang Bird Property Development Limited ^^ ### *	PRC/ Mainland China	US$46,000,000#	–	47.87	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited ^^ ### *	PRC/ Mainland China	RMB79,733,004#	–	47.87	Property development and investment
Guangzhou Jadepress Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$19,150,000#	–	47.87	Property development and investment
Guangzhou Jieli Real Estate Company Limited ^^ ## *	PRC/ Mainland China	HK$168,000,000#	–	37.10	Property investment
Hankey Development Limited ^^	Hong Kong	HK$10,000	–	47.87	Investment holding
Jadepress Limited ^^	Hong Kong	HK$1	–	47.87	Investment holding
Kingscord Investment Limited ^^	Hong Kong	HK$2	–	47.87	Investment holding
Lai Fung Company Limited ^^	Hong Kong	HK$20	–	47.87	Investment holding
Lai Fung (Listed on the Stock Exchange) *(Note b)*	Cayman Islands/ Hong Kong	HK$1,609,591,000	–	47.87	Investment holding
Manful Concept Limited ^^	Hong Kong	HK$2	–	47.87	Investment holding
Nicebird Company Limited ^^	Hong Kong	HK$2	–	47.87	Investment holding
Shanghai Hankey Real Estate Development Company Limited ^^	PRC/ Mainland China	US$10,800,000#	–	46.43	Property investment
Shanghai HKP Property Management Limited ^^ Δ *	PRC/ Mainland China	US$150,000#	–	47.87	Property management

16. Investments in Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2012 are as follows: (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by		Principal activities
			Company	Group	
Shanghai Hu Xin Real Estate Development Company Limited ^^ Δ	PRC/ Mainland China	US$40,000,000#	–	45.48	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited ^^ Δ *	PRC/ Mainland China	US$36,000,000#	–	45.48	Property investment
Shanghai Wa Yee Real Estate Development Company Limited ^^ Δ *	PRC/ Mainland China	US$10,000,000#	–	45.48	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited ^^ Δ	PRC/ Mainland China	US$12,000,000#	–	47.39	Property development and investment
South Hill Limited ^^	Hong Kong	HK$1	–	47.87	Property investment
Sunlite Investment Limited ^^	Hong Kong	HK$2	–	47.87	Investment holding
Wide Angle Development Limited ^^	Hong Kong	HK$2	–	47.87	Investment holding
Zhongshan Bao Li Properties Development Company Limited ^^ ## *	PRC/ Mainland China	HK$200,000,000#	–	47.87	Property development and investment
廣州高樂物業管理有限公司 ^^ Ø *	PRC/ Mainland China	RMB1,100,000#	–	47.87	Property management

The amounts stated represent the paid-up capital

Registered as wholly-foreign-owned enterprises under the laws of the PRC

Registered as co-operative joint ventures under the laws of the PRC

* *Not audited by Ernst & Young, Hong Kong or another member firm of Ernst & Young global network*

Δ *Registered as equity joint ventures under the laws of the PRC*

Ø *Registered as a domestic enterprise under the laws of the PRC*

^ *These are subsidiaries of MAGHL*

^^ *These are subsidiaries of Lai Fung*

16. Investments in Subsidiaries (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 31 July 2012, equity interests in certain subsidiaries were pledged to secure certain bank borrowings of the Group *(note 38(e))*.

As at 31 July 2012, certain subsidiaries had jointly and severally guaranteed the obligations of the Lai Fung Group under the Notes (as defined and disclosed in note 41).

Notes:

(a) Acquisition of MAGHL

On 23 March 2011, MAGHL entered into a subscription agreement (the "Subscription Agreement") with Perfect Sky Holdings Limited ("Perfect Sky"), a wholly-owned subsidiary of the Company, Sun Great Investment Limited, Next Gen Entertainment Limited, Memestar Limited, On Chance Inc. and Grace Promise Limited (collectively the "Other Subscribers", together with Perfect Sky referred to as the "Subscribers"), pursuant to which:

- *MAGHL had conditionally agreed to issue, and Perfect Sky and the Other Subscribers had conditionally agreed to subscribe for 6,918,343,209 ordinary shares of MAGHL of HK$0.01 each at an aggregate cash consideration of HK$118,613,358 (collectively, the "Share Subscription");*
- *MAGHL had conditionally agreed to issue, and Perfect Sky and the Other Subscribers had conditionally agreed to subscribe for the first tranche convertible notes in an aggregate principal amount of HK$371,386,642 (the "First Completion Convertible Notes"); and*
- *MAGHL had conditionally agreed to issue, and Perfect Sky and the Other Subscribers had conditionally agreed to subscribe for the second tranche convertible notes in an aggregate principal amount of HK$224,873,937 (the "Second Completion Convertible Notes").*

The Share Subscription and subscription of the First Completion Convertible Notes and the Second Completion Convertible Notes were discloseable transactions of the Company under the Listing Rules.

Further details of the Subscription Agreement are set out in MAGHL's announcement and circular dated 31 March 2011 and 21 April 2011, respectively.

All conditions precedent to the completion of the Share Subscription and the subscription of the First Completion Convertible Notes (the "First Completion") were fulfilled on 9 June 2011 (the "First Completion Date") and the subscription of the Second Completion Convertible Notes were fulfilled on 9 June 2012 (the "Second Completion Date"). On the First Completion Date, MAGHL issued to the Subscribers (i) an aggregate of 6,918,343,209 ordinary shares of MAGHL of HK$0.01 each for a total subscription price (before expenses) of approximately HK$118,614,000; and (ii) the First Completion Convertible Notes with an aggregate principal amount (before expenses) of HK$371,386,642. Upon the First Completion, the Group held approximately 51.3% equity interest in MAGHL which has become an indirect subsidiary of the Group. Further details of the acquisition of MAGHL are set out in note 46 to the financial statements.

MAGHL and CLSA Limited (the "Placing Agent") entered into a conditional placing agreement and a supplemental agreement on 28 July 2011 and 1 August 2011, respectively, pursuant to which the Placing Agent agreed to place up to 2,022,051,522 MAGHL's new shares (the "Placing Shares") at a price of HK$0.20 per share (the "Placing"). The Placing was approved by the shareholders of MAGHL at the special general meeting of MAGHL held on 27 August 2011. The Placing was completed on 8 September 2011 and, an aggregate of 1,467,500,000 Placing Shares were issued to three independent parties. The gross proceeds from the Placing amounted to approximately HK$293,500,000 and the related issue expense was HK$2,663,000.

16. Investments in Subsidiaries (continued)

Notes: (continued)

(a) Acquisition of MAGHL (continued)

On 8 September 2011 and immediately before the completion of the Placing, Perfect Sky converted the First Completion Convertible Notes in an aggregate principal amount of HK$25,000,000 into 1,562,500,000 new shares of MAGHL (the "Conversion"). Immediately following the completion of the Conversion and the Placing, MAGHL continues to remain as a subsidiary of the Company and the Company's equity interest in MAGHL has increased from 50.94% to 51.09%.

HKAS 27 (Revised) requires that a change in the parent's ownership interest in a subsidiary without loss of control is accounted for as an equity transaction. The net impact for the change in the Company's equity interest in MAGHL from 50.94% to 51.09% as a result of the Conversion and the Placing amounted to HK$135,338,000 has been credited directly as "other reserve" in the statement of changes in equity. As a result of the Placing, an amount of HK$155,499,000 has been credited to reserve attributable to the non-controlling interests of MAGHL.

Further details of the Placing are set out in MAGHL's circular dated 11 August 2011 and the joint announcements of the Company and MAGHL dated 28 July 2011, 1 August 2011 and 8 September 2011.

On the Second Completion Date, MAGHL issued to the subscribers the Second Completion Convertible Notes with an aggregate principal amount (before expenses) of HK$224,873,937.

Further details of the First Completion Convertible Notes and the Second Completion Convertible Notes are set out in note 40 to the financial statements.

The issued ordinary shares of MAGHL are listed and traded on the GEM of the Stock Exchange.

(b) Acquisition of Lai Fung

On 27 February 2012, the Company entered into the Underwriting Agreement with Lai Fung pursuant to which the Company has irrevocably undertaken to Lai Fung to take up (or procure to be taken up) all the Offer Shares (including the CL Undertaken Shares (as defined below)) other than those undertaken to be procured for taking up by the Company. The maximum underwriting obligation to the Company is therefore approximately HK$1,006 million.

CapitaLand LF (Cayman) Holdings Co., Ltd. ("CL"), a substantial shareholder of Lai Fung, beneficially owns 1,610,000,000 shares of Lai Fung, representing approximately 20% of the existing issued share capital of Lai Fung as at the date of the Announcement. CL has irrevocably undertaken to each of Lai Fung and the Company that, among other things, (i) it shall procure that all the 1,610,000,000 shares of Lai Fung shall remain beneficially and directly owned by it up to the Record Date; (ii) it shall subscribe and procure that its nominee shall subscribe for its full entitlement of 1,610,000,000 Offer Shares (the "CL Undertaken Shares") which will be allotted to it or its nominee; and (iii) it shall procure that acceptances in respect of the 1,610,000,000 Offer Shares.

A special general meeting of the Company was convened on 11 May 2012 of which the Underwriting Agreement and the transactions contemplated thereunder which constituted a very substantial acquisition in accordance with the Listing Rules were duly approved. An extraordinary general meeting was convened by Lai Fung on 11 May 2012 of which, among others, the Open Offer, the absence of excess application arrangement for the Offer Shares and the whitewash waiver were duly approved.

The Open Offer has become unconditional on 6 June 2012. Pursuant to the irrevocable undertaking under the Underwriting Agreement ("CL Undertaking"), the Company has procured its wholly-owned subsidiaries to accept and subscribe for, in aggregate, 3,265,688,037 Offer Shares. Pursuant to the CL Undertaking, CL has accepted and subscribed for 1,610,000,000 Offer Shares.

16. Investments in Subsidiaries (continued)

Notes: (continued)

(b) Acquisition of Lai Fung (continued)

The Open Offer was undersubscribed by 1,096,075,348 Offer Shares and accordingly, the Company has procured Silver Glory Securities Limited ("Silver Glory"), its wholly-owned subsidiary to subscribe for the 1,096,075,348 Offer Shares pursuant to its underwriting obligation under the Underwriting Agreement.

As a result of the completion of the Open Offer, the Group beneficially owns 7,627,451,422 shares of Lai Fung, representing approximately 47.39% of the total issued shares of Lai Fung immediately upon completion of the Open Offer.

As detailed in note 3.2.2 to the financial statements, the adoption of HKFRS 10 has affected the accounting for the Company's 47.39% equity interest in Lai Fung upon completion of the Open Offer. With early adoption of HKFRS 10 for the financial year ended 31 July 2012, Lai Fung has become a subsidiary of the Company, whereby the Company increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer. Subsequent to the Open Offer, the Company acquired additional shares of Lai Fung from the public shareholders at a consideration of approximately HK$10,798,000 and the equity interest in Lai Fung increased to 47.87% in June 2012. The net impact for the change in the Company's shareholding interest in Lai Fung from 47.39% to 47.87% amounted to HK$52,533,000 has been credited directly as "other reserve" in the statement of changes in equity. As a result of the additional acquisition, an amount of HK$63,331,000 has been debited to reserve attributable to the non-controlling interests of Lai Fung.

Further details of the Open Offer and the Underwriting Arrangements are set out in the Announcement dated 27 February 2012 and the circular issued by the Company dated 24 April 2012.

17. Properties under Development

	Notes	**Group** HK$'000
Carrying amount as at 1 January 2011, 31 July 2011, 1 August 2011		–
Acquisition of subsidiaries	46(a)	1,829,199
Finance costs capitalised	9	9,499
Additions		81,089
Transfer to completed properties for sale		(166,977)
Transfer from investment properties	18	11,301
Exchange realignment		(142)
Carrying amount as at 31 July 2012		1,763,969
Portion classified as current assets		(510,318)
Non-current portion		1,253,651

17. Properties under Development (continued)

All properties under development are situated in Mainland China. An analysis of the carrying amounts of the properties under development by lease term is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Long term leases	**1,588,742**	–
Medium term leases	**175,227**	–
	1,763,969	–

As at 31 July 2012, certain properties under development with an aggregate carrying amount of HK$896,317,000 were pledged to banks to secure certain bank borrowings of the Group as further set out in note 38(b) to the financial statements.

Included in properties under development were prepaid land lease payments, the movements of which during the year are as follows:

	Group
	HK$'000
Carrying amount as at 1 January 2011, 31 July 2011, 1 August 2011	–
Acquisition of subsidiaries	564,048
Amortised during the year	(1,641)
Transfer to completed properties for sale	(17,434)
Exchange realignment	3
Carrying amount as at 31 July 2012	**544,976**

18. Investment Properties

	Group	
	2012	2011
	HK$'000	HK$'000
Completed investment properties	**8,265,100**	–
Investment properties under construction, at fair value	**849,000**	–
Investment properties under construction, at cost #	**1,671,916**	–
	10,786,016	–

Certain investment properties under construction were carried at cost as at the end of the reporting period as such properties were under the planning or resettlement stage and their fair values were not reliably determinable.

18. Investment Properties (continued)

	Notes	Group HK$'000
Carrying amount as at 1 January 2011, 31 July 2011, 1 August 2011		–
Acquisition of subsidiaries	46(a)	10,775,100
Finance costs capitalised	9	7,379
Additions		14,875
Transfer to properties under development	17	(11,301)
Exchange realignment		(37)
Carrying amount as at 31 July 2012		**10,786,016**

All investment properties are situated in Mainland China and were held under the following lease terms:

	Group	
	2012 HK$'000	2011 HK$'000
Long term leases	**177,700**	–
Medium term leases	**10,608,316**	–
	10,786,016	–

As at 31 July 2012, the completed investment properties and investment properties under construction stated at fair value were revalued by Knight Frank Petty Limited, an independent firm of professional valuers, on an open market value, existing use basis. The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 48(b) to the financial statements.

As at 31 July 2012, certain investment properties with an aggregate carrying amount of approximately HK$7,922,100,000 were pledged to banks to secure certain bank borrowings of the Group as further set out in note 38(c) to the financial statements.

19. Film Rights

	Group HK$'000
Cost:	
At 1 January 2011	243,130
Additions	1,976
At 31 July 2011 and 1 August 2011	245,106
Additions	3,150
Write-off	(2,363)
At 31 July 2012	**245,893**
Accumulated amortisation and impairment:	
At 1 January 2011	182,506
Provided during the period	7,986
At 31 July 2011 and 1 August 2011	190,492
Provided during the year	10,447
Write-off	(2,363)
At 31 July 2012	**198,576**
Net carrying amount:	
At 31 July 2012	**47,317**
At 31 July 2011	54,614

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of film rights and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2012 and 31 July 2011 were determined based on the present value of expected future revenue arising from the distribution and sub-licensing of the film rights and their residual values, which was derived from discounting the projected cash flows by a discount rate of approximately 13% (2011: 13%).

20. Film Products

	Note	Group HK$'000
Cost:		
At 1 January 2011		351,025
Additions		262
Transfer from films under production	29	57,306
At 31 July 2011 and 1 August 2011		408,593
Additions		293
Transfer from films under production	29	99,775
At 31 July 2012		**508,661**
Accumulated amortisation and impairment:		
At 1 January 2011		264,260
Provided during the period		67,056
At 31 July 2011 and 1 August 2011		331,316
Provided during the year		103,110
At 31 July 2012		**434,426**
Net carrying amount:		
At 31 July 2012		**74,235**
At 31 July 2011		77,277

Included in the net carrying amount as at 31 July 2012 are film products of HK$44,074,000 (2011: HK$60,041,000) carried at net realisable value.

21. Music Catalogs

	Group HK$'000
Cost:	
At 1 January 2011	140,434
Additions	800
At 31 July 2011, 1 August 2011 and 31 July 2012	**141,234**
Accumulated amortisation and impairment:	
At 1 January 2011	47,904
Provided during the period	3,053
Impairment during the period	41,990
At 31 July 2011	92,947
Provided during the year	4,888
Impairment during the year	11,400
At 31 July 2012	**109,235**
Net carrying amount:	
At 31 July 2012	**31,999**
At 31 July 2011	48,287

In light of the circumstances of music licensing industry, the Group undertook a review of its library of music catalogs to assess the marketability of respective music catalogs and the corresponding recoverable amounts. During the year ended 31 July 2012 and the period from 1 January 2011 to 31 July 2011, the directors of the Company determined that the music catalogs were impaired due to prevailing marketability circumstances. The directors assessed the recoverable amount of the music catalogs and based on which impairment loss of HK$11,400,000 (period from 1 January 2011 to 31 July 2011: HK$41,990,000) was recognised in the consolidated income statement for the year ended 31 July 2012. The estimated recoverable amounts as at 31 July 2012 and 31 July 2011 were determined based on the present value of expected future cash flows generated from the music catalogs, which was discounted by a discount rate of approximately 13% (2011: 13%).

22. Goodwill

	Note	Group HK$'000
Cost:		
At 1 January 2011, 31 July 2011 and 1 August 2011		–
Acquisition of subsidiaries	46	13,704
Exchange realignment		(45)
At 31 July 2012		**13,659**
Accumulated impairment:		
At 1 January 2011, 31 July 2011 and 1 August 2011		–
Impairment during the year		3,477
At 31 July 2012		**3,477**
Net carrying amount:		
At 31 July 2012		**10,182**
At 31 July 2011		–

Impairment testing of goodwill

Goodwill acquired through business combination during the year ended 31 July 2012 had been allocated to the artiste management and television production cash-generating unit (the "CGU"), which is a component of media and entertainment reportable segment, for impairment testing.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on the management's expectation for market development. The discount rate applied to the cash flow projections is 30.44%.

Key assumptions were used in the value-in-use calculation of the CGU for the year ended 31 July 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budget gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the markets, adjusted for expected efficiency improvement, and expected market development.

Discount rates – The discount rate used is before tax.

During the year ended 31 July 2012, the directors considered that the carrying amount of goodwill of HK$3,477,000 was fully impaired based on the carrying value of the CGU. This resulted in an impairment loss of approximately HK$3,477,000 which has been recognised in the consolidated income statement.

23. Other Intangible Assets

Group

	Artiste management contracts HK$'000	Services contract HK$'000	Total HK$'000
Cost:			
At 1 January 2011, 31 July 2011 and 1 August 2011	–	–	–
Acquisition of subsidiaries *(note 46(b))*	50,187	24,638	74,825
Exchange realignment	(219)	(107)	(326)
At 31 July 2012	**49,968**	**24,531**	**74,499**
Accumulated amortisation and impairment:			
At 1 January 2011, 31 July 2011 and 1 August 2011	–	–	–
Amortisation for the year	2,480	562	3,042
Exchange realignment	(8)	(2)	(10)
At 31 July 2012	**2,472**	**560**	**3,032**
Net carrying amount:			
At 31 July 2012	**47,496**	**23,971**	**71,467**
At 31 July 2011	–	–	–

Artiste Management Contracts

Artiste management contracts represent contracts with various artistes which the Group has the exclusive right for the provision of artiste management service to these artistes.

Services Contract

Services contract represents the contract with a television drama and film production team including four individuals who are film and television drama producers and directors (the "Production Team"), in which the contract procures the Production Team to manage the daily operation of Media Magic including television drama and film production.

The Group carried out review of the recoverable amount of the artiste management contracts and services contract at the end of the reporting period. The recoverable amount of the contracts as at 31 July 2012 had been determined on the basis of their value-in-use. The discount rate in measuring the value-in-use as at 31 July 2012 was 31.44% (2011: Nil).

24. Investments in Joint Ventures

	Group	
	2012 HK$'000	2011 HK$'000
Share of net assets/(liabilities)	**775,574**	(25,523)
Goodwill arising from acquisition	**2,359**	2,359
	777,933	(23,164)
Amounts due from joint ventures	**337,655**	97,467
	1,115,588	74,303

The balances with joint ventures are unsecured and have no fixed terms of repayment. As at 31 July 2012, the balances were interest-free except for an amount of HK$55,615,000 (2011: HK$51,494,000) which was interest-bearing with reference to the People's Bank of China's base interest rate. The carrying amounts of the amounts due from joint ventures approximate their fair values.

Details of the principal joint ventures as at 31 July 2012 are as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Beautiwin Limited ("Beautiwin")	Hong Kong	Ordinary	23.94	Investment holding
Guangzhou Beautiwin Real Estate Development Company Limited ("Guangzhou Beautiwin")	PRC/ Mainland China	– *	22.74	Property development and investment

* *This joint venture has registered capital rather than issued share capital.*

The above table lists the joint ventures of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

As at 31 July 2012 and 31 July 2011, the above balance included an entity, established in the PRC, to which the Group is able to exercise joint control over significant operating and financing policies through contractual provision stipulated in the agreements entered into between the Group and the joint venturer. In the opinion of the Company's directors, the entity is considered as a joint venture of the Group. The principal activities of this joint venture consist of investment in and production and distribution of television dramas and films in Mainland China.

The investments in joint ventures were all indirectly held by the Company.

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs adjusted by the Group for equity accounting purposes. The joint ventures are accounted for using the equity method in these consolidated financial statements.

24. Investments in Joint Ventures (continued)

The summarised financial information below represents amounts shown, after fair value adjustments, in the consolidated financial statements of Beautiwin and Guangzhou Beautiwin (collectively referred to as "Beautiwin Group") prepared in accordance with HKFRSs:

	2012 HK$'000
Current assets (including cash and cash equivalents of HK$65,072,000)	652,224
Non-current assets	3,720,984
Total assets	4,373,208
Current liabilities	(1,559,654)
Non-current liabilities	(1,138,197)
Total liabilities	(2,697,851)
Current financial liabilities (excluding creditors and accruals)	(473,150)
Non-current financial liabilities (excluding creditors and accruals)	(225,720)

Reconciliation of the above summarised financial information of the Beautiwin Group to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	2012 HK$'000
Net assets of the Beautiwin Group	1,675,357
Less: Non-controlling interests	(108,540)
	1,566,817
Lai Fung's 50% interest in the Beautiwin Group	783,409
Amount due from the Beautiwin Group	235,085
Carrying amount of the Group's interest in the Beautiwin Group as recorded in the consolidated financial statements	1,018,494

24. Investments in Joint Ventures (continued)

	Period from 11 June 2012 to 31 July 2012 HK$'000
Revenue (including interest income of HK$517,200)	649
Expenses	(6,464)
Income tax expense	–
Loss for the period	(5,815)
The Group's share of loss of the Beautiwin Group as recorded in the consolidated financial statements	(2,762)

Aggregate information of joint ventures that are not individually material

	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
The Group's share of profits and losses	11,665	(9,487)
The Group's share of other comprehensive income	–	130
The Group's share of total comprehensive income	11,665	(9,357)

25. Investments in Associates

	Group	
	2012 HK$'000	2011 HK$'000
Share of net assets/(liabilities)	(2,192)	4,465,024
Amounts due from associates	8,227	2,358
	6,035	4,467,382

Balances with the associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from associates approximate their fair values.

The Group received dividend income amounting to HK$16,328,000 (2011: HK$16,328,000) from an associate during the year.

To give details of associates would, in the opinion of the directors, result in particulars of excessive length.

The associates are accounted for using the equity method in these consolidated financial statements.

As detailed in note 3.2.2, Lai Fung has become a subsidiary of the Group upon completion of the Open Offer. Accordingly, the Group has derecognised the carrying amount of its interests in Lai Fung which has formed part of the consideration for acquisition of Lai Fung upon completion of the Open Offer.

25. Investments in Associates (continued)

The Group's share of profit of the Lai Fung Group for the period from 1 August 2011 to 10 June 2012 included in the Group's share of profits and losses of associates was approximately HK$99,713,000 (period from 1 January 2011 to 31 July 2011: HK$36,454,000).

The Group's share of net assets of Lai Fung was included in the Group's investments in associates as at 31 July 2011.

The market value of the listed shares of Lai Fung at 31 July 2011 was approximately HK$898,064,000.

As at 31 July 2012, there were no material associates which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

The summarised financial information below represented amounts shown, after fair value adjustments, in an associate's financial statements prepared in accordance with HKFRSs.

Lai Fung

	31 July 2011 HK$'000
Current assets	4,447,128
Non-current assets	13,917,373
Total assets	18,364,501
Current liabilities	(1,541,626)
Non-current liabilities	(5,220,203)
Total liabilities	(6,761,829)

Reconciliation of the above summarised financial information of the Lai Fung Group to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31 July 2011 HK$'000
Net assets of the Lai Fung Group	11,602,672
Less: Non-controlling interests	(595,020)
	11,007,652
The Group's 40.58% interest in the Lai Fung Group	4,466,905

	Period from 1 August 2011 to 10 June 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
Revenue	**1,893,820**	334,922
Profit for the period	**300,198**	105,022
Other comprehensive income for the period	**155,015**	267,440

25. Investments in Associates (continued)

Aggregate information of associates that are not individually material

	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000
The Group's share of profits and losses and total comprehensive income	(575)	(514)

26. Available-for-sale Investments

	Group	
	2012 HK$'000	2011 HK$'000
Unlisted equity investments, at cost	102,328	78,969
Unlisted equity investment, at fair value	63,881	–
	166,209	78,969

As at 31 July 2012, unlisted equity investments of the Group with a carrying amount of HK$102,328,000 (2011: HK$78,969,000) were stated at cost less impairment because the variability in the range of reasonable fair value estimate was so significant that the directors were of the opinion that its fair value could not be measured reliably.

There were a significant decline in the fair value of an equity investment during the year ended 31 July 2012. The directors consider that such a decline indicates that the equity investment has been impaired and an impairment loss of approximately HK$35,805,000 (period from 1 January 2011 to 31 July 2011: Nil) had been recognised in the consolidated income statement for the year.

27. Deposits, Prepayments and Other Receivables

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Deposits, prepayments and advances for artiste management, music production and film production	69,035	62,188	–	–
Other deposits, prepayments and other receivables	267,892	150,223	11,303	11,269
	336,927	212,411	11,303	11,269
Portion classified as current portion	(258,716)	(123,647)	(645)	(611)
Non-current portion	78,211	88,764	10,658	10,658

Included in deposits, prepayments and other receivables as at 31 July 2012 are advances of HK$40,242,000 (2011: Nil) due from film owners for the Group's investment in film projects. The advances are unsecured, repayable within next 12 months and with a fixed guarantee return ranging from 8% to 15%.

Net of advances for artiste management and other receivables is a provision of HK$35,307,000 (2011: HK$22,172,000).

The carrying amounts of advances for artiste management, music production and film production, and other receivables approximate their fair values.

27. Deposits, Prepayments and Other Receivables (continued)

Movements in the provision for advances and other receivables are as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
At the beginning of the reporting period	**22,172**	19,396
Provision for advances and other receivables	**14,231**	2,780
Reversal of provision for advances and other receivables	**(1,096)**	(4)
Write-off	**–**	–
At the end of the reporting period	**35,307**	22,172

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$35,307,000 (2011: HK$22,172,000) with a gross carrying amount of HK$35,307,000 (2011: HK$22,172,000). The individually impaired receivables and advances relate to the portions of receivables that were not expected to be recovered.

28. Loans Receivable

	Group	
	2012 **HK$'000**	2011 HK$'000
Loans receivable	**23,517**	11,000

Included in the loans receivable is a loan of HK$12 million granted by the Group to an independent third party. The loan bears interest at 12% per annum and is repayable within one year. The loan is secured by a guarantee from an independent party and the assignment of certain television dramas.

Included in the loans receivable is a loan of HK$11 million with an original loan principal of HK$17 million granted by the Group to an independent third party during the year ended 31 December 2007. The loan is interest-free and repayable on demand. The loan was granted in connection with a joint venture arrangement with an independent third party. The borrower has assigned certain economic interests and benefits in certain television dramas to the Group in connection with the loan receivable.

The carrying amounts of the loans receivable approximate their fair values.

29. Films under Production

		Group	
	Note	**2012** **HK$'000**	2011 HK$'000
At the beginning of reporting period		**104,090**	91,657
Additions		**131,423**	70,239
Transfer to film products	20	**(99,775)**	(57,306)
Impairment		**(967)**	(500)
At the end of reporting period		**134,771**	104,090

30. Inventories

	Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**4,434**	3,524
Work in progress	**146**	271
Finished goods	**4,312**	4,059
	8,892	7,854

31. Debtors

	Group	
	2012	2011
	HK$'000	HK$'000
Trade debtors	**169,230**	104,974
Impairment	**(8,431)**	(7,294)
	160,799	97,680

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

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

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

31. Debtors (continued)

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

	Group	
	2012 HK$'000	2011 HK$'000
Trade debtors:		
Neither past due nor impaired	**114,043**	44,850
1 – 90 days past due	**29,411**	21,608
Over 90 days past due	**17,345**	31,222
	160,799	97,680

Movements in the provision for impairment of trade debtors are as follows:

		Group	
	Note	**2012 HK$'000**	2011 HK$'000
At the beginning of the reporting period		**7,294**	3,313
Acquisition of subsidiaries	46	**–**	3,918
Provision for doubtful debts		**1,019**	–
Write-off		**–**	(2)
Exchange realignment		**118**	65
At the end of the reporting period		**8,431**	7,294

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$8,431,000 (2011: HK$7,294,000) with a gross carrying amount before provision of HK$8,431,000 (2011: HK$7,294,000). The individually impaired trade debtors related to customers that were in default in settlements and only a portion or no portion of the receivables is expected to be recovered.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

32. Options

	Group	
	2012	2011
	HK$'000	HK$'000
Options, at fair value	**32,491**	–

Pursuant to the share transfer agreement entered into between MAGHL and its subsidiaries (the "MAGHL Group") and the Vendor (as defined in note 46), on the acquisition of Media Magic as detailed in note 46(b), the MAGHL Group is granted with an option to acquire an additional 25% interest in Media Magic by 28 December 2014 and an option to acquire the remaining 24% interest in Media Magic by 28 December 2015. If any one of the options is not exercised, the Vendor is contractually obliged to buy back the MAGHL Group's interests in Media Magic at the original acquisition cost. The above rights and contractual obligation options are collectively referred as the "Options".

The options constitute derivatives within the scope of HKAS 39, and are recognised at their fair values as assets or liabilities on initial recognition and are subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement.

As at 30 March 2012, the date of acquisition of Media Magic, the MAGHL Group recognised a derivative financial asset of HK$31,411,000 *(note 46(b))* in respect of the options in the consolidated statement of financial position. As at 31 July 2012, the fair value of the financial asset in respect of the options amounted to HK$32,491,000 with a fair value gain of HK$1,080,000 being recognised in the consolidated income statement for the year ended 31 July 2012.

The fair values of the options as at 30 March 2012 and 31 July 2012 were determined with reference to the valuations of the options as at those dates performed by Greater China Appraisal Limited ("Greater China"), an independent firm of professional valuers. The valuations were arrived at using Trinomial Lattice model, which have taken into account factors including related profit projections, exercise prices of options, volatilities, risk-free rate and time to maturity.

33. Forward Contract

	Group	
	2012	2011
	HK$'000	HK$'000
Forward contract on the Second Completion Convertible Notes, at fair value	**–**	8,336

Pursuant to the Subscription Agreement of which the details have been set out in note 16(a) above, among other terms, MAGHL conditionally agreed to issue to the Subscribers and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$371,386,642 (being the First Completion Convertible Notes referred to in note 16(a) above) and HK$224,873,937 (being the Second Completion Convertible Notes referred to in note 16(a) above), which can be convertible at the option of the holders into the MAGHL's ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

33. Forward Contract (continued)

Before the Second Completion Date, MAGHL was contractually obligated to issue the Second Completion Convertible Notes. In this regard, before the issue of the Second Completion Convertible Notes, the Subscription Agreement in respect of the issue of the Second Completion Convertible Notes constitutes a forward contract within the scope of HKAS 39, and is recognised at its fair value as an asset or a liability on the commitment date, and is subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement.

On the Second Completion Date, after eliminating the portion on Perfect Sky, the Group recognised a derivative financial liability of HK$54,996,000 (2011: a financial asset of HK$8,336,000). Accordingly, a fair value loss in respect of the forward contract of HK$63,332,000 (period from 1 January 2011 to 31 July 2011: fair value gain of HK$6,585,000) was charged to the consolidated income statement for the year ended 31 July 2012.

On the same date, MAGHL issued the Second Completion Convertible Notes to Perfect Sky and the other subscribers in an aggregate principal amount of HK$224,873,937 (further details are set out in note 40). The fair value of the forward contract at the Second Completion Date of HK$54,996,000, after eliminating the portion on Perfect Sky, forms part of the consideration of the issuance of the Second Completion Convertible Notes *(note 40(ii))*.

At the date of becoming the Group's subsidiary on 9 June 2011, MAGHL had a derivative financial asset, after eliminating the portion on Perfect Sky, of HK$1,751,000 *(note 46)*. As at 31 July 2011, the Group recognised a derivative financial asset of HK$8,336,000 in respect of the forward contract on the Second Completion Convertible Notes, after eliminating the portion on Perfect Sky, in the consolidated statement of financial position. A fair value gain in respect of the forward contract of HK$6,585,000 had been recognised in the consolidated income statement during the period from 1 January 2011 to 31 July 2011.

The fair values of the forward contract as at the Second Completion Date, 31 July 2011, and the issue date of 9 June 2011 were determined with reference to the valuations of the forward contract as at those dates performed by Greater China. The valuations have taken into account factors including adjusted weighted average market prices of the MAGHL's shares, volatilities and prevailing market interest rates.

34. Equity Investments at Fair Value through Profit or Loss

	Group	
	2012	2011
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**–**	1,474

The above equity investments as at 31 July 2012 and 2011 were classified as held for trading.

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35. Cash and Cash Equivalents, Pledged and Restricted Time Deposits and Bank Balances

		Group		Company	
	Note	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash and bank balances		**1,060,227**	717,543	**11,402**	9,078
Less: Pledged and restricted bank balances					
Pledged for banking facilities *		**(5,860)**	–	**–**	–
Pledged for bank loans	38(f)	**(123,662)**	–	**–**	–
Restricted **		**(110,960)**	–	**–**	–
		(240,482)	–	**–**	–
Non-pledged and non-restricted cash and bank balances		**819,745**	717,543	**11,402**	9,078
Time deposits		**3,103,897**	1,606,907	**379,418**	1,462,343
Less: Pledged time deposits					
Pledged for bank loans	38(f)	**(73,714)**	(12,960)	**–**	–
Pledged for a letter of credit facility		**(9,740)**	–	**–**	–
Restricted **		**(628,939)**	–	**–**	–
		(712,393)	(12,960)	**–**	–
Non-pledged and non-restricted time deposits		**2,391,504**	1,593,947	**379,418**	1,462,343
Cash and cash equivalents		**3,211,249**	2,311,490	**390,820**	1,471,421

* *The balances were pledged to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group.*

** *In accordance with the relevant laws and regulations imposed by the government authorities concerned or the terms and conditions set out in the relevant bank loan agreements, proceeds from the pre-sale of certain properties are required to be deposited into designated bank accounts and restricted to be used in the relevant project construction. Such restriction will be uplifted upon repayment of the relevant bank loans or the attainment of the relevant ownership certificates issued by the authorities. As at 31 July 2012, the balance of such deposits amounted to HK$338,465,000.*

In accordance with the relevant laws and regulations imposed by the government authorities concerned, estimated resettlement costs of certain sites for development are required to be deposited into designated bank accounts. Such deposits are restricted to be used for the resettlement and such restriction will be uplifted upon completion of the resettlement. As at 31 July 2012, the balance of such deposits amounted to HK$33,567,000.

In accordance with the relevant clauses of certain bank loan facilities, proceeds from the drawdown of bank loans are required to be deposited into designated bank accounts and restricted to be used for settlement of construction costs of the relevant projects. As at 31 July 2012, the balance of such deposits amounted to HK$367,867,000.

35. Cash and Cash Equivalents, Pledged and Restricted Time Deposits and Bank Balances (continued)

At 31 July 2012, time deposits, and cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,785,291,000 (2011: HK$57,712,000). The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

36. Creditors and Accruals

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

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade creditors:				
Less than 30 days	**46,553**	7,430	**–**	–
31 – 60 days	**7,600**	946	**–**	–
61 – 90 days	**117**	420	**–**	–
Over 90 days	**1,687**	1,581	**–**	–
	55,957	10,377	**–**	–
Other creditors and accruals	**888,555**	324,184	**2,145**	123,393
	944,512	334,561	**2,145**	123,393

Included in creditors and accruals was a loan from a non-controlling shareholder of MAGHL of approximately HK$6,027,000 (2011: Nil). The balance is unsecured, interest-free and has no fixed term of repayment. The carrying amount of the loan approximates its fair value.

Other than the loan from a non-controlling shareholder of MAGHL, trade creditors and other creditors are interest-free and have an average credit term of three months.

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31 July 2012

37. Finance Lease Payables

The Group leases certain of its furniture, fixtures and equipment. These leases are classified as finance leases and have remaining lease terms of approximately three years.

At 31 July 2012, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Amounts payable:				
Within one year	**119**	126	**119**	125
In the second year	**84**	119	**84**	119
In the third to fifth years, inclusive	**44**	128	**44**	128
Total minimum finance lease payments	**247**	373	**247**	372
Future finance charges	**–**	(1)		
Total net finance lease payables	**247**	372		
Portion classified as current liabilities	**(119)**	(125)		
Non-current portion	**128**	247		

38. Interest-Bearing Bank Loans, Secured

Group

	2012		2011	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Secured bank loans:				
Current	**1.25 – 7.07**	**1,559,357**	5.68	12,229
Non-current	**2.75 – 7.07**	**358,342**	–	–
		1,917,699		12,229
Maturity profile:				
Within one year		**1,559,357**		12,229
In the second year		**207,063**		–
In the third to fifth years, inclusive		**151,279**		–
		1,917,699		12,229

38. Interest-Bearing Bank Loans, Secured (continued)

HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("repayment on demand clause") shall be classified in total by the borrower as current in the statement of financial position. A term loan of the Group in the amount of HK$67,651,000 which is repayable after one year from the end of the reporting period but includes a repayment on demand clause under the relevant loan agreement has been classified as a current liability. For the purpose of the above analysis, such loan is included within current secured bank loans and analysed into bank loans repayable within one year.

All of the bank loans were floating rate instruments.

Bank loans of the Group as at 31 July 2012 were secured by:

(a) mortgages over certain land and buildings and serviced apartments (including related leasehold improvements) of the Group with carrying amounts of approximately HK$99,847,000 and HK$1,781,952,000 *(note 15)* respectively;

(b) mortgages over certain properties under development of the Group with an aggregate carrying amount of approximately HK$896,317,000 *(note 17)*;

(c) mortgages over certain investment properties of the Group with an aggregate carrying amount of approximately HK$7,922,100,000 *(note 18)*;

(d) mortgages over certain completed properties for sale of the Group with an aggregate carrying amount of approximately HK$1,856,666,000;

(e) charges over the entire equity interests of certain subsidiaries attributable to the Group *(note 16)*;

(f) charges over time deposits and bank balances of the Group with an aggregate carrying amount of approximately HK$197,376,000 (2011: HK$12,960,000) *(note 35)*; and

(g) certain corporate guarantees provided by Lai Fung.

As at 31 July 2011, the bank loans were interest-bearing at a rate with reference to the People's Bank of China's base interest rate per annum and are repayable within one year from 31 July 2011.

The Group's available banking facilities, which were not utilised as at 31 July 2012 and 31 July 2011, included banking facilities of HK$60,000,000 which are secured by fixed charges over the Group's land and buildings with an aggregate net carrying amount at 31 July 2012 of approximately HK$53,551,000 (2011: HK$55,486,000) *(note 15)*.

As at 31 July 2012, time deposits amounted to HK$9,740,000 (2011: Nil) were pledged to secure a letter of credit facility granted by a bank.

The carrying amounts of the Group's secured bank loans approximate their fair values.

39. Other Borrowings

	Notes	Effective contractual interest rate (%) 2012	2011	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Interest-bearing borrowings							
– unsecured	(i)	**5.00**	5.00	**170,254**	164,601	**170,254**	164,601
Other borrowing							
– unsecured	(ii)	**–**	–	**57,200**	–	**–**	–
				227,454	164,601	**170,254**	164,601

	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Analysed into:				
Other borrowings repayable in the second year	**227,454**	164,601	**170,254**	164,601

Notes:

(i) The unsecured other borrowings as at 31 July 2012 and 31 July 2011 represented amounts due to the late Mr. Lim Por Yen which bear interest at The Hong Kong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount of HK$57,316,000 (2011: HK$51,663,000) which is interest-free.

(ii) The unsecured other borrowing as at 31 July 2012 represented an amount due to the late Mr. Lim Por Yen which is interest-free.

At 31 July 2012 and 31 July 2011, at the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed to the Group that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from respective ends of the reporting periods.

40. Convertible Notes

	Notes	Group 2012 HK$'000	Group 2011 HK$'000
First Completion Convertible Notes	(i)	**172,242**	155,422
Second Completion Convertible Notes	(ii)	**54,990**	–
		227,232	155,422

Pursuant to the Subscription Agreement of which the details have been set out in note 16(a) above, among other terms, MAGHL conditionally agreed to issue to the Subscribers and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$371,386,642 (being the First Completion Convertible Notes referred to in note 16(a) above) and HK$224,873,937 (being the Second Completion Convertible Notes referred in note 16(a) above), which can be convertible at the option of the holders into MAGHL's ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

40. Convertible Notes (continued)

Notes:

(i) First Completion Convertible Notes

The First Completion Convertible Notes were issued to the holders on 9 June 2011. Part of the First Completion Convertible Notes in an aggregate principal amount of HK$170,000,000 carries the conversion right entitling the relevant holders to subscribe for a total of 10,625,000,000 ordinary shares of MAGHL at a conversion price of HK$0.016 per share. Part of the First Completion Convertible Notes in an aggregate principal amount of HK$201,386,642 carries the conversion right entitling the relevant holders to subscribe for a total of 7,231,118,192 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.02785 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the First Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2014 at the principal amount outstanding.

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the capital reserve. No adjustment was made to the conversion price during the year ended 31 July 2012 and the period from 9 June 2011 to 31 July 2011.

The net proceeds received from the issue of the First Completion Convertible Notes, after eliminating the subscription of the First Completion Convertible Notes of approximately HK$163,120,000 by Perfect Sky at a conversion price of HK$0.016 per share, were split into the liability and equity components on the issue date as follows:

	Group HK$'000
First Completion Convertible Notes	
Face value of convertible notes issued	208,267
Equity component	(50,419)
Liability component at date of issue	157,848

The movements of the liability component and equity component of the First Completion Convertible Notes are as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 January 2011	–	–	–
Issue during the period	157,848	50,419	208,267
Cost of issue of convertible notes	(4,830)	(1,543)	(6,373)
Interest charged during the period	2,404	–	2,404
Issue of a forward contract	–	1,751	1,751
At 31 July 2011 and 1 August 2011	155,422	50,627	206,049
Interest charged during the year	16,820	–	16,820
At 31 July 2012	**172,242**	**50,627**	**222,869**

40. Convertible Notes (continued)

Notes: (continued)

(ii) Second Completion Convertible Notes

The Second Completion Convertible Notes were issued to the holders on 9 June 2012. The Second Completion Convertible Notes in an aggregate principal amount of HK$224,873,937 carries the conversion right entitling the relevant holders to subscribe for a total of 8,074,468,085 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.02785 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2015 at the principal amount outstanding.

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the reserve attributable to non-controlling interests.

No adjustment was made to the conversion price during the year ended 31 July 2012.

The net proceeds received from the issue of the Second Completion Convertible Notes, after eliminating the subscription of the Second Completion Convertible Notes of HK$153,175,000 by Perfect Sky at a conversion price of HK$0.02785 per share, were split into the liability and equity components on the issue date as follows:

	Note	Group HK$'000
Second Completion Convertible Notes		
Face value of convertible notes issued		71,699
Consideration arising from the fair value of forward contract	33	54,996
Equity component		(71,560)
Liability component at date of issue		55,135

The movements of the liability component and equity component of the Second Completion Convertible Notes are as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 January 2011, 31 July 2011 and 1 August 2011	–	–	–
Issued during the year	55,135	71,560	126,695
Cost of issue of convertible notes	(913)	(274)	(1,187)
Interest charged during the year	768	–	768
At 31 July 2012	**54,990**	**71,286**	**126,276**

Interest charged for the First Completion Convertible Notes and the Second Completion Convertible Notes were calculated by applying effective interest rates of 10.8% per annum and 9.8% per annum, respectively, to the respective liability components.

40. Convertible Notes (continued)

The fair values of the liability component of the First Completion Convertible Notes and the Second Completion Convertible Notes at 31 July 2012 were approximately HK$177,019,000 (2011: HK$147,072,000) and HK$55,827,000 (2011: Nil), respectively. The fair values as at 31 July 2012 and 31 July 2011 were calculated by discounting the future cash flows at the prevailing market interest rate as at 31 July 2012 and 31 July 2011, respectively.

41. Fixed Rate Senior Notes

On 4 April 2007, Lai Fung issued US$200,000,000 (equivalent to approximately HK$1,560,000,000) of 9.125% fixed rate senior notes (the "Notes"), which will mature on 4 April 2014 for bullet repayment. The Notes bear interest from 4 April 2007 and are payable semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 October 2007 (each, an "Interest Payment Date"). The Notes are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Exchange").

The Notes are direct, unsubordinated and unconditional obligations of Lai Fung, and are guaranteed by certain subsidiaries of Lai Fung on a senior basis, subject to certain limitations.

At any time, Lai Fung may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date, and the greater of (1) 1% of the principal amount of the Notes and (2) the excess of (A) the present value at such redemption date of 100% of the principal amount of the Notes, plus all required remaining scheduled interest payments due on the Notes through 4 April 2014 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the semi-annual equivalent yield in maturity of the comparable United States Treasury security, plus 100 basis points, over (B) the principal amount of the Notes on such redemption date.

Up to 31 July 2012, Lai Fung repurchased the Notes with an aggregate principal amount of US$15,253,000 (equivalent to approximately HK$118,973,000). Such repurchased Notes were derecognised from the liabilities under "Fixed rate senior notes" of the consolidated statement of financial position.

The Notes recognised in the consolidated statement of financial position are calculated as follows:

	Group HK$'000
Carrying amount as at 1 January 2011, 31 July 2011 and 1 August 2011	–
Acquisition of subsidiaries *(note 46(a))*	1,426,044
Amortisation of the Notes	1,209
	1,427,253
Intra-group elimination*	(7,919)
Carrying amount as at 31 July 2012	**1,419,334**
Fair value of the Notes as at 31 July 2012**	1,473,214

The effective interest rate of the Notes is 9.74% per annum.

* *Amount represented the elimination of the portion of the Notes held by a subsidiary of the Company.*

** *The fair value was determined by reference to the closing price of the Notes published by a leading global financial market data provider as at that date.*

42. Deferred Tax

The movements of deferred tax assets/(liabilities) during the year/period are as follows:

	Notes	Accelerated tax depreciation HK$'000	Fair value adjustment arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 January 2011		–	–	–	–	329	–	329
Acquisition of subsidiaries	46	(149)	–	–	–	–	(326)	(475)
Deferred tax credited/(charged) to the income statement during the period	12	369	–	–	–	(294)	(40)	35
Exchange realignment		50	–	–	–	–	–	50
At 31 July 2011 and 1 August 2011		270	–	–	–	35	(366)	(61)
Acquisition of subsidiaries	46	(333,288)	(1,022,002)	(963,632)	(41,000)	26,992	(18,706)	(2,351,636)
Deferred tax credited/(charged) to the income statement during the year	12	(5,291)	21,214	1	–	(3,773)	825	12,976
Exchange realignment		14	(7)	(678)	–	10	52	(609)
At 31 July 2012		**(338,295)**	**(1,000,795)**	**(964,309)**	**(41,000)**	**23,264**	**(18,195)**	**(2,339,330)**

At 31 July 2012, the Group has tax losses arising in Hong Kong of HK$1,106,778,000 (2011: HK$1,254,005,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 July 2012, the Group had tax losses arising in Mainland China of HK$66,765,000 (2011: HK$39,090,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is either 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 July 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$3,879,000 at 31 July 2012 (2011: HK$3,645,000).

43. Share Capital

Shares

	2012		2011	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,500,000**	**1,250,000**	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,243,212**	**621,606**	1,243,212	621,606

Movements in the Company's authorised and issued share capital during the year/period are summarised as follows:

	Number of authorised shares '000	**Number of ordinary shares** '000	**Issued share capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2011	2,000,000	1,240,732	620,366	4,227,678	4,848,044
Increase in authorised shares *(note (a))*	500,000	–	–	–	–
Issue of shares *(note (b))*	–	2,480	1,240	2,232	3,472
Release from share option reserve upon exercise of share options *(note (b))*	–	–	–	887	887
At 31 July 2011, 1 August 2011 and 31 July 2012	**2,500,000**	**1,243,212**	**621,606**	**4,230,797**	**4,852,403**

Notes:

(a) *Pursuant to an ordinary resolution passed by the shareholders of the Company on 27 May 2011, the authorised ordinary share capital of the Company increased from HK$1,000,000,000 divided into 2,000,000,000 shares with a par value of HK$0.50 each to HK$1,250,000,000 divided into 2,500,000,000 shares by the creation of 500,000,000 shares.*

(b) *During the period ended 31 July 2011, subscription rights attaching to 2,480,000 share options granted under the Company's share option scheme (the "Share Option Scheme") were exercised at a subscription price of HK$1.4 per share (note 44(a)). Total cash consideration of approximately HK$3,472,000 was received and 2,480,000 shares of HK$0.50 each were issued. The share option reserve of HK$887,000 (note 45(b)) was released to the share premium account.*

Share options

Details of the share option schemes of the Company, Lai Fung and MAGHL and the share options issued under the respective schemes are included in note 44 to the financial statements.

44. Share Option Schemes

(a) The Company

The Company operates the Share Option Scheme for the purpose of giving any eligible employee, director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "Participants") an opportunity to have a personal stake in the Company and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long term growth and profitability of the Company. The Share Option Scheme was adopted by the Company on 23 December 2005 (the "Adoption Date") and became effective on 5 January 2006 and unless otherwise cancelled or amended, will remain in force for 10 years from the latter date. The principal terms of the Share Option Scheme are:

(i) The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on the Adoption Date unless the 10% limit has been refreshed on shareholders' approval. The 10% limit was refreshed on shareholders' approval at a special general meeting of the Company held on 27 May 2011. The maximum number of shares issuable under share options granted to each Participant in the Share Option Scheme within any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

(ii) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting of the Company.

(iii) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors in its absolute discretion.

(iv) The subscription (or exercise) price of any share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

44. Share Option Schemes (continued)

(a) The Company (continued)

Details of the share options outstanding during the year/period are as follows:

	Year ended 31 July 2012		Period from 1 January 2011 to 31 July 2011	
	Number of options '000	**Weighted average exercise price per share HK$**	Number of options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year/period	**6,228**	**2.76**	17,534	3.72
Granted during the year/period	**6,216**	**0.92**	–	–
Exercised during the year/period	**–**	**–**	(2,480)	1.40
Lapsed/cancelled during the year/period	**(6,228)**	**2.76**	(8,826)	5.05
Outstanding at the end of the year/period	**6,216**	**0.92**	6,228	2.76

The share price at the date of exercise for share options exercised during the period from 1 January 2011 to 31 July 2011 was HK$2.70. No share options were exercised during the year ended 31 July 2012.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 July 2012

Number of share options '000	**Exercise price* per share** HK$	**Exercise period**
6,216	0.92	5-6-12 to 4-6-22

31 July 2011

Number of share options '000	Exercise price* per share HK$	Exercise period
1,268	6.52	1-1-11 to 31-12-11 #
2,480	1.70	1-1-12 to 31-12-13 ##
2,480	1.90	1-1-13 to 31-12-13 ##
6,228		

* *The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other specific changes in the Company's share capital.*

1,267,810 share options with the exercise period of 1 January 2011 to 31 December 2011 lapsed on 1 September 2011 on cessation of employment of the participant in accordance with terms of the Share Option Scheme.

A total of 4,960,000 share options with the exercise period of 1 January 2012 to 31 December 2013 lapsed on 1 July 2012 on cessation of employment of the participant in accordance with the terms of the Share Option Scheme.

44. Share Option Schemes (continued)

(a) The Company (continued)

The fair value of the share options granted during the year ended 31 July 2012 was HK$2,741,000.

The Company recognised a share option expense of HK$2,741,000 during the year ended 31 July 2012 (period from 1 January 2011 to 31 July 2011: HK$405,000) *(note 45(b))*.

The fair value of equity-settled share options granted during the year ended 31 July 2012 was estimated as at the date of grant, using a binomial option pricing 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 grant	**5 June 2012**
Dividend yield (%)	–
Expected volatility (%)	71.58
Historical volatility (%)	71.58
Risk-free interest rate (%)	1.024
Expected life of option (year)	10
Closing share price (HK$ per share)	0.92

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 6,216,060 share options outstanding under the Share Option Scheme which represented approximately 0.5% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 6,216,060 additional ordinary shares of the Company and additional share capital of approximately HK$3,108,000 and share premium of approximately HK$2,611,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 6,216,060 share options outstanding under the Share Option Scheme, which represented approximately 0.5% of the Company's shares issued as at that date.

(b) MAGHL

MAGHL operates a share option scheme (the "MAGHL Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to the MAGHL Group and/or to enable the MAGHL Group to recruit and retain high-calibre employees and attract human resources that are valuable to the MAGHL Group and any invested entity ("Invested Entity"). Eligible participants include full-time and part-time employees, executive directors, non-executive directors (including independent non-executive directors), suppliers, customers, advisors, consultants, agents, contractors, and shareholders of any member of the MAGHL Group and any Invested Entity. The MAGHL Share Option Scheme was adopted on 19 November 2009 and become effective on 24 November 2009 (being the date of the conditional listing approval issued by the Stock Exchange) and, unless otherwise cancelled or amended, will remain in force for 10 years from the latter date.

The principal terms of the MAGHL Share Option Scheme are:

(i) The maximum number of shares of MAGHL (the "MAGHL Shares") to be issued upon exercise of all outstanding share options granted and yet to be exercised under the MAGHL Share Option Scheme and any other share option scheme of MAGHL must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time.

44. Share Option Schemes (continued)

(b) MAGHL (continued)

The principal terms of the MAGHL Share Option Scheme are: (continued)

(ii) The total number of MAGHL Shares which may be issued upon exercise of all share options to be granted under the MAGHL Share Option Scheme must not in aggregate exceed 10% of the total number of MAGHL Shares in issue as at 19 November 2009 (the "MAGHL Scheme Limit").

(iii) MAGHL may seek approval of MAGHL's shareholders at general meeting for refreshing the 10% limit under the MAGHL Share Option Scheme save that the total number of MAGHL Shares which may be issued upon exercise of all share options to be granted under the MAGHL Share Option Scheme under the limit as refreshed must not exceed 10% of the total number of MAGHL Shares in issue as at the date of approval of the limit.

(iv) Subject to (vi) below, the maximum number of MAGHL Shares to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares of MAGHL in issue at anytime. Any further grant of share options in excess of this limit is subject to MAGHL shareholders' approval at a general meeting with such participant and his associates abstaining from voting.

(v) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their associates, is subject to approval in advance by the independent non-executive directors of MAGHL.

(vi) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, or to any of their associates, in excess of 0.1% of the MAGHL Shares in issue at any time or with an aggregate value (based on the price of MAGHL's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to MAGHL shareholders' approval in advance at a general meeting.

(vii) The offer of a grant of share options may be accepted within 28 days from the date of the offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

(viii) The exercise period of the share options granted is determined by the directors of MAGHL provided that such period must not be more than ten years from the date of offer of grant of share options or the determination date of the MAGHL Share Option Scheme, if earlier.

(ix) The exercise price of the share options is determined by the directors of MAGHL, but must not be lower than the highest of (i) the closing price of the MAGHL Shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the grant; (ii) the average closing price of the MAGHL Shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the MAGHL Shares.

Share options do not confer rights on the holder to dividends or to vote at the general meetings of MAGHL.

44. Share Option Schemes (continued)

(b) MAGHL (continued)

Details of the share options outstanding during the year/period are as follows:

	Year ended 31 July 2012		Period from 9 June 2011 to 31 July 2011	
	Number of share options '000	Weighted average exercise price per share HK$	Number of share options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year/period	–	–	166,800	0.198
Granted during the year/period	101,103	0.233	–	–
Exercised during the year/period	–	–	(72,000)	0.198
Lapsed/cancelled during the year/period	–	–	(94,800)	0.198
Outstanding at the end of the year/period	101,103	0.233	–	–
Exercisable at the end of the year/period	–	–	–	–

The weighted average closing price of the MAGHL Shares immediately before the dates on which share options were exercised during the period from 9 June 2011 to 31 July 2011 was HK$0.255 per share. No share options were exercised during the year ended 31 July 2012.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 July 2012

Number of share options '000	Exercise price* per share HK$	Exercise period
31,342	0.20420	6-8-12 to 5-8-13
31,342	0.24504	6-8-13 to 5-8-14
31,342	0.26546	6-8-14 to 5-9-15
2,359	0.14480	6-8-12 to 5-8-13
2,359	0.17376	6-8-13 to 5-8-14
2,359	0.18824	6-8-14 to 5-9-15
101,103		

* *The exercise price of the share options is subject to adjustment in case of rights issue or other specific changes in MAGHL's share capital.*

The fair value of the share options granted during the year was HK$8,580,000 of which MAGHL recognised a share option expense of HK$5,030,000 during the year ended 31 July 2012.

44. Share Option Schemes (continued)

(b) MAGHL (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Date of grant	**26 August 2011**	**17 January 2012**
Dividend yield (%)	–	–
Expected volatility (%)	77.116	73.085
Risk-free interest rate (%)	0.563	0.555
Expected life of option (year)	4.03	3.636

Expected volatility was determined by calculating the historical volatility of MAGHL's share price for a period equal to the expected life of the share options. The expected life used in the model has been adjusted, based on the MAGHL's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value.

In compliance with Chapter 23 of the GEM Listing Rules, the shareholders passed a resolution at the annual general meeting of MAGHL held on 20 August 2011 for approving the refreshment of the MAGHL Scheme Limit allowing MAGHL to grant further options for subscription of up to a total of 1,011,025,761 MAGHL shares, representing 10% of the total issued shares of MAGHL as at the date of passing the relevant resolution.

The refreshment of the MAGHL Scheme Limit was also approved by the shareholders of the Company at a special general meeting held on 22 October 2011 pursuant to the requirements of Rule 17.01(4) of the Main Board Listing Rules and Rule 23.01(4) of the GEM Listing Rules.

At the end of the reporting period, MAGHL had 101,102,576 share options outstanding under the MAGHL Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of MAGHL, result in the issue of 101,102,576 additional ordinary shares of MAGHL and additional share capital of HK$1,011,000 and share premium of HK$22,585,000 (before issue expenses).

At the date of approval of these financial statements, the outstanding 101,102,576 share options all lapsed as a result of the resignation of a director of MAGHL in which the director did not exercise the share options within one month from the date of resignation.

(c) Lai Fung

On 21 August 2003, Lai Fung adopted a share option scheme (the "Lai Fung Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Lai Fung Group's operations. Eligible participants of the Lai Fung Share Option Scheme include the directors and any employees of the Lai Fung Group. Unless otherwise cancelled or amended, the Lai Fung Share Option Scheme will remain in force for 10 years from that date.

The maximum number of share options permitted to be granted under the Lai Fung Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of Lai Fung in issue as approved in accordance with the Lai Fung Share Option Scheme. The maximum number of shares issuable under share options to each eligible participant in the Lai Fung Share Option Scheme within any 12-month period, is limited to 1% of the shares of Lai Fung in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of Lai Fung.

44. Share Option Schemes (continued)

(c) Lai Fung (continued)

Share options granted to a director, chief executive or substantial shareholder of Lai Fung, or to any of their associates, are subject to approval in advance by the independent non-executive directors of Lai Fung. In addition, any share options granted to a substantial shareholder or an independent non-executive director of Lai Fung, or to any of their associates, in excess of 0.1% of the shares of Lai Fung in issue at any time or with an aggregate value (based on the closing price of Lai Fung's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting of Lai Fung.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of Lai Fung, and commences after a vesting period and ends on a date which is not later than eight years from the date of offer of the share options or the expiry date of the Lai Fung Share Option Scheme, whichever is earlier.

The exercise price of the share options is determined by the directors of Lai Fung, but may not be less than the highest of (i) the closing price of Lai Fung's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant; (ii) the average closing price of Lai Fung's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of offer of the grant; and (iii) the nominal value of Lai Fung's share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings of Lai Fung.

Details of the share options outstanding during the period from 11 June 2012 to 31 July 2012 are as follows:

	Number of options	**Weighted average exercise price per share**
	'000	HK$
Outstanding at the beginning of period	–	–
Granted during the period	80,480	0.133
Exercised during the period	–	–
Lapsed/cancelled during the period	–	–
Outstanding at the end of period	80,480	0.133

No share options were exercised during the period from 11 June 2012 to 31 July 2012.

44. Share Option Schemes (continued)

(c) Lai Fung (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 July 2012

Number of options '000	Exercise price* per share HK$	Exercise period
80,480	0.133	12-6-12 to 11-6-20

* *The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.*

The fair value of the share options granted during the period from 11 June 2012 to 31 July 2012 was HK$3,678,000 and the Lai Fung Group recognised a share option expense of HK$3,678,000 during the period from 11 June 2012 to 31 July 2012.

The fair value of equity-settled share options granted during the period from 11 June 2012 to 31 July 2012 was estimated as at the date of grant, using the binomial option pricing 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 grant	12 June 2012
Dividend yield (%)	3.62
Expected volatility (%)	49.349
Historical volatility (%)	49.349
Risk-free interest rate (%)	0.922
Expected life of option (year)	8
Closing share price (HK$ per share)	0.133

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, Lai Fung had 80,479,564 share options outstanding under the Lai Fung Share Option Scheme which represented approximately 0.5% of Lai Fung's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of Lai Fung, result in the issue of 80,479,564 additional ordinary shares of Lai Fung and additional share capital of approximately HK$8,048,000 and share premium of approximately HK$2,656,000 (before issue expenses).

As at the date of approval of these financial statements, Lai Fung had 80,479,564 share options outstanding under the Lai Fung Share Option Scheme, which represented approximately 0.5% of Lai Fung's share issued as at that date.

45. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current year and the prior period are presented in the consolidated statement of changes in equity.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2011		4,227,678	845,455	2,627	563,908	5,639,668
Profit for the period and total comprehensive income for the period	13	–	–	–	288,528	288,528
Issue of shares upon exercise of share options	43(b)	3,119	–	(887)	–	2,232
Equity-settled share option arrangements	44(a)	–	–	405	–	405
At 31 July 2011 and 1 August 2011		4,230,797	845,455	2,145	852,436	5,930,833
Loss for the year and total comprehensive loss for the year	13	–	–	–	(190,186)	(190,186)
Equity-settled share option arrangements	44(a)	–	–	2,741	–	2,741
Release of reserves upon lapse of share options				(2,145)	2,145	–
At 31 July 2012		**4,230,797**	**845,455**	**2,741**	**664,395**	**5,743,388**

The loss of HK$190,186,000 for the year ended 31 July 2012 included impairment of interest in subsidiaries of the Company of HK$185,641,000. The profit of HK$288,528,000 for the period from 1 January 2011 to 31 July 2011 included dividend income of HK$458,564,000 received from a subsidiary of the Company and impairment of interest in subsidiaries of the Company of HK$122,765,000.

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

46. Business Combinations

For the year ended 31 July 2012

(a) Acquisition of Lai Fung

As detailed in notes 3.2.2 and 16 to the financial statements, the Group held 40.58% equity interest in Lai Fung which was accounted for as an associate of the Group before the Open Offer. Upon completion of the Open Offer on 11 June 2012 (the "Completion Date"), the Group's equity interest in Lai Fung increased from 40.58% to 47.39%. Since then, Lai Fung has become a subsidiary of the Group.

In accordance with HKFRSs, the Group continued to share the results of the Lai Fung Group under the equity method of accounting during the period from 1 August 2011 to 10 June 2012. The fair value of 40.58% equity interest in Lai Fung (the "Existing Shareholding") as at the Completion Date was calculated with reference to the quoted share price of Lai Fung of HK$0.14 per share as at the Completion Date. The carrying amount of the Group's interests in Lai Fung immediately before the Completion Date was approximately HK$4,610.1 million.

Difference between the fair value and the carrying amount of the Existing Shareholding as at the Completion Date of approximately HK$4,152.9 million has been recognised in the consolidated income statement of the Company as a loss on disposal of the Existing Shareholding. In addition, the related reserves retained by the Group for the Existing Shareholding totalled approximately HK$253.1 million were released to the consolidated income statement of the Company.

The fair value of the Existing Shareholding at the Completion Date formed part of the acquisition cost and was included in the calculations of gain on a bargain purchase in relation to the acquisition of 47.39% equity interest in Lai Fung (the "Acquisition") in accordance with HKFRS 3 *Business Combinations*.

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

Upon completion of the Open Offer, the Company has recognised an overall net gain on bargain purchase of approximately HK$1,350.4 million and an overall increase in the consolidated net assets attributable to shareholders was approximately HK$1,097.3 million.

46. Business Combinations (continued)

For the year ended 31 July 2012 (continued)

(a) Acquisition of Lai Fung (continued)

The fair values of the identifiable assets and liabilities of Lai Fung as at the date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	15	1,966,736
Properties under development	17	1,829,199
Investment properties	18	10,775,100
Completed properties for sale		2,582,802
Investment in a joint venture		1,021,036
Debtors		70,857
Deposits, prepayments and other receivables		66,207
Prepaid tax		43,057
Pledged and restricted time deposits and bank balances		737,021
Cash and cash equivalents		1,741,149
Creditors and accruals		(670,568)
Deposits received and deferred income		(280,288)
Other borrowing		(57,200)
Tax payable		(334,090)
Interest-bearing bank loans, secured		(1,812,566)
Long term deposits received		(60,588)
Fixed rate senior notes	41	(1,426,044)
Deferred tax liabilities	42	(2,332,930)
Non-controlling interests of Lai Fung		(664,866)
		13,194,024
Non-controlling interests		(6,941,376)
Total identifiable net asset at fair value		6,252,648
Release of exchange reserves and other reserves		253,078
Gain on bargain purchase of the Acquisition		(5,503,285)
Total consideration		1,002,441
Satisfied by:		
Consideration of the Open Offer		545,220
Fair value of the Existing Shareholding		457,221
		1,002,441
Net impact on the consolidated income statement		
Loss on disposal of the Existing Shareholding		4,152,880
Gain on bargain purchase of the Acquisition		(5,503,285)
Gain on bargain purchase, net		(1,350,405)

46. Business Combinations (continued)

For the year ended 31 July 2012 (continued)

(a) Acquisition of Lai Fung (continued)

The Group incurred transaction costs of HK$2,262,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of Lai Fung is as follows:

	HK$'000
Cash consideration paid	(545,220)
Cash and cash equivalents acquired	1,741,149
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,195,929
Transaction costs of the acquisition included in cash flows from operating activities	(2,262)
	1,193,667

Since the acquisition, Lai Fung contributed HK$174,355,000 to the Group's turnover and loss of HK$10,902,000 included in the consolidated profit for the year ended to 31 July 2012.

Had the combination taken place at the beginning of the year, the turnover of the Group and the profit of the Group for the year ended 31 July 2012 would have been HK$1,921,830,000 and HK$1,170,037,000, respectively.

(b) Acquisition of Media Magic

On 30 March 2012, the Group acquired 51% interest in Media Magic from an independent third party (the "Vendor"). Since then, Media Magic has become a subsidiary. Media Magic is engaged in entertainment content production and artiste management in the PRC. The purchase consideration for the acquisition was in the form of cash, with RMB45.7 million (equivalent to approximately HK$56.2 million) paid during the year and the remaining RMB11.4 million (equivalent to approximately HK$14.1 million) payable within 90 days upon the completion of transfer of title of the artiste management contracts to Media Magic. Subsequent to the reporting period, the Group has settled the remaining balance of RMB11.4 million.

The Group considers that the acquisition provides a good opportunity to leverage the Group's established networks in the media and entertainment sectors into different geographic focus.

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

46. Business Combinations (continued)

For the year ended 31 July 2012 (continued)

(b) Acquisition of Media Magic (continued)

The fair values of identifiable assets and liabilities of Media Magic as at the date of acquisition were as follows:

	Notes	HK$'000
Artiste management contracts	23	50,187
Services contract	23	24,638
Options	32	31,411
Cash and bank balances		8
Deferred tax liabilities	42	(18,706)
		87,538
Non-controlling interests		(27,502)
Total identifiable net assets at fair value		60,036
Goodwill on acquisition	22	10,226
Satisfied by cash		70,262

The Group incurred transaction costs of HK$987,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated income statement.

The carrying amount of goodwill represents access to and industry establishment of entertainment business in the PRC and the expected synergy from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Media Magic is as follows:

	HK$'000
Cash consideration paid	(56,210)
Cash and bank balances acquired	8
Net outflow of cash and cash equivalents included in cash flows from investing activities	(56,202)
Transaction costs of the acquisition included in cash flows from operating activities	(987)
	(57,189)

Since the acquisition, Media Magic contributed HK$10,843,000 to the Group's turnover and a profit of HK$2,447,000 to the consolidated profit for the year ended 31 July 2012.

Had the combination taken place at the beginning of the year, the turnover of the Group and the profit of the Group for the year ended 31 July 2012 would have been HK$702,151,000 and HK$1,086,011,000, respectively.

46. Business Combinations (continued)

For the year ended 31 July 2012 (continued)

(b) Acquisition of Media Magic (continued)

Pursuant to the agreement on acquisition of Media Magic, the Vendor has warranted to the Group that, subject to the agreement terms, the audited consolidated net profit after tax ("NPAT") of Media Magic shall not be less than a specified level (the "Warranted Profit"). In the event that the actual NPAT is less than the Warranted Profit (the "Shortfall") for the financial year ending 31 July 2013, the Vendor shall pay to the Group a total sum of a multiplier of the Shortfall after the determination of the actual NPAT for the year ending 31 July 2013. The payment will be satisfied by cash.

The consideration adjustment in relation to the Warranted Profit as described above is accounted for as contingent consideration whose fair values on initial recognition and at the end of the reporting period were determined as insignificant by the directors with reference to the valuation performed by Greater China.

(c) Other acquisitions

On 2 July 2012, the Group acquired 100% interests in 耀輝時代影視文化(北京)有限公司 ("耀輝時代") and 北京東亞澤民文化有限公司 ("東亞澤民") from two independent third parties. 耀輝時代 is engaged in event and artiste management and 東亞澤民 is engaged in music licensing in the PRC. (The above companies acquired by the Group are collectively referred to as the "PRC Companies".)

The Group considers that the acquisition of the PRC Companies represents a good opportunity for the Group to leverage the Group's established networks in the media and entertainment sectors into different geographic focus.

The Group has elected to measure the non-controlling interests at the non-controlling interests' proportionate share of the PRC Companies' identifiable net assets.

The fair values of identifiable assets and liabilities of the PRC Companies acquired by the Group as at the date of acquisition date were as follows:

	Notes	HK$'000
Property, plant and equipment	15	304
Debtors		320
Prepayments, deposits and other receivables		4,278
Cash and bank balances		3,961
Accruals		(4,738)
		4,125
Non-controlling interests		(244)
Total identifiable net assets at fair value		3,881
Goodwill on acquisition	22	3,478
Satisfied by cash		7,359

46. Business Combinations (continued)

For the year ended 31 July 2012 (continued)

(c) Other acquisitions (continued)

An analysis of cash flows in respect of the acquisition of the PRC Companies is as follows:

	HK$'000
Cash consideration paid	(7,359)
Cash and bank balances acquired	3,961
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,398)

Since the acquisition, the PRC companies contributed a loss of HK$1,061,000 included in the consolidated income statement for the year ended 31 July 2012.

Had the combination taken place at the beginning of the year, the turnover of the Group and the profit of the Group for the year ended 31 July 2012 would have been HK$702,151,000 and HK$1,086,011,000, respectively.

For the period ended 31 July 2011

As further detailed in note 16(a) to the financial statements, the Group acquired a 51.3% equity interest in MAGHL. Since then, MAGHL became a subsidiary of the Group.

The Group considered that the acquisition of a controlling interest in MAGHL represented a good opportunity for the Group to leverage the Group's established networks in the media and entertainment sectors into different geographic focus.

The Group had elected to measure the non-controlling interests in MAGHL at the non-controlling interests' proportionate share of MAGHL's identifiable net assets.

The fair values of the identifiable assets and liabilities of MAGHL as at the date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	15	1,340
Debtors and other receivables		1,737
Deposits and prepayments		27,631
Forward contract	33	1,751
Cash and bank balances		371,033
Creditors and accruals		(23,000)
Convertible notes	40	(153,018)
Deferred tax liabilities	42	(475)
		226,999
Non-controlling interests		(136,247)
Total identifiable net assets of MAGHL		90,752
Gain on bargain purchase recognised in the consolidated income statement		(8,339)
Satisfied by cash		82,413

46. Business Combinations (continued)

For the period ended 31 July 2011 (continued)

The Group incurred transaction costs of HK$4,991,000 for this acquisition. These transaction costs had been expensed and were included in other operating expenses in the consolidated income statement.

The fair values of debtors as at the date of acquisition amounted to HK$1,737,000. The gross contractual amount of debtors was HK$5,655,000 of which amounts of HK$3,918,000 *(note 31)* are expected to be uncollectable.

An analysis of the cash flows in respect of the acquisition of MAGHL was as follows:

	HK$'000
Cash consideration paid	(82,413)
Cash and bank balances acquired	371,033
Net inflow of cash and cash equivalents included in cash flows from investing activities	288,620
Transaction cost of the acquisition included in cash flows from operating activities	(4,991)
	283,629

Since the acquisition, MAGHL contributed HK$9,871,000 to the Group's turnover and loss of HK$2,715,000 included in the consolidated profit for the period from 1 January 2011 to 31 July 2011.

Had the combination taken place at the beginning of the period, the turnover of the Group and the profit of the Group for the period from 1 January 2011 to 31 July 2011 would have been HK$318,848,000 and HK$491,210,000, respectively.

47. Note to the Consolidated Statement of Cash Flows

Major non-cash transactions

During the period from 1 January 2011 to 31 July 2011, prepayment of HK$800,000 was transferred to music catalogs.

48. Commitments

(a) The Group had the following capital commitments at the end of the reporting periods:

	Group	
	2012 **HK$'000**	2011 HK$'000
Contracted but not provided for:		
Capital contributions to joint ventures to be established	**12,492**	15,624
Shareholder's loan to an associate	**13,561**	–
Construction, renovation and compensation costs	**51,424**	–
Acquisition of property, plant and equipment	**3,144**	–
Contribution to an available-for-sale investment	**–**	69
	80,621	15,693
Authorised, but not contracted for:		
Construction and resettlement costs	**618,835**	–

At the end of the respective reporting periods, the Company did not have any significant capital commitments.

(b) As lessor

As at 31 July 2012, certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2011: Nil). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2012, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Within one year	**377,894**	–
In the second to fifth years, inclusive	**665,793**	–
After five years	**330,968**	–
	1,374,655	–

48. Commitments (continued)

(c) As lessee

As at 31 July 2012, the Group and the Company leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years (2011: one to five years).

At the end of the reporting periods, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**7,731**	10,636
In the second to fifth years, inclusive	**7,904**	11,368
	15,635	22,004

	Company	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,539**	2,526
In the second to fifth years, inclusive	**274**	780
	1,813	3,306

49. Pledge of Assets

Details of the Group's bank loans, which were secured by certain assets of the Group, are included in note 38 to the financial statements.

In addition, under a litigation being processed in a district court in Mainland China, the Group, as the claimant, has lodged a claim to one of the Group's contractors. As a measure to preserve the payment ability of the defendant, the Group applied to the local court to freeze certain assets of the defendant. In return, the Group was required to pledge one of its land and buildings to the court as collateral as detailed in note 15.

50. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

31 July 2012

Financial assets

	Financial assets at fair value through profit or loss HK$'000	**Loans and receivables** HK$'000	**Available-for-sale financial assets** HK$'000	**Total** HK$'000
Investments in joint ventures	–	337,655	–	337,655
Investments in associates	–	8,227	–	8,227
Available-for-sale investments	–	–	166,209	166,209
Loans receivable	–	23,517	–	23,517
Debtors	–	160,799	–	160,799
Financial assets included in deposits, prepayments and other receivables	–	176,050	–	176,050
Options	32,491	–	–	32,491
Pledged and restricted time deposits and bank balances	–	952,875	–	952,875
Cash and cash equivalents	–	3,211,249	–	3,211,249
	32,491	4,870,372	166,209	5,069,072

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade creditors	55,957
Financial liabilities included in other creditors and accruals	583,881
Financial liabilities included in deposits received	17,722
Finance lease payables	247
Interest-bearing bank loans, secured	1,917,699
Other borrowings	227,454
Convertible notes	227,232
Fixed rate senior notes	1,419,334
	4,449,526

50. Financial Instruments by Category (continued)

Group (continued)

31 July 2011

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Investments in joint ventures	–	97,467	–	97,467
Investments in associates	–	2,358	–	2,358
Available-for-sale investments	–	–	78,969	78,969
Loans receivable	–	11,000	–	11,000
Debtors	–	97,680	–	97,680
Financial assets included in deposits, prepayments and other receivables	–	70,238	–	70,238
Equity investments at fair value through profit or loss	1,474	–	–	1,474
Forward contract	8,336	–	–	8,336
Pledged deposits	–	12,960	–	12,960
Cash and cash equivalents	–	2,311,490	–	2,311,490
	9,810	2,603,193	78,969	2,691,972

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade creditors	10,377
Financial liabilities included in other creditors and accruals	166,526
Finance lease payables	372
Interest-bearing bank loans, secured	12,229
Other borrowings	164,601
Convertible notes	155,422
	509,527

50. Financial Instruments by Category (continued)

Company

Financial assets

	Loans and receivables	
	2012 Loans and receivables HK$'000	2011 Loans and receivables HK$'000
Due from subsidiaries	**6,134,967**	5,357,275
Financial assets included in deposits, prepayments and other receivables	**177**	141
Cash and cash equivalents	**390,820**	1,471,421
	6,525,964	6,828,837

Financial liabilities

	Financial liabilities at amortised cost	
	2012 HK$'000	2011 HK$'000
Other borrowings	**170,254**	164,601

51. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

51. Fair Value Hierarchy (continued)

Assets measured at fair value as at 31 July 2012 and 31 July 2011:

Group	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 July 2012				
Available-for-sale investments	63,881	–	–	63,881
Options	–	–	32,491	32,491
	63,881	–	32,491	96,372
31 July 2011				
Equity investments at fair value through profit or loss	1,474	–	–	1,474
Forward contract	–	–	8,336	8,336
	1,474	–	8,336	9,810

As at 31 July 2012, the options amounting to HK$32,491,000 were measured at fair value in Level 3.

Movements of fair value measurement in Level 3 during the year/period were as follows:

Group

	Options HK$'000	Forward contract HK$'000
At 1 January 2011	–	–
Initial recognition of fair value on 9 June 2011	–	1,751
Fair value gain recognised in the consolidated income statement	–	6,585
At 31 July 2011 and 1 August 2011	–	8,336
Initial recognition of fair value upon acquisition of subsidiaries	31,411	–
Fair value gain/(loss) recognised in the consolidated income statement	1,080	(63,332)
Transfer to Second Completion Convertible Notes as part of the consideration upon the issue of Second Completion Convertible Notes	–	54,996
At 31 July 2012	**32,491**	**–**

During the year, there was no transfer into or out of Level 3 fair value measurements (period from 1 January 2011 to 31 July 2011: Nil).

51. Fair Value Hierarchy (continued)

Group

Put option liability	HK$'000
At 1 January 2011	143,684
Reversed during the period	(143,684)
At 31 July 2011, 1 August 2011 and 31 July 2012	**–**

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 July 2012 and 31 July 2011.

52. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing bank loans, fixed rate senior notes, other borrowings, a put option, finance leases, convertible notes, a forward contract, pledged and restricted time deposits and bank balances, and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations, available-for-sale investments, and equity investments at fair value through profit or loss which are held by the Group for investment purpose.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by changes in market interest rates. The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amounts capitalised to properties under development, investment properties, property, plant and equipment and other borrowings at prime rate) and the equity of the Group and of the Company.

52. Financial Risk Management Objectives and Policies (continued)

(i) Interest rate risk (continued)

	Change in interest rate	Group: Impact on post-tax profit	Group: Impact on equity*	Company: Impact on post-tax profit	Company: Impact on equity
	%	HK$'000	HK$'000	HK$'000	HK$'000
2012					
	+0.25	(2,742)	(1,382)	(282)	(282)
	-0.25	2,719	1,371	282	282
2011					
	+0.25	(313)	(313)	(282)	(282)
	-0.25	313	313	282	282

* *excluding amounts attributable to non-controlling interests*

(ii) Foreign currency risk

RMB

Certain subsidiaries of the Company have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi against Hong Kong dollars.

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile and will consider appropriate hedging measures in future as may be necessary.

US dollars ("USD")

Certain of the Group's and the Company's monetary assets and liabilities are denominated in USD. The Group and the Company are exposed to foreign exchange risk arising from the exposure of USD against Hong Kong dollars.

52. Financial Risk Management Objectives and Policies (continued)

(ii) Foreign currency risk

US dollars ("USD") (continued)

The Group and the Company considered the impact on the equity from the change in USD exchange rate was nominal at the end of reporting periods since Hong Kong dollars are pegged to USD.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the fair value of monetary assets and liabilities) of the Group and of the Company.

		Group		Company	
	Change in exchange rate %	**Impact on post-tax profit** HK$'000	**Impact on equity*** HK$'000	**Impact on post-tax profit** HK$'000	**Impact on equity** HK$'000
2012					
If USD/HKD weakens against RMB	5	17,426	8,497	–	–
If USD/HKD strengthens against RMB	5	(15,887)	(7,797)	–	–
2011					
If USD/HKD weakens against RMB	5	(422)	(667)	–	–
If USD/HKD strengthens against RMB	5	422	667	–	–

* *excluding amounts attributable to non-controlling interests*

(iii) Credit risk

The Group, except for the Lai Fung Group, trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Lai Fung Group maintains various credit policies for different business operations as described in note 31. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Lai Fung Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale assets, amounts due from associates and joint ventures, loans receivable and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables and trade debtors are disclosed in notes 27 and 31 to the financial statements, respectively.

52. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

31 July 2012

	Less than 1 year HK$'000	**1 to 5 years** HK$'000	**Total** HK$'000
Trade creditors	55,957	–	55,957
Financial liabilities included in other creditors and accruals	583,881	–	583,881
Financial liabilities included in deposits received	17,722	–	17,722
Finance lease payables	119	128	247
Interest-bearing bank loans, secured	1,626,527	386,449	2,012,976
Other borrowings	–	233,101	233,101
Convertible notes	–	279,966	279,966
Fixed rate senior notes	130,764	1,521,298	1,652,062
	2,414,970	2,420,942	4,835,912

31 July 2011

	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade creditors	10,377	–	10,377
Other creditors	166,526	–	166,526
Finance lease payables	126	247	373
Interest-bearing bank loans, secured	12,229	–	12,229
Other borrowings	–	170,248	170,248
Convertible notes	–	208,267	208,267
	189,258	378,762	568,020

As detailed in note 38 to the financial statements, included in the current portion of the interest-bearing bank loans as at 31 July 2012 is a term loan in the amount of HK$67,651,000. The relevant loan agreement of this term loan includes a repayment on demand clause which gives the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the said amount is classified as "less than 1 year". Notwithstanding the repayment on demand clause, the directors believe that the loan will not be called in its entirety within 1 year, and consider that the loan will be repaid in accordance with the maturity date as set out in the loan agreement. In accordance with the terms of the term loan, the maturity profile of the loan as at 31 July 2012 was spread with, based on the contractual undiscounted payments, HK$4,800,000 and HK$70,077,000 repayable less than 1 year and in 1 to 5 years, respectively.

52. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Company

31 July 2012

	Less than 1 year HK$'000	**1 to 5 years** HK$'000	**Total** HK$'000
Other borrowings	–	175,901	175,901

31 July 2011

	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Other borrowings	–	170,248	170,248

(v) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss *(note 34)* and available-for-sale investments *(note 26)* at the end of the reporting period. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 5% increase in the fair value of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	**Increase in profit before tax** HK$'000	**Increase in equity** HK$'000
31 July 2012			
Investments listed in:			
Hong Kong – Held-for-trading	–	–	–
31 July 2011			
Investments listed in:			
Hong Kong – Held-for-trading	1,474	74	74

52. Financial Risk Management Objectives and Policies (continued)

Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure.

The capital structure of the Group mainly consists of fixed rate senior notes, interest-bearing bank loans, other borrowings, convertible notes, cash and cash equivalents, pledged and restricted time deposits and bank balances and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining of appropriate types and levels of debts.

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity. As at 31 July 2012, the consolidated net assets attributable to the owners of the Company amounted to HK$7,997.9 million (2011: HK$6,837.5 million). The Group had a consolidated net cash position amounted to HK$372.4 million (cash and bank balances of HK$4,164.1 million (2011: HK$2,324.5 million) less total borrowings of HK$3,791.7 million (2011: HK$332.3 million)) as at 31 July 2012 (2011: HK$1,992.2 million).

53. Litigation

Litigation with Passport Special Opportunities Master Fund, LP and Passport Global Master Fund SPC Limited ("Passport")

In December 2008, Passport, a substantial shareholder of the Company at the time, commenced litigation against the Company, alleging that the Company had entered into a placement exercise for an improper purpose of diluting Passport's shareholding in the Company. Passport also alleged, in the alternative, that the directors of the Company failed to have proper regard to the interest of the minority shareholders when making the decision to enter into the placement, and were therefore in breach of their fiduciary duty. The trial took place between November 2009 and January 2010. In June 2011, the court issued a judgment in favour of the Company and dismissed Passport's claims against the Company and the directors. In January 2012, the court further ordered Passport to pay the Company's costs of the trial despite Passport's objections.

Although Passport filed a notice to appeal the judgment, Passport subsequently withdrew the appeal on 12 June 2012. On 13 June 2012, the appeal was dismissed by consent of the parties on the terms that Passport had agreed to pay the Company's legal costs (to be taxed if not agreed). Passport and the Company are still in negotiations with regard to the legal costs.

54. Contingent Liabilities

The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of properties units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the defaulted end-buyers. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued or the end-buyers have fully repaid the mortgage loans, whichever is the earlier. It is not practical to determine the outstanding amount of the contingent liabilities of the Group in respect of the above guarantees as at the end of the reporting period.

55. Comparative amounts

Due to the adoption of certain new and revised HKFRSs during the current year, the presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation and accounting treatment.

56. Approval of The Financial Statements

The financial statements were approved and authorised for issue by the board of directors of the Company on 30 October 2012.

NOTICE OF ADJOURNED 2012 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an adjourned annual general meeting for 2012 ("**Adjourned 2012 AGM**") of the members ("**Members**") of eSun Holdings Limited ("**Company**") will be held at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 18 December 2012 at 9:45 a.m. for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2012 and the reports of the directors and the independent auditors thereon; and

2. To re-appoint Ernst & Young, Certified Public Accountants of Hong Kong, as the independent auditors of the Company and to authorise the board of directors of the Company ("**Board**") to fix their remuneration.

By Order of the Board
eSun Holdings Limited
Kwok Siu Man
Company Secretary

Hong Kong, 19 November 2012

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
11th Floor, Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

*(1) A Member entitled to attend and vote at the Adjourned 2012 AGM convened by the above notice ("**Notice**") or its adjournment (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more shares of HK$0.50 each in the share capital of the Company ("**Shares**"), more than one) proxy to attend the Adjourned 2012 AGM and, on a poll, vote on his/her/its behalf in accordance with the Bye-laws of the Company. A proxy need not be a Member.*

*(2) A form of proxy for use at the Adjourned 2012 AGM is enclosed with the Notice **and supersedes the form of proxy for use at the 2012 Annual General Meeting held on 23 August 2012 which is NOT VALID for the Adjourned 2012 AGM; if Members intend to appoint their proxy to attend the Adjourned 2012 AGM and vote on their behalf, they must complete and lodge the enclosed form of proxy for the Adjourned 2012 AGM.***

*(3) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with Tricor Tengis Limited, the branch share registrars of the Company in Hong Kong ("**Registrars**"), at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Adjourned 2012 AGM or its adjournment (as the case may be) and in default, the form of proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the Adjourned 2012 AGM or its adjournment should they so wish. In that event, the said form of proxy shall be deemed to be revoked.*

The contact phone number of the Registrars is (852) 2980 1333.

(4) To ascertain the entitlements to attend and vote at the Adjourned 2012 AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrars no later than 4:30 p.m. on Thursday, 13 December 2012 for registration.

(5) Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the Adjourned 2012 AGM or its adjournment (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto. However, if more than one of such joint holders are present at the Adjourned 2012 AGM or its adjournment (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the register/branch register of Members in respect of such Shares shall alone be entitled to vote in respect thereof.

NOTICE OF ADJOURNED 2012 ANNUAL GENERAL MEETING

(6) *Concerning agenda item 2 of this Notice, the Board (which concurs with the audit committee of the Company) has recommended that subject to the approval of Members at the Adjourned 2012 AGM, Ernst & Young will be re-appointed independent auditors of the Company for the year ending 31 July 2013 ("***Year 2013***"). Members should note that in practice, independent auditors' remuneration for the Year 2013 cannot be fixed at the Adjourned 2012 AGM because such remuneration varies by reference to the scope and extent of the audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditors' remuneration as operating expenses for the Year 2013, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for the Year 2013 is required, and is hereby sought, at the Adjourned 2012 AGM.*

(7) *In compliance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("***Stock Exchange***"), voting on the resolutions proposed in the Notice shall be decided by way of a poll at the Adjourned 2012 AGM.*

(8) *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 9:00 a.m. and 5:00 p.m. on the date of the Adjourned 2012 AGM, the Adjourned 2012 AGM will be postponed and Members will be informed of the date, time and venue of the postponed Adjourned 2012 AGM by a supplementary notice posted on the respective websites of the Company and the Stock Exchange.*

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is lowered or cancelled at or before 9:00 a.m. on the date of the Adjourned 2012 AGM and where conditions permit, the Adjourned 2012 AGM will be held as scheduled.

The Adjourned 2012 AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

After considering their own situations, members should decide whether they would attend the Adjourned 2012 AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

Film Awards
電影獎項

Life Without Principle 奪命金

Film of Merit 年度推薦電影

The 18th Hong Kong Film Critics Society Awards
第18屆香港電影評論學會

Best Actor 最佳男演員 – Lau Ching Wan 劉青雲

The 18th Hong Kong Film Critics Society Awards
第18屆香港電影評論學會

Best Actor 最佳男主角 – Lau Ching Wan 劉青雲

The 12th Mandarin Media Film Awards
第12屆華語電影傳媒大獎

Best Director 最佳導演 – Johnnie To 杜琪峯

The 12th Mandarin Media Film Awards
第12屆華語電影傳媒大獎

Best Screenplay 最佳編劇 –
Milkyway Creative Team, Au Kin Yee & Wong King Fai 銀河創作組、歐健兒、黃勁輝

The 18th Hong Kong Film Critics Society Awards
第18屆香港電影評論學會

The 12th Mandarin Media Film Awards
第12屆華語電影傳媒大獎

Best Supporting Actor 最佳男配角 – Lo Hoi Pang 盧海鵬

The 31st Hong Kong Film Awards
第31屆香港電影金像獎

Best Supporting Actress 最佳女配角 – So Hang Shuen 蘇杏璇

The 31st Hong Kong Film Awards
第31屆香港電影金像獎

Best Supporting Actress 最佳女配角 – Denise Ho 何韻詩

The 12th Mandarin Media Film Awards
第12屆華語電影傳媒大獎

Music Awards
音樂獎項

Hong Kong Top Sales Music Awards 2011 presented by the IFPI*
由國際唱片業協會(香港會)有限公司頒發之香港唱片銷量大獎2011

Ten Best Sales Releases, Cantonese 十大銷量廣東唱片 –
Ivana Wong (The Songbird Anthology) 王菀之 (The Songbird Anthology)
Denise Ho (Awakening) 何韻詩 (Awakening)
William So (He Na Shei De) 蘇永康 (和那誰的)

Ten Best Sales Releases, Mandarin 十大銷量國語唱片 –
Ellen Joyce Loo (The Ripples) 盧凱彤 (掀起)

Best Sales Releases, Local Live Recordings 最暢銷本地現場錄製音像出品 –
Miriam Yeung (Ladies & Gentlemen Miriam Yeung World Tour Live In HK 2010)
楊千嬅 (Ladies & Gentlemen 楊千嬅世界巡迴演唱會2010香港站 Live)
Andy Lau (Unforgettable Concert 2010) 劉德華 (劉德華Unforgettable Concert 2010)

Ten Best Sales Local Artistes 十大銷量本地歌手 –
Denise Ho 何韻詩, Andy Hui 許志安, Miriam Yeung 楊千嬅, Andy Lau 劉德華

The Best Sales Local Male Vocalist 全年最高銷量本地男歌手 –
Andy Lau 劉德華

* *International Federation of the Phonographic Industry (Hong Kong Group) Limited*

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