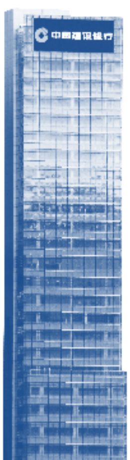
LAI SUN DEVELOPMENT

(Stock code: 488)

LAI SUN DEVELOPMENT COMPANY LIMITED

Annual Report

Year ended 31 July 2013



Cover Photo
CCB Tower at 3 Connaught Road Central, Hong Kong

Contents

Corporate Information

Place of Incorporation

Hong Kong

Board of Directors

Executive Directors

Lam Kin Ngok, Peter *(Chairman)*
Chew Fook Aun *(Deputy Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Lam Hau Yin, Lester

Non-executive Directors

Lam Kin Ming
U Po Chu

Independent Non-executive Directors

Ip Shu Kwan, Stephen, GBS, JP
Lam Bing Kwan
Leung Shu Yin, William

Audit Committee

Leung Shu Yin, William *(Chairman)*
Lam Bing Kwan
Lam Kin Ming

Remuneration Committee

Leung Shu Yin, William *(Chairman)*
Chew Fook Aun
Lam Bing Kwan

Company Secretary

Chow Kwok Wor

Registered Office/Principal Office

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

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

Authorised Representatives

Chew Fook Aun
Chow Kwok Wor

Share Registrars and Transfer Office

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

Independent Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

The Bank of East Asia, Limited
China Construction Bank Corporation
Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited

Shares Information

Place of Listing

The Main Board of The Stock Exchange
of Hong Kong Limited

Stock Code

488

Board Lot

1,000 Shares

Website

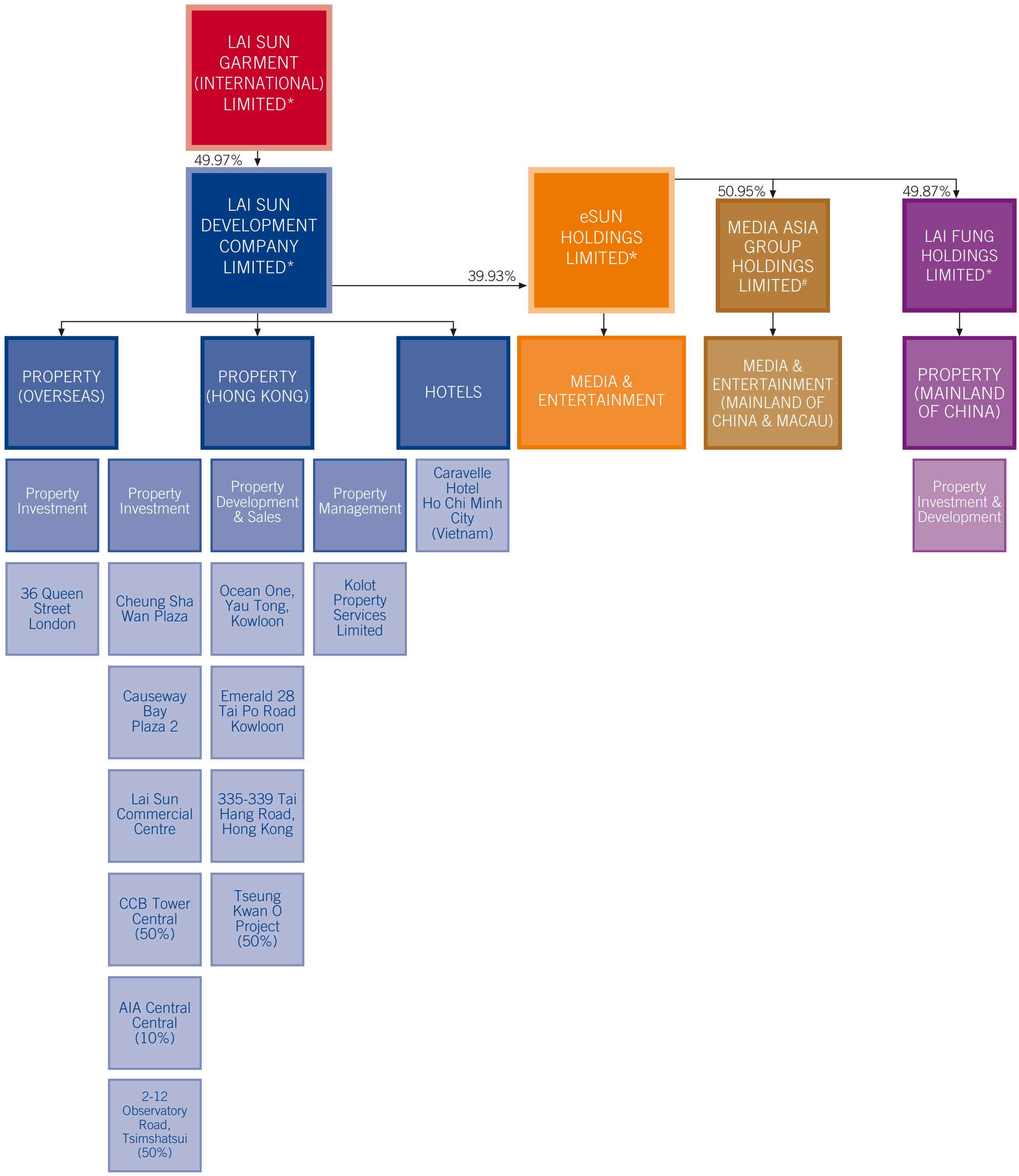
www.laisun.com

Investor Relations

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

Corporate Profile

Lai Sun Development Company Limited is a member of the Lai Sun Group which obtained its first listing on the Hong Kong stock exchange in late 1972. The Company is well diversified and its principal activities include property development and investment in Hong Kong and overseas, hotel operations and management. The Company was listed on The Stock Exchange of Hong Kong Limited in March 1988 following a reorganisation of the Group.



* Listed on the Main Board of The Stock Exchange of Hong Kong Limited

\# Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

Corporate Structure as at 9 October 2013

Dr. Lam Kin Ngok, Peter
Chairman

I am pleased to present the audited consolidated results of Lai Sun Development Company Limited ("**Company**") and its subsidiaries (collectively, "**Group**") for the year ended 31 July 2013.

Overview of Final Results

For the year ended 31 July 2013, the Group recorded a turnover of HK$963.8 million (2012: HK$875.2 million) and a gross profit of HK$589.0 million (2012: HK$544.4 million), representing an increase of approximately 10% and 8%, respectively over last year. Turnover from rental income, sales of properties and hotel, restaurant and other operations during the year was HK$434.2 million (2012: HK$395.8 million), HK$100.3 million (2012: HK$92.1 million) and HK$429.3 million (2012: HK$387.3 million), representing an increase of 10%, 9% and 11%, respectively.

Net profit attributable to owners of the Company was approximately HK$2,564.1 million (2012: HK$2,282.6 million), representing an increase of approximately 12% over last year. Excluding the effect of property revaluations, net loss attributable to owners of the Company was approximately HK$201.4 million (2012: net profit attributable to owners of the Company of HK$845.5 million).

The loss, excluding property revaluations, was primarily due to: (i) higher provision for the tax indemnity given in favour of Lai Fung Holdings Limited ("**Lai Fung**") in its spin-off in 1997 amounting to HK$267.5 million; (ii) higher interest expense of HK$85.5 million from the guaranteed notes issued during the year; (iii) granting of share option benefits amounting to HK$50.8 million; and (iv) lower contribution from eSun Holdings Limited ("**eSun**") in this financial year which was driven by the absence of an one-time gain of HK$1,350.4 million on bargain purchase of subsidiaries recorded by eSun in financial year ended 31 July 2012 and the knock on impact on the Company's results was HK$512.2 million.

Overview of Final Results (continued)

Basic earnings/(loss) per share including and excluding the effect of property revaluations was HK$0.128 (2012: HK$0.125) and HK$(0.010) (2012: HK$0.046), respectively.

Equity attributable to owners of the Company as at 31 July 2013 amounted to HK$19,127.8 million, up from HK$16,357.6 million as at 31 July 2012. Net asset value per share attributable to owners of the Company increased by 17% to HK$0.953 per share as at 31 July 2013 from HK$0.815 per share as at 31 July 2012.

Final Dividend

As at 31 July 2013, the Company did not have any reserves available for distribution in accordance with the provisions of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. Accordingly, the board of directors of the Company ("**Board**") does not recommend the payment of dividend for the year ended 31 July 2013 (2012: Nil).

The Companies Ordinance in Hong Kong is expected to change in 2014 which will simplify the process for restoring the reserves for distribution by way of a unilateral declaration of solvency by the Board. The Board intends to make such declaration of solvency once the change in Companies Ordinance has taken place and the procedures for doing so are clear.

Economic and Market Environment

The global economy has been on a delicate recovery path since 2009. The pace of recovery remains slow with major economies in the world experiencing a loss of growth momentum. Gross Domestic Product growth forecasts of economies around the world have been slashed repeatedly. Recent actions by the Japanese government to stimulate its economy and the United States Federal Reserve's postponement of the tapering reinforce the fragile state of affairs. As a global financial centre, Hong Kong's economic performance is clearly not immune from the challenges faced by the major economies around the world.

Whilst the overall Hong Kong economy has weathered well amid the challenges around the world, it is feeling the effect of the low interest rate environment and asset price inflation, particularly in the property market. Against this backdrop, the Hong Kong Government embarked on a number of initiatives to regulate the property market. The increase in the supply of land so far has been relatively limited and its effect in addressing the long-term land supply issue has yet to be seen. However, the broad brush restrictive policies on sale of properties introduced at the end of 2012 and early 2013 have substantially slowed transactions in the property market. The residential market was affected most particularly with transaction volumes declining substantially. The commercial rental market was probably the only bright spot with rent and occupancies being fairly firm.

Business Review and Prospects

Steady progress amid challenging environment

Notwithstanding the challenging operating conditions due to the continued efforts by the Hong Kong Government to stabilise the property market, the Group delivered a solid performance this year underpinned by a steady increase in rental income.

Building from strength to strength

Aside from the operational performance, the year marked an important year for the Group with a number of initiatives completed. The strategic focus to put more emphasis on rental properties has been well received by shareholders and investors. CCB Tower was completed during the year under review and added approximately 115,000 square feet of attributable gross floor area ("**GFA**") to our rental portfolio. Subsequent to the year end, CCB Tower was almost fully leased out and it is expected to contribute in the coming financial year. Construction of the Observatory Road joint venture project with Henderson Land is progressing as planned and is currently expected to add approximately 83,000 square feet of attributable GFA on completion in 2015.

Business Review and Prospects (continued)

Building from strength to strength (continued)

Whilst the government's restrictive policy measures reduced transaction volumes significantly, it has not affected the sale of Ocean One in Yau Tong during the year. The Group has not been particularly affected as a whole since we do not have many development projects for sale and hence we can moderate the pace of sales of our developments. As at 31 July 2013, we have sold 14 residential units out of a total of 124 residential units in Ocean One with total sales proceeds achieved of HK$99.7 million which represents 11% of total residential units. Subsequent to the year end, the Group sold a further 65 residential units up to 30 September 2013 with total sales proceeds of HK$527.7 million. Another development project which will be available for sale in the fourth quarter of 2013 is the Tai Hang Road project.

Ocean One

Business Review and Prospects (continued)

Landbank

Since the last year end we have bolstered our financial liquidity with our strengthened balance sheet. The Group completed a HK$2,200 million syndicated loan in October 2012 and issued a US$350 million unrated bond in January 2013 which is listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). As at 31 July 2013, our cash position amounted to HK$3,258.3 million with a net debt to equity ratio of 13% as at 31 July 2013 giving us the confidence and the means to be reviewing opportunities more actively.

In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. This site is expected to add approximately 287,000 square feet of attributable GFA to our development portfolio and completion is expected in the second quarter of 2017.

Subsequent to the year end, the Group acquired from Intercontinental Group Holdings Limited ("**IGHL**") (formerly known as Kadokawa Intercontinental Group Holdings Limited) two floors of office space in Wyler Centre, Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong and three car-parking spaces for HK$130 million. These two floors of office with total GFA of approximately 51,000 square feet and three car-parking spaces became part of the Group's rental portfolio since 15 August 2013.

AIA Central and CCB Tower

2-12 Observatory Road, Tsimshatsui

Business Review and Prospects (continued)

eSun Holdings Limited

During the year, our interest in eSun increased from 37.93% to 39.93%, reflecting our confidence in eSun and its subsidiaries as well as our intention to operate the property business on a group wide basis.

Performance from the film production and distribution and media and entertainment divisions improved across the board. Turnover substantially improved and losses narrowed. The acquisition of IGHL after the year end bolstered our cinema network and film distribution capability. Lai Fung's results were encouraging given the challenging operating environment in the property sector in Mainland China. Notwithstanding the fundamental improvements, the absence of the substantial one-off gain on bargain purchase of subsidiaries arose from the underwriting of Lai Fung's open offer in financial year ended 31 July 2012 which amounted to HK$1,350.4 million led to an overall loss for the year.

Lai Fung, a subsidiary of eSun, has successfully won Phase I of the Creative Culture City project in Hengqin on 25 September 2013. Phase I has a total GFA of 2.8 million square feet and Lai Fung will, subject to its independent shareholders' approval, finalise the development plan for Phase I with eSun having a 20% direct interest in this site.

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. Lam Hau Yin, Lester who joined the Board as an Executive Director. I would also like to thank Mr. Cheung Sum, Sam, Mr. Lui Siu Tsuen, Richard and Mr. Wan Yee Hwa, Edward, who left the Board during the year for their valuable contributions to the Company during their tenure.

I firmly believe that through the concerted efforts of our staff and with the support of all our stakeholders we will continue to grow the Group going forward in a prudent and sustainable manner.

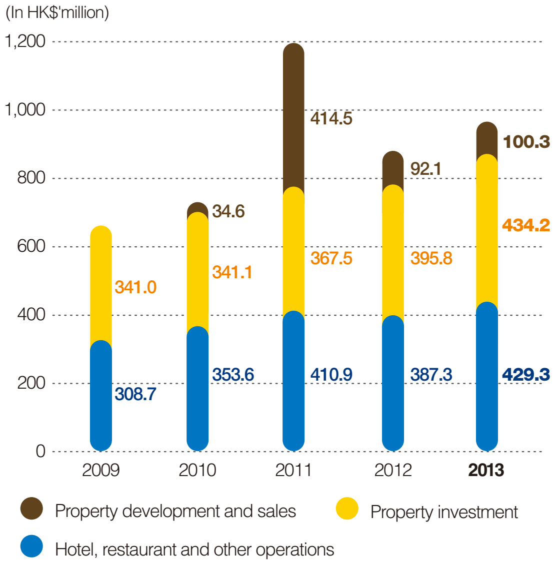
Lam Kin Ngok, Peter
Chairman

Hong Kong
9 October 2013

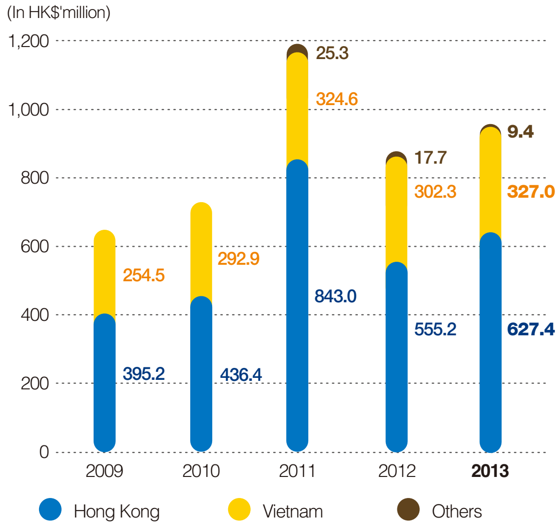
Financial Highlights

		Year ended 31 July 2013	Year ended 31 July 2012	%
Turnover	(HK$'M)	**963.8**	875.2	10%
Gross profit	(HK$'M)	**589.0**	544.4	8%
Gross profit margin	(%)	**61%**	62%	
Operating profit	(HK$'M)	**2,065.3**	1,165.9	77%
Operating profit margin	(%)	**214%**	133%	
Profit/(loss) attributable to owners of the Company	(HK$'M)			
— excluding the effect of property revaluations		**(201.4)**	845.5	-124%
— including the effect of property revaluations		**2,564.1**	2,282.6	12%
Net profit margin	(%)			
— excluding the effect of property revaluations		**-21%**	97%	
— including the effect of property revaluations		**266%**	261%	
Basic earnings/(loss) per share	(HK$)			
— excluding the effect of property revaluations		**(0.010)**	0.046	-122%
— including the effect of property revaluations		**0.128**	0.125	2%
Equity attributable to owners of the Company	(HK$'M)	**19,127.8**	16,357.6	17%
Net borrowings	(HK$'M)	**2,515.8**	1,141.1	120%
Net asset value per share attributable to owners of the Company	(HK$)	**0.953**	0.815	17%
Share price as at 31 July	(HK$)	**0.227**	0.140	62%
Price earnings ratio	(times)			
— excluding the effect of property revaluations		**N/A**	3.043	
— including the effect of property revaluations		**1.773**	1.120	
Market capitalisation as at 31 July	(HK$'M)	**4,554.3**	2,808.8	62%
Return on shareholders' equity	(%)			
— excluding the effect of property revaluations		**-1%**	6%	
— including the effect of property revaluations		**13%**	15%	
Gearing — net debt to equity	(%)	**13%**	7%	
Interest cover	(times)			
— excluding the effect of property revaluations		**N/A**	14.483	
— including the effect of property revaluations		**13.876**	39.100	
Current ratio	(times)	**4.853**	1.315	
Discount to net asset value	(%)	**76%**	83%	

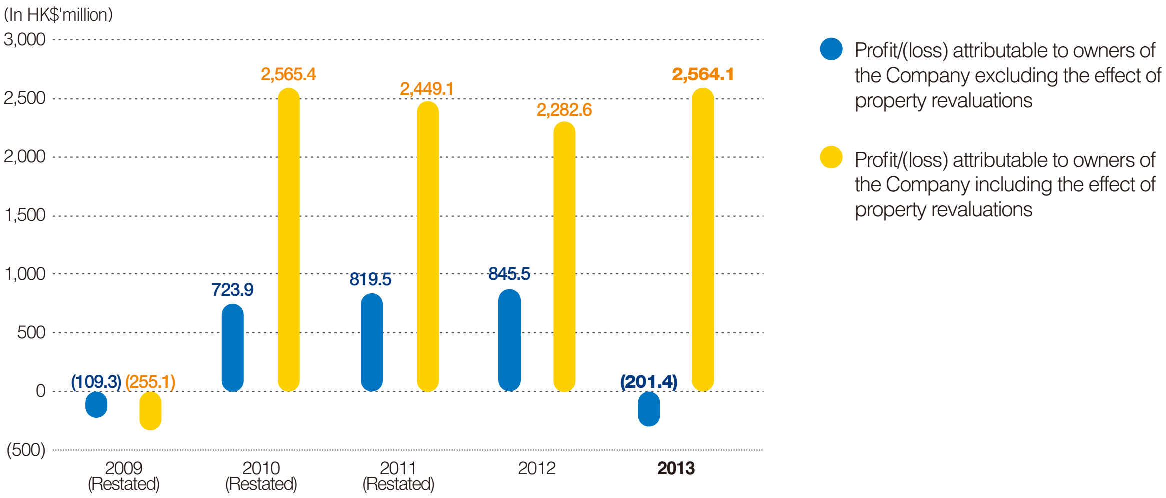
Turnover by Segment



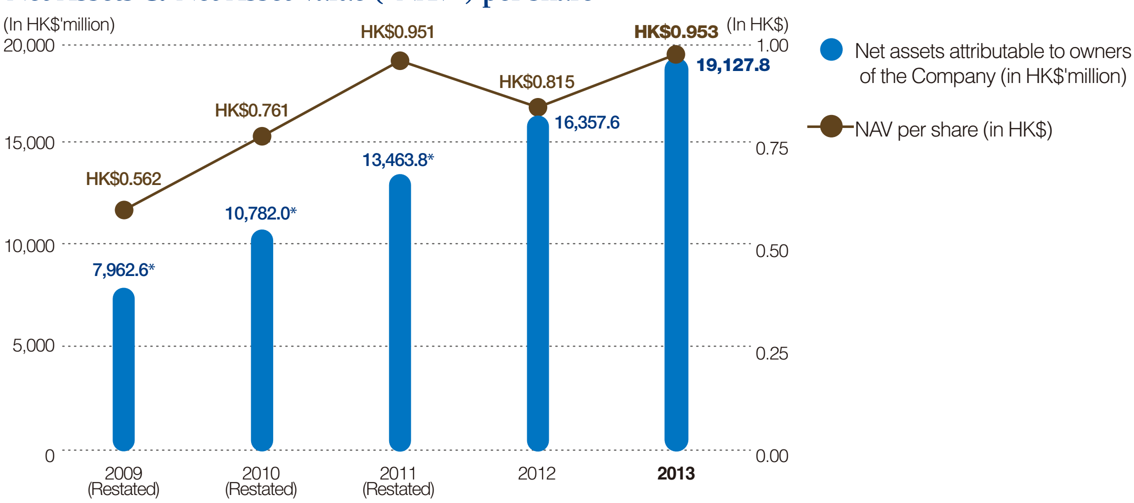
Turnover by Geographical Location



Profit/(loss) attributable to owners of the Company including & excluding the effect of property revaluations



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



* As previously reported, the net assets attributable to owners of the Company as at 31 July 2009, 2010 and 2011 were HK$7,093.5 million, HK$9,405.7 million and HK$11,959.0 million, respectively.

Overview

The Hong Kong property market weathered the global economic challenges well as a whole primarily due to the chronic lack of short term supply, robust underlying demand and a low interest rate environment. Against such a backdrop, the Group achieved a solid set of results from its investment properties and the sales of residential units in Ocean One.

As at 31 July 2013, the Group maintained a property portfolio including, in attributable GFA (excluding car-parking spaces and ancillary facilities), completed properties held for rental with attributable GFA of approximately 1,304,000 square feet, completed hotel properties with attributable GFA of approximately 98,000 square feet, properties under development with attributable GFA of approximately 400,000 square feet, and completed properties held for sale with attributable GFA of approximately 121,000 square feet. The Group will continue to build on this sound asset base with a view to delivering long-term value to its shareholders.

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and car-parking spaces of the Group's major properties as at 31 July 2013:

	Commercial/ Retail	Office	Industrial	Residential	Hotel	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Completed Properties Held for Rental[1]	434	859	11	—	—	**1,304**	962
Completed Hotel Properties	—	—	—	—	98	**98**	—
Properties Under Development[2]	140	—	—	260	—	**400**	197
Completed Properties Held for Sale[3]	27	—	—	94	—	**121**	29
Total GFA of major properties of the Group	**601**	**859**	**11**	**354**	**98**	**1,923**	**1,188**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties held for sale*

The above table does not include GFA of properties held by Lai Fung.

Property Investment

Rental Income

During the year under review, the Group's rental operations recorded a turnover of HK$434.2 million (2012: HK$395.8 million), representing a 10% increase over last year. The increase was primarily due to continued management of tenant mix and rental reversion at major investment properties.

Property Investment (continued)

Rental Income (continued)

The Group wholly owns three major investment properties in Hong Kong, namely Cheung Sha Wan Plaza, Causeway Bay Plaza 2 and Lai Sun Commercial Centre. CCB Tower, a 50:50 joint venture, was completed during the year under review and added approximately 115,000 square feet of attributable GFA to our rental portfolio. Subsequent to the year end, CCB Tower was almost fully leased out and it is expected to contribute in the coming financial year.

Breakdown of rental turnover by major investment properties is as follows:

	For the year ended 31 July			
	2013 HK$ million	2012 HK$ million	% Change	Year end occupancy (%)
Cheung Sha Wan Plaza (including car-parking spaces)	**249.9**	212.7	17	98.9%
Causeway Bay Plaza 2 (including car-parking spaces)	**131.1**	120.8	9	96.9%
Lai Sun Commercial Centre (including car-parking spaces)	**48.0**	48.0	—	95.3%
Others	**5.2**	14.3	-64	N/A
Total:	**434.2**	395.8	10	

Review of major investment properties

Hong Kong Properties

Cheung Sha Wan Plaza
The asset comprises an 8-storey and a 7-storey office towers erected on top of a retail podium which was completed in 1989. It is located on top of the Lai Chi Kok MTR station with a total GFA of approximately 690,500 square feet (excluding car-parking spaces). The arcade is positioned to serve the local communities nearby with major banks and recognised restaurants chains as the key tenants.


Cheung Sha Wan Plaza


Causeway Bay Plaza 2


Lai Sun Commercial Centre

Property Investment (continued)

Review of major investment properties (continued)

Hong Kong Properties (continued)

Causeway Bay Plaza 2
The asset comprises a 28-storey commercial/office building with car parking facilities at basement levels which was completed in 1992. It is located at the heart of Causeway Bay with a total GFA of approximately 208,500 square feet (excluding car-parking spaces). Key tenants include the HSBC's branch, commercial offices and major restaurants.

Lai Sun Commercial Centre
The asset comprises a 13-storey commercial/carpark complex completed in 1987. It is located near the Lai Chi Kok MTR station with a total GFA of approximately 188,500 square feet (excluding car-parking spaces).

CCB Tower, 3 Connaught Road Central
The Group has a 50:50 interest with China Construction Bank Corporation ("**CCB**") in the joint redevelopment project of the former Ritz-Carlton Hotel in Central. This office tower is a landmark property in Central featuring underground access to the MTR station in Central. The property has a total GFA of approximately 229,000 square feet (excluding car-parking spaces). CCB Tower was completed during the year under review and added approximately 115,000 square feet of attributable GFA to our rental portfolio. Subsequent to the year end, CCB Tower was almost fully leased out with 14 floors of the office floors and 2 banking hall floors leased by CCB for its Hong Kong operations and it is expected to contribute in the coming financial year.

Overseas Property

36 Queen Street, London EC4 1HJ, United Kingdom
In February 2011, the Group acquired an office building in the city in central London located at 36 Queen Street. Completed in 1986, it comprises approximately 47,000 square feet of office accommodation extending over basement, ground and six upper floors. Comprehensive refurbishment work was done during 2012 and 2013 with the renovation completed after the year end and the building is currently available for lease.

36 Queen Street, London

339 Tai Hang Road

Property Development

For the year ended 31 July 2013, recognised turnover from sales of properties was HK$100.3 million (2012: HK$92.1 million), representing an increase of 9% over last year. The increase was due to sales of Ocean One in Yau Tong. Notwithstanding the launch coincided with the introduction of the new stamp duty requirement and other cooling measures subsequently, sale of 14 residential units out of a total of 124 residential units were completed during the year under review, representing 11% of total residential units. Subsequent to the year end, a further 65 residential units have been sold up to 30 September 2013 with total sales proceeds of approximately HK$527.7 million.

Review of major projects for sale

Ocean One, 6 Shung Shun Street, Yau Tong
The Group wholly owns this development project, namely "Ocean One" located at No. 6 Shung Shun Street, Yau Tong, Kowloon. This property is a residential-cum-commercial property with a total GFA of about 112,000 square feet (excluding car-parking spaces) or 124 residential units and 2 commercial units. The estimated total development cost (including land cost and lease modification premium) is about HK$730 million. Pre-sales commenced in December 2012.

As at 31 July 2013, we have completed the sale of 14 residential units with total sales proceeds of HK$99.7 million recognised during the year and the average selling price based on saleable area was approximately HK$13,600 per square foot as at 31 July 2013. Subsequent to the year end, the Group has sold a further 65 residential units up to 30 September 2013 with total sales proceeds of HK$527.7 million.

Review of major projects under development

335-339 Tai Hang Road, Hong Kong
The Group wholly owns the site located at 335-339 Tai Hang Road, Hong Kong. The Group is developing the site into a luxury residential property with a total GFA of about 30,500 square feet (excluding car-parking spaces). The total development cost (including land cost and lease modification premium) is estimated to be about HK$670 million. This project is expected to be completed by end of 2013.

2-12 Observatory Road
The Group completed the acquisition of a 50% interest in a project at Observatory Road, Kowloon with the buildings previously erected there known as Nos. 2-12, Observatory Road, Kowloon in November 2011. The joint venture partner is Henderson Land.

The site is being planned to be redeveloped into a multi-storey commercial building with a total GFA of approximately 165,000 square feet (excluding car-parking spaces). The total development cost is estimated to be approximately HK$2.3 billion including an estimated land value of approximately HK$1.7 billion. The new building is expected to be completed in the third quarter of 2015.

Area 68A2, Tseung Kwan O
In November 2012, the Group successfully tendered for and secured a site located at Area 68A2, Tseung Kwan O, New Territories, through a 50% joint venture vehicle. The lot has an area of approximately 229,000 square feet with a permitted total GFA of approximately 573,300 square feet split into approximately 458,600 square feet for residential use and approximately 114,700 square feet for non-industrial use. The current intention is to develop the lot primarily into a residential project for sale, comprising residential towers as well as houses. Completion is expected to be in the second quarter of 2017.

Hotel and Restaurant Operations

For the year ended 31 July 2013, hotel and restaurant operations contributed HK$409.9 million (2012: HK$362.8 million) to the Group's turnover, representing an increase of approximately 13% over last year. Most of the turnover from hotel and restaurant operations was derived from the Group's operation of the Caravelle Hotel in Ho Chi Minh City, Vietnam.

Caravelle Hotel is a leading international 5-star hotel in the centre of the business, shopping and entertainment district in Vietnam. It is an elegant 24-storey tower with mixture of French colonial and traditional Vietnamese style and has 335 superbly appointed rooms, suites, exclusive Signature Floor Rooms, Signature Lounge, specially equipped room for the disabled. Total GFA attributable to the Group is approximately 98,400 square feet.

The restaurant operation includes the Group's interests in 11 restaurants in Hong Kong and Mainland China, including the Michelin 3 star Italian restaurant 8 1/2 Otto e Mezzo BOMBANA Hong Kong, Michelin 1 star Japanese restaurant Wagyu Kaiseki Den, 8 1/2 Otto e Mezzo BOMBANA Shanghai, Wagyu Takumi, Gin Sai, Rozan, Kowloon Tang, Island Tang, Chiu Tang, CIAK — In The Kitchen at Landmark (opening in the fourth quarter of 2013) and China Tang Hong Kong at Landmark (opening in the fourth quarter of 2013).

The hotel and restaurant operations have extensive experience in providing consultancy and management services to hotels in Mainland China, Hong Kong and other Asian countries. The division's key strategy going forward will be continued to focus on providing management services, particularly to capture opportunities arising from the developments of Lai Fung in Shanghai, Guangzhou and Zhongshan. The hotel division will manage Lai Fung's serviced apartments in Shanghai, Guangzhou and Zhongshan under the "STARR" brand. STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks with 90 fully furnished serviced apartment units located in the Palm Lifestyle complex in Zhongshan Western district.

Interests in Associates (eSun)

During the year under review, the Group's interest in eSun increased from 37.93% to 39.93%.

Film production and distribution and media and entertainment divisions improved across the board. Turnover substantially improved and losses narrowed. The acquisition of IGHL after the year end bolstered its cinema network and film distribution capability. Lai Fung's results were encouraging given the challenging operating environment in the property sector in Mainland China.

8 1/2 Otto e Mezzo BOMBANA, Hong Kong

Wagyu Kaiseki Den in Hong Kong

Interests in Associates (eSun) (continued)

Notwithstanding the sound fundamental performance, contribution from eSun decreased from a profit to a loss of HK$6.3 million (2012: profit of HK$440.6 million). This was primarily due to the absence of the substantial one-off gain on bargain purchase of subsidiaries arose from the underwriting of Lai Fung's open offer in financial year ended 31 July 2012 which amounted to HK$1,350.4 million.

Interests in Joint Ventures

During the year under review, contribution from joint ventures decreased to HK$616.1 million (2012: HK$711.0 million), representing a decrease of 13%. This is primarily due to the conclusion of the sale of The Oakhill and lower gain on property revaluation of CCB Tower.

Outlook

Given the precarious state of the global economy, it is fair to expect that major economies will continue their effort to maintain the momentum to grow through various stimuli. This translates to a rising but still relatively low interest rate environment in Hong Kong. As a result, taming asset price inflation, particularly on the property sector, is likely to remain a priority for the Hong Kong Government.

Although the tightening measures implemented by the Hong Kong Government were taking effect, the demand for housing due to a lack of supply and the desire for improved living conditions remained robust, which continued to support property prices. As such the property market is expected to remain stable and the Group is optimistic about the pent-up demand as a result of these tightening measures.

Notwithstanding the above, the Group expects CCB Tower's contribution will strengthen the rental income further. The sale momentum of Ocean One is expected to continue and the Tai Hang project to attract strong interest when it is launched towards the end of 2013. The Observatory Road project and the Tseung Kwan O project will provide catalysts for growth in the medium term.

The Group will continue its prudent yet flexible approach with the objective of preserving margin and optimizing long-term value for shareholders. The financial liquidity of the Group has been bolstered by the HK$2,200 million syndicated loan in October 2012 and the US$350 million unrated bond issued in January 2013 which is listed on the Stock Exchange. As at 31 July 2013, our cash position amounted to HK$3,258.3 million with a net debt to equity ratio of 13% as at 31 July 2013 giving us the confidence and the means to be reviewing opportunities more actively.

Liquidity and Financial Resources

As at 31 July 2013, cash and bank balances and undrawn facilities held by the Group amounted to HK$3,258.3 million and HK$1,260.5 million, respectively.

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

As at 31 July 2013, the Group had bank borrowings of approximately HK$3,078.6 million and guaranteed notes of approximately HK$2,695.5 million. The net debt to equity ratio expressed as a percentage of the total outstanding net debt (being the total outstanding bank borrowings and guaranteed notes less the pledged and unpledged bank balances and time deposits) to consolidated net assets attributable to owners of the Company was approximately 13%. As at 31 July 2013, the maturity profile of the bank borrowings of HK$3,078.6 million was spread over a period of less than 5 years with HK$417.3 million repayable within 1 year, HK$386.9 million repayable in the second year and HK$2,274.4 million repayable in the third to fifth years. All the Group's borrowings carried interest on a floating rate basis except for the guaranteed notes issued in January 2013 which has a fixed rate.

Liquidity and Financial Resources (continued)

As at 31 July 2013, certain investment properties with carrying amounts of approximately HK$10,714.4 million, certain properties under development for sale of approximately HK$668.9 million, and certain bank balances and time deposits with banks of approximately HK$134.7 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. Certain shares in a joint venture held by the Group were pledged to a bank to secure a loan facility granted to a joint venture of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's major assets and liabilities and transactions were denominated in Hong Kong dollars and United States dollars. Considering that Hong Kong dollars are pegged against United States dollars, the Group believes that the corresponding exposure to exchange rate risk arising from United States dollars is nominal. In addition, the Group has an investment in United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK$146.0 million which only accounted for an insignificant portion of the consolidated net assets of the Group as at 31 July 2013. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in Renminbi and Vietnamese Dong which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure. The Group manages its foreign currency risk by closely reviewing the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

Details of contingent liabilities of the Group at the end of the reporting period are set out in note 34 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2013, the Group employed a total of approximately 1,200 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.

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

Results

	Year ended 31 July				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
TURNOVER	**963,757**	875,156	1,192,914	729,254	649,742
PROFIT/(LOSS) BEFORE TAX	**2,648,032**	2,356,838	2,536,763	2,650,308	(189,699)
Tax	**(45,694)**	(31,110)	(38,042)	(41,412)	(27,900)
PROFIT/(LOSS) FOR THE YEAR	**2,602,338**	2,325,728	2,498,721	2,608,896	(217,599)
Attributable to:					
Owners of the Company	**2,564,114**	2,282,568	2,449,128	2,565,397	(255,087)
Non-controlling interests	**38,224**	43,160	49,593	43,499	37,488
	2,602,338	2,325,728	2,498,721	2,608,896	(217,599)

Assets, Liabilities and Non-Controlling Interests

	As at 31 July				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
Property, plant and equipment	**510,202**	350,817	356,226	368,231	379,091
Prepaid land lease payments	**23,982**	25,010	26,038	27,066	28,094
Investment properties	**10,736,496**	8,570,911	7,756,931	6,444,930	5,192,800
Properties under development for sale	**777,904**	1,309,418	1,098,195	900,378	723,552
Interests in associates	**3,378,850**	3,083,687	2,503,210	2,267,671	2,037,736
Interests in joint ventures	**5,688,684**	3,889,258	2,847,147	1,851,040	752,788
Available-for-sale financial assets	**1,198,321**	1,185,810	1,035,937	770,516	512,054
Held-to-maturity debt investments	**—**	—	—	35,840	12,205
Pledged bank balances and time deposits (classified as non-current assets)	**134,692**	—	99,591	99,154	—
Deposits paid	**23,500**	61,500	90,000	—	—
Current assets	**4,033,832**	1,854,169	1,324,828	1,873,322	1,530,397
TOTAL ASSETS	**26,506,463**	20,330,580	17,138,103	14,638,148	11,168,717
Current liabilities	**(831,198)**	(1,410,048)	(502,092)	(658,773)	(858,887)
Bank borrowings (classified as non-current liabilities)	**(2,661,322)**	(1,707,404)	(2,199,440)	(2,313,493)	(1,533,829)
Guaranteed notes	**(2,695,474)**	—	—	—	—
Amounts due to associates	**—**	(20,799)	(15,854)	(15,808)	(15,746)
Deferred tax	**(105,694)**	(100,880)	(94,461)	(89,227)	(82,799)
Provision for tax indemnity	**(614,672)**	(347,135)	(518,570)	(470,191)	(452,696)
Long term rental deposits received	**(68,152)**	(60,032)	(55,930)	(47,523)	(40,576)
TOTAL LIABILITIES	**(6,976,512)**	(3,646,298)	(3,386,347)	(3,595,015)	(2,984,533)
NON-CONTROLLING INTERESTS	**(402,179)**	(326,697)	(287,934)	(261,131)	(221,630)
NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY	**19,127,772**	16,357,585	13,463,822	10,782,002	7,962,554

The financial information for the years ended 31 July 2011, 2010 and 2009 had been restated upon adoption of HKAS 12 (Amendments) *Income Taxes — Deferred Tax Recovery of Underlying Assets*, HKFRS 10 *Consolidated Financial Statements* and HKFRS 11 *Joint Arrangements.*

Completed Properties Held for Rental

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)				No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Industrial	Total (excluding carpark & ancillary facilities)	
Cheung Sha Wan Plaza	833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	216,978	473,509	—	690,487	355
Causeway Bay Plaza 2	463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	111,172	97,355	—	208,527	57
Lai Sun Commercial Centre	680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	105,167	83,370	—	188,537	521
CCB Tower	3 Connaught Road Central, Central, Hong Kong (Inland Lot No. 8736)	50%	The property is held for a term commencing from 28 June 1989 and expiring on 30 June 2047	—	114,555	—	114,555	19
AIA Central	1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot no. 278)	—	42,896	—	42,896	6
36 Queen Street, London	36 Queen Street, London EC4 1HJ, United Kingdom	100%	The property is held freehold	—	47,425	—	47,425	—
Metropolitan Factory and Warehouse Building	Units A and B on 10/F and car-parking spaces nos. 1, 2, 13 and 14 on G/F Metropolitan Factory and Warehouse Building, 30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	100%	The property is held for a term of which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	—	—	11,370	11,370	4
Subtotal of completed properties held for rental:				**433,317**	**859,110**	**11,370**	**1,303,797**	**962**

Particulars of Major Properties

Completed Hotel Property

Hotel Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)	No. of car-parking spaces attributable to the Group
				Hotel	
Caravelle Hotel	19-23 Lam Son Square, District 1, Ho Chi Minh City, Vietnam	26.01%	The property is held under a land use right due to expire on 8 October 2040	98,376	—

Properties Under Development

Location	Stage of construction	Group interest	Site Area (approximate square feet) *(Note)*	Expected completion date	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
					Commercial/ Retail	Residential	Total (excluding carpark & ancillary facilities)	
335-339 Tai Hang Road	Superstructure in progress	100%	13,800	Q4 2013	—	30,479	30,479	13
2-12 Observatory Road, Tsimshatsui	Foundation in progress	50%	13,765	Q3 2015	82,585	—	82,585	31
Area 68A2, Tseung Kwan O	Hoarding works completed and site preparations in progress	50%	229,000	Q2 2017	57,335	229,338	286,673	153
Subtotal of properties under development:					**139,920**	**259,817**	**399,737**	**197**

Note: On Project Basis

Completed Properties Held for Sale

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
			Commercial/ Retail	Residential	Total (excluding carpark & ancillary facilities)	
Ocean One	6 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	17,749	94,252	112,001	29
Emerald 28	No. 20-28 Tai Po Road, Kowloon, Hong Kong	100%	8,580	—	8,580	—
Subtotal of completed properties held for sale:			**26,329**	**94,252**	**120,581**	**29**

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

(1) Corporate Governance Practices

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2013 ("**Year**") save for the deviations from code provisions A.4.1, A.5.1 and E.1.2.

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

None of the existing non-executive directors ("**NEDs**", including the independent non-executive directors ("**INEDs**")) of the Company is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**"), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by 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 CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. 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 E.1.2, the chairman of the board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended to by him, Dr. Lam Kin Ngok, Peter, the Chairman, was not present at the AGM held on 18 December 2012. However, Mr. Chew Fook Aun, the Deputy Chairman and an ED present at that AGM took the chair of that AGM pursuant to Article 71 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

(2) Board of Directors

(2.1) 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.

(2.2) Composition of the Board

The Board currently comprises nine members, of whom four are EDs, two are NEDs and the remaining three are INEDs, in compliance with the minimum number of INEDs required under Rule 3.10(1) of the Listing Rules. The Company has also complied with Rule 3.10A with INEDs representing at least one-third of the Board. The Directors who served the Board during the Year and up to the date of this Report are named as follows:

(2) Board of Directors (continued)

(2.2) Composition of the Board (continued)

Executive Directors ("EDs")

Lam Kin Ngok, Peter *(Chairman)*	
Chew Fook Aun *(Deputy Chairman)*	
Lau Shu Yan, Julius *(Chief Executive Officer)*	
Lam Hau Yin, Lester	*(appointed with effect from 1 November 2012)*
Lui Siu Tsuen, Richard	*(resigned with effect from 1 November 2012)*
Cheung Sum, Sam	*(resigned with effect from 1 September 2012)*

Non-executive Directors ("NEDs")

Lam Kin Ming	
U Po Chu	
Wan Yee Hwa, Edward	*(retired on 18 December 2012)*

Independent Non-executive Directors ("INEDs")

Ip Shu Kwan, Stephen, GBS, JP
Lam Bing Kwan
Leung Shu Yin, William

The brief biographical particulars of the existing Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 38 to 41.

Dr. Lam Kin Ngok, Peter, Chairman of the Board and an ED, is the son of Madam U Po Chu, a NED, a younger brother of Dr. Lam Kin Ming, another NED and the father of Mr. Lam Hau Yin, Lester, an ED.

Save as disclosed above and in the "Biographical Details of Directors" section of this Annual Report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(2.3) INEDs

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

Mr. Leung Shu Yin, William ("**Mr. Leung**"), an INED, has declared in his annual confirmation of independence for the Year that he had acted as the liquidator of True Kin Development Limited ("**True Kin**"), a private limited company incorporated in Hong Kong, which had proceeded to a members' voluntary winding up. True Kin was dissolved on 24 December 2012. Madam U Po Chu, a NED, was also a director and a shareholder (holding 23.52% interest) of True Kin. In view of the nature of the service provided by the certified public accountants' firm of which Mr. Leung is a director and other material facts relating to this case, the Board considers that it should not affect the independence of Mr. Leung in the exercise of his duties as an INED.

(3) 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 law firms 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 Group's legal and company secretarial departments also organise and arrange 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 and/or the independent auditors of the Company.

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 requirement of the CG Code on continuous professional development during the Year:

	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				
Lam Kin Ngok, Peter	√	√	√	—
Chew Fook Aun	√	√	√	√
Lau Shu Yan, Julius	√	√	√	√
Lam Hau Yin, Lester *(Note)*	√	√	√	—
Non-executive Directors				
Lam Kin Ming	√	√	√	—
U Po Chu	√	√	√	—
Independent Non-executive Directors				
Ip Shu Kwan, Stephen, GBS, JP	√	√	√	—
Lam Bing Kwan	√	√	√	—
Leung Shu Yin, William	√	√	√	√

Note: Mr. Lam Hau Yin, Lester was appointed an ED with effect from 1 November 2012.

(4) Board Committees

The Executive Committee comprising members appointed by the Board amongst the EDs was established on 18 November 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:

(4.1) Remuneration Committee

The Board established on 18 November 2005 a Remuneration Committee which currently comprises two INEDs, namely Mr. Leung Shu Yin, William (Chairman) and Mr. Lam Bing Kwan and an ED, Mr. Chew Fook Aun (appointed a member with effect from 1 September 2012). Mr. Cheung Sum, Sam resigned as an ED with effect from 1 September 2012 and ceased to be a member of the Remuneration Committee on the same date.

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 the Directors and senior management. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the respective website 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 the 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, so as 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, consider the terms of appointment of an ED and the grant of share options to the EDs.

(4.2) Audit Committee

The Board established an Audit Committee on 31 March 2000 which currently comprises two INEDs, namely Mr. Leung Shu Yin, William (Chairman) and Mr. Lam Bing Kwan, and a NED, Dr. Lam Kin Ming (appointed a member with effect from 18 December 2012). Mr. Wan Yee Hwa, Edward retired as a NED on 18 December 2012 and ceased to be 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 INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise.

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

(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 the 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 websites of the Company and the Stock Exchange.

During the Year, 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 reports from the Independent Advisor were 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 year ended 31 July 2012, the unaudited interim results of the Company for the six months ended 31 January 2013 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 audit plan covering the Year.

On 8 October 2013, 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 of the Company ("**Independent Auditors**"). It also reviewed this Corporate Governance Report and certain internal control review reports on the Company prepared by the Independent Advisor.

(5) Chairman and Chief Executive

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

During the Year and up to the date of this Report, Dr. Lam Kin Ngok, Peter was the Chairman of the Company while Mr. Lau Shu Yan, Julius was the Chief Executive Officer of the Company.

(6) Non-Executive Directors

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

(7) Nomination Of Directors

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies (including the board diversity policy) 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. Lam Hau Yin, Lester, an ED with effect from 1 November 2012.

(8) Board Diversity Policy

The Company has adopted a board diversity policy ("**Policy**") in July 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises Board diversity will strengthen the Company's strategic objectives in driving business results; enhancing good corporate governance and reputation; and attracting and retaining talent for the Board.

Board diversity ensures the Board has the appropriate balance and level of skills, experience and perspective required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the EDs, the Board will set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The EDs will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

A copy of the Policy is published on the Company's website for public information.

(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, Ernst & Young, Certified Public Accountants, ("**Ernst & Young**") for the Year amounted to HK$2,885,000 and HK$1,242,000, respectively. The non-audit services mainly consist of advisory, review, tax compliance service and other reporting services.

(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.

(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 general meeting during the Year is set out in the following table:

Meetings held during the Year

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	General Meeting
Number of Meetings held	5	2	3	1
	Number of meetings attended/ Number of meetings held			
Executive Directors				
Lam Kin Ngok, Peter *(Chairman)*	5/5	—	—	0/1
Chew Fook Aun *(Deputy Chairman)* *(Note 1)*	5/5	—	3/3	1/1
Lau Shu Yan, Julius *(Chief Executive Officer)*	5/5	—	—	1/1
Lam Hau Yin, Lester *(Note 2)*	4/4	—	—	1/1
Lui Siu Tsuen, Richard *(Note 3)*	1/1	—	—	—
Cheung Sum, Sam *(Note 4)*	N/A	N/A	N/A	N/A
Non-executive Directors				
Lam Kin Ming *(Note 5)*	1/5	1/1	—	0/1
U Po Chu	4/5	—	—	0/1
Wan Yee Hwa, Edward *(Note 6)*	2/2	1/1	—	1/1
Independent Non-executive Directors				
Ip Shu Kwan, Stephen, GBS, JP	5/5	—	—	1/1
Lam Bing Kwan	5/5	2/2	3/3	1/1
Leung Shu Yin, William	5/5	2/2	3/3	1/1

Notes:

(1) Mr. Chew Fook Aun was appointed a member of the Remuneration Committee with effect from 1 September 2012.

(2) Mr. Lam Hau Yin, Lester was appointed an ED with effect from 1 November 2012.

(3) Mr. Lui Siu Tsuen, Richard resigned as an ED with effect from 1 November 2012.

(4) Mr. Cheung Sum, Sam resigned as an ED with effect from 1 September 2012 and ceased to be a member of the Remuneration Committee on the same date.

(5) Dr. Lam Kin Ming was appointed a member of the Audit Committee with effect from 18 December 2012.

(6) Mr. Wan Yee Hwa, Edward retired as a NED on 18 December 2012 and ceased to be a member of the Audit Committee on the same date.

(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 July 2006, the Board has been engaging the Independent Advisor to conduct various agreed upon reviews over the Company's internal control systems (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 taken.

(15) Company Secretary

During the year, the company secretary of the Company ("**Company Secretary**") has complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

(16) Communication with Shareholders

(16.1) 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.laisun.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 and the Memorandum and Articles of Association of the Company are made available on the Company's website and the latter is also posted on the website of the Stock Exchange;

(iv) AGMs and extraordinary general meetings ("**EGMs**") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

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

(16) Communication with Shareholders (continued)

(16.2) Details of the last general meeting

The last general meeting of the Company, being the AGM for 2012 ("**2012 AGM**"), was held at 11:00 a.m. on 18 December 2012 at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong. At the 2012 AGM, Shareholders approved by a vast majority of votes (i) the adoption of 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; (ii) the election of Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester and the re-election of Dr. Lam Kin Ngok, Peter as EDs, (iii) the authorisation for the Board to fix the remuneration of the Directors; (iv) the re-appointment of Ernst & Young as the Independent Auditors for the Year and the authorisation for the Board to fix their remuneration; (v) the granting to the Directors a general mandate to issue, allot and deal with additional shares of the Company of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company; and (vi) the approval of the increase in authorised share capital of the Company from HK$270,000,000.00 divided into 27,000,000,000 Shares to HK$380,000,000.00 divided into 38,000,000,000 Shares by the creation of an additional 11,000,000,000 Shares of HK$0.01 each and the matters contemplated thereby. The notice of the 2012 AGM and the poll results announcement in respect of the 2012 AGM were published on the websites of both the Stock Exchange and the Company on 19 November 2012 and 18 December 2012, respectively.

(17) Shareholders' Rights

(17.1) Procedures for Shareholders to convene an EGM

Pursuant to the Articles of Association and the Companies Ordinance, Chapter 32 of the Laws of Hong Kong ("**Companies Ordinance**"), 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 ("**EGM Requisitionists**") can deposit a written request to convene an EGM at the registered office of the Company ("**Registered Office**"), which is presently situated at the 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention of the Company Secretary.

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

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

(17) Shareholders' Rights (continued)

(17.1) Procedures for Shareholders to convene an EGM (continued)

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM for a day not more than twenty-eight (28) days after the date on which the notice convening the EGM is given, provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. Any reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be repaid to the EGM Requisitionists by the Company.

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

Pursuant to Section 115A of the Companies Ordinance, either any number of the registered Shareholders holding not less than one-fortieth (2.5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 50 registered Shareholders holding shares on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000, can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the 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 (17.1) 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.

(17.3) 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 (Shareholders' Right sub-section) of the Company's website at www.laisun.com.

(17.4) 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
E-mail: lscomsec@laisun.com

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

(18) Investor Relations

To ensure our investors have a better understanding of the Company, our management has engaged in a pro-active investor relations programme. Our Deputy Chairman and the 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 business strategy.

The Company has met with a number of research analysts and investors, attended conferences as well as deal and non-deal roadshows as follows:

Month	Event	Organiser	Location
August 2012	UBS Hong Kong/China Property Conference 2012	UBS	Hong Kong
September 2012	JP Morgan Hong Kong Property Corporate Access Days	JP Morgan	Hong Kong
October 2012	Post full year results non-deal roadshow	UBS	Hong Kong
November 2012	Post full year results non-deal roadshow	DBS	Singapore
November 2012	Non-deal Lai Sun Development Company Limited fixed income roadshow	BNP Paribas/ HSBC/Standard Chartered Bank	Hong Kong/ Singapore
November 2012	Post full year results non-deal roadshow/HSBC Asia Corporate Day	HSBC	London
November 2012	Post full year results non-deal roadshow	JP Morgan	New York/ Philadelphia/ San Francisco
December 2012	Investors luncheon	Daiwa Securities	Hong Kong
January 2013	Investors luncheon	Bank of China International	Hong Kong
January 2013	Non-deal roadshow	UOB Kay Hian	Taipei
April 2013	Post results non-deal roadshow	CLSA/Daiwa Securities	Hong Kong
April 2013	Post results non-deal roadshow	DBS	Singapore

(18) Investor Relations (continued)

Month	Event	Organiser	Location
April 2013	Post results non-deal roadshow	CIMB	Kuala Lumpur
April 2013	The Pulse of Asia Conference	DBS	Hong Kong
April 2013	Deal roadshow — Lai Fung Holdings Limited CNY senior notes	HSBC/JP Morgan/ DBS	Singapore/ Hong Kong
April 2013	HK/China Property Conference 2013	UBS	Hong Kong
April 2013	HSBC 4th Annual Greater China Property Conference	HSBC	Hong Kong
May 2013	Macquarie Greater China Conference 2013	Macquarie	Hong Kong
May 2013	Post results non-deal roadshow	AM Capital	London
May 2013	Post results non-deal roadshow	Daiwa Securities	Paris
May 2013	Post results non-deal roadshow	Morgan Stanley	New York
May 2013	Post results non-deal roadshow	Daiwa Securities	New York/ Denver/ San Francisco
June 2013	Post results non-deal roadshow	UBS	Zurich/ Edinburgh
June 2013	CIMB 11th Annual Asia Pacific Leaders' Conference	CIMB	London
June 2013	Post results non-deal roadshow	HSBC	Sydney
July 2013	The Pulse of Asia Conference July 2013	DBS	Singapore
August 2013	Investors luncheon	Bank of China International	Hong Kong

(18) Investor Relations (continued)

The Company also had research reports published as follows:

Firm	Analyst	Publication Date
Daiwa Capital Markets	Jonas Kan	22 March 2013
DBS	Allen Chan, Jeff Yau	30 April 2013
Macquarie	David Ng, Raymond Liu, Jeffrey Gao	11 May 2013
UOB Kay Hian	Cynthia Chan, Sylvia Wong	10 September 2013

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

Executive Directors

Each of the current executive directors of the Company ("**Executive Directors**") named below holds directorships in a number or certain of the subsidiaries of the Company and all of them hold directorships in all or certain of the Company's listed affiliates, namely Lai Sun Garment (International) Limited ("**LSG**"), eSun Holdings Limited ("**eSun**"), Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGH**"). The issued shares of LSG, eSun and Lai Fung are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and MAGH's issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. LSG is the ultimate holding company of the Company which in turn is the controlling shareholder of eSun, while eSun is the ultimate holding company of Lai Fung and MAGH.

Dr. Lam Kin Ngok, Peter, Chairman, aged 56, has been an Executive Director since June 1977 and is presently a member of the Executive Committee of the Company. He is also the deputy chairman and executive director of LSG, an executive director of eSun and Crocodile Garments Limited ("**CGL**"), a company listed on the Main Board of the Stock Exchange as well as the chairman and an executive director of MAGH. Dr. Lam was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012. Dr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. He was conferred an Honorary Doctorate by The Hong Kong Academy for Performing Arts in June 2011.

Currently, Dr. Lam is the chairman of the Hong Kong Tourism Board and an ex officio member of the Hong Kong Trade Development Council. He is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the vice chairman of the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese. In addition, Dr. Lam 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, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a member of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited and a member of Aviation Development Advisory Committee. On 7 October 2013, Dr. Lam was appointed a non-official member of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland for a term of two years from 7 October 2013 to 6 October 2015. Dr. Lam is the son of Madam U Po Chu (a Non-executive Director of the Company), the younger brother of Dr. Lam Kin Ming (another Non-executive Director of the Company) and the father of Mr. Lam Hau Yin, Lester (an Executive Director of the Company).

Mr. Chew Fook Aun, aged 51, was appointed the deputy chairman and an Executive Director on 5 June 2012 and is presently a member of the Executive Committee and Remuneration Committee. He was also appointed a deputy chairman and an executive director of LSG, an executive director of eSun and the chairman and an executive director of Lai Fung.

Mr. Chew has over 25 years of experience in accounting, auditing and finance in the United Kingdom ("**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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Institute of Chartered Accountants in England and Wales. He was also a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of 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. He also served as a member of the advisory committee of the Securities and Futures Commission from June 2007 to May 2013.

Executive Directors (continued)

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. Lau Shu Yan, Julius, Chief Executive Officer, aged 57, joined the Company as an Executive Director in July 1991 and is a member of the Executive Committee of the Company. He is also an executive director of Lai Fung. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of The Real Estate Developers Association of Hong Kong.

Mr. Lam Hau Yin, Lester, aged 32, was appointed an Executive Director and a member of the Executive Committee of the Company with effect from 1 November 2012. He is also an executive director of LSG and eSun as well as an executive director and the chief executive officer of Lai Fung. Further, Mr. Lam is an alternate director to Madam U Po Chu in her capacity as an executive director of LSG.

Mr. Lam holds a Bachelor of Science in Business Administration degree from Northeastern University, Boston, the United States of America. He joined the Company as a vice president in January 2004 and has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment. He is a son of Dr. Lam Kin Ngok, Peter (Chairman and an Executive Director of the Company), a nephew of Dr. Lam Kin Ming (a Non-executive Director of the Company) and a grandson of Madam U Po Chu (another Non-executive Director of the Company).

Non-Executive Directors

Dr. Lam Kin Ming, aged 76, has been a Director of the Company since June 1959 and presently a member of the Audit Committee. He is also the chairman and an executive director of LSG, the deputy chairman and an executive director of Lai Fung and the chairman, the chief executive officer and an executive director of CGL. The issued shares of LSG, Lai Fung and CGL are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company. Dr. Lam has been involved in the management of garment business since 1958. He received an honorary doctoral degree from the International American University in the United States of America in 2009. He is the elder brother of Dr. Lam Kin Ngok, Peter (Chairman and an Executive Director of the Company) and an uncle of Mr. Lam Hau Yin, Lester (an Executive Director of the Company).

Madam U Po Chu, aged 88, has been a Director of the Company since December 1993. She is also a non-executive director of eSun and an executive director of Lai Fung. Further, Madam U has been re-designated as an executive director of LSG with effect from 27 November 2012. The issued shares of LSG, eSun and Lai Fung are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company while the Company is the controlling shareholder of eSun which in turn is the ultimate holding company of Lai Fung. Saved as disclosed above, Madam U does not hold other directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Non-Executive Directors (continued)

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 (Chairman and Executive Director of the Company) and the grandmother of Mr. Lam Hau Yin, Lester (an Executive Director of the Company). Saved as disclosed above, Madam U does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Madam U does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association of the Company ("**Articles of Association**"), she will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming annual general meeting of the Company ("**AGM**") and will also be eligible for re-election at future AGMs. Madam U presently receives an annual director's fee of HK$250,000.

As at the date of this annual report, Madam U is interested or deemed to be interested within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**") in 489,119,375 shares in LSG and 897,316 Shares in the Company. Save as disclosed herein, Madam U does not hold any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning or Part XV of the SFO.

For the purpose of her re-election as a director of the Company at the forthcoming AGM in accordance with Article 102 of the Articles of Association, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Independent Non-Executive Directors

Mr. Lam Bing Kwan, aged 63, was appointed an Independent Non-Executive Director in July 2002 and is a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in the property development and investment in China, having been actively involved in this industry since the mid-1980's. Mr. Lam has served on the boards of directors of a number of listed companies in Hong Kong for over 10 years and is currently a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited and an independent non-executive director of LSG, Lai Fung and eForce Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company.

Mr. Leung Shu Yin, William, aged 64, was appointed an Independent Non-Executive Director in September 2004 and is the chairman of both the Remuneration Committee and the Audit Committee of the Company. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is a practising director of two certified public accountants' firms in Hong Kong and is also an independent non-executive director of LSG, CGL and Mainland Headwear Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. LSG is the ultimate holding company of the Company.

Independent Non-Executive Directors (continued)

Mr. Ip Shu Kwan, Stephen, aged 62, was appointed an Independent Non-Executive Director of the Company in December 2009. Mr. Ip graduated from the University of Hong Kong with a Bachelor degree in Social Sciences in 1973. He joined the Hong Kong Government in November 1973 and was promoted to the rank of Director of Bureau in April 1997. He worked in the Hong Kong Special Administrative Region Government as a Principal Official from July 1997 to June 2007. Senior positions held by Mr. Ip in the past included Commissioner of Insurance, Commissioner for Labour, Secretary for Economic Services and Secretary for Financial Services. Mr. Ip took up the position of Secretary for Economic Development and Labour on 1 July 2002. His portfolio in respect of economic development covered air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. He was also responsible for labour policies including matters relating to employment services, labour relations and employees' rights. Mr. Ip retired from the Government of the Hong Kong Special Administrative Region ("**HKSAR**") in July 2007. Mr. Ip received the Gold Bauhinia Star award from the Government of the HKSAR in 2001 and is an unofficial Justice of the Peace.

Mr. Ip is currently an independent non-executive director of four other publicly-listed companies, namely Synergis Holdings Limited, China Resources Cement Holdings Limited, Kingboard Laminates Holdings Limited and Luk Fook Holdings (International) Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. He was formerly an independent non-executive director of Goldpoly New Energy Holdings Limited, Milan Station Holdings Limited, PICC Property and Casualty Company Limited, Viva China Holdings Limited and Yangtze China Investment Limited. Saved as disclosed above, Mr. Ip does not hold other directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Ip does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Ip presently receives an annual director's fee of HK$250,000.

Save as disclosed above, Mr. Ip does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this annual report, Mr. Ip does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of his re-election as a director of the Company at the forthcoming AGM in accordance with Article 102 of the Articles of Association, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

Note:

*Madam U Po Chu and Mr. Ip Shu Kwan, Stephen ("**Retiring Directors**") will retire as directors at the forthcoming AGM. Being eligible, they offer themselves for re-election. For the purpose of each of the Retiring Directors' re-election, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.*

The directors of the Company ("**Directors**") present their report and the audited financial statements of the Company and its subsidiaries ("**Group**") for the year ended 31 July 2013 ("**Year**").

Principal Activities

During the Year, the Group's principal activities have not changed and the Group focused on property development, property investment, investment in and operation of a hotel in Vietnam and restaurants in Hong Kong and the Mainland of China, and investment holding.

Results And Dividends

Details of the consolidated profit of the Company for the Year and the state of affairs of the Company and of the Group as at 31 July 2013 are set out in the financial statements and their accompanying notes on pages 59 to 147.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2012: Nil). No interim dividend was paid or declared in respect of the Year (2012: Nil).

Reserves

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and note 32 to the financial statements, respectively.

Distributable Reserves

As at 31 July 2013, the Company did not have any reserves for distribution in accordance with the provisions of section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong.

Share Capital

Details of the movements in the Company's share capital during the Year are set out in note 30 to the financial statements.

Directors

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

Executive Directors ("EDs")

Lam Kin Ngok, Peter ("**Dr. Peter Lam**") *(Chairman)*	
Chew Fook Aun *(Deputy Chairman)*	
Lau Shu Yan, Julius *(Chief Executive Officer)*	
Lam Hau Yin, Lester ("**Mr. Lester Lam**")	*(appointed with effect from 1 November 2012)*
Lui Siu Tsuen, Richard	*(resigned with effect from 1 November 2012)*
Cheung Sum, Sam	*(resigned with effect from 1 September 2012)*

Non-executive Directors ("NEDs")

Lam Kin Ming ("**Dr. KM Lam**")	
U Po Chu ("**Madam U**")	
Wan Yee Hwa, Edward	*(retired on 18 December 2012)*

Independent Non-executive Directors ("INEDs")

Ip Shu Kwan, Stephen, GBS, JP ("**Mr. Stephen Ip**")
Lam Bing Kwan
Leung Shu Yin, William

Directors (continued)

In accordance with Article 102 of the Articles of Association of the Company, Madam U and Mr. Stephen Ip ("**Retiring Directors**") will retire by rotation at the forthcoming annual general meeting of the Company ("**AGM**"). Being eligible, they offer themselves for re-election.

Details of the Retiring Directors proposed for re-election required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") are set out in the section headed "Biographical Details of Directors" of this Annual Report and the section headed "Directors' Interests" of this Report.

Biographical Details of Directors

Brief biographical particulars of the existing Directors are set out on pages 38 to 41 of this Annual Report. Directors' other particulars are contained in this Report and elsewhere in this Annual Report.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming AGM 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 5 to the financial statements headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" of this Report below, 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 5 to the financial statements headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in 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

The Company had certain continuing connected transaction ("**CCTs**") (as defined in the Listing Rules) during the Year, brief particulars of which are as follows:—

(1) Crocodile Garments Limited Lease

As reported in the annual report of the Company for the year ended 31 July 2012, on 14 October 2011, the Company as landlord entered into an offer letter ("**Offer Letter**") with Crocodile Garments Limited ("**CGL**") as tenant for the lease of Unit 1001, 10th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong ("**Premises**") for a term of 24 months from 1 October 2011 to 30 September 2013 ("**CG Lease**") at a monthly rental of HK$222,970 (exclusive of rates, government rent, management fee and air-conditioning charges).

Dr. KM Lam, a NED of the Company, owned approximately 50.94% of the issued shares in CGL at the relevant time and currently owns approximately 50.82% of the existing issued shares in CGL. Therefore, CGL is an associate of Dr. KM Lam and a connected person of the Company. Dr. KM Lam is also an executive director, the chairman and the chief executive officer of CGL. Accordingly, the lease of the Premises contemplated under the Offer Letter constituted CCT for the Company under the Listing Rules.

The CG Lease was early terminated on 31 March 2013 as announced in the joint announcement published by the Company and, among others, Lai Sun Garment (International) Limited ("**LSG**") on 24 May 2013.

(2) Mass Energy Limited Tenancy Agreement

As reported in the annual report of the Company for the year ended 31 July 2012, the Company announced on 13 January 2012, Winfield Properties Limited ("**Winfield Properties**"), a wholly-owned subsidiary of the Company, as tenant entered into a tenancy agreement with Mass Energy Limited ("**Mass Energy**") as landlord for the lease of the car-parking spaces ("**Carpark**") of Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong, for a term of 24 months from 1 December 2011 to 30 November 2013 at a basic rent of HK$120,000 per month or at a turnover rent equivalent to 52% of the monthly turnover of Winfield Properties' business carried on at the Carpark, whichever is higher ("**Tenancy Agreement**").

The Company also announced on 17 September 2012 that the cap amount for the year ended 31 July 2013 and for the period from 1 August 2013 to 30 November 2013 had been revised from HK$1,800,000 and HK$652,000 to HK$2,316,000 and HK$812,000, respectively.

Mass Energy is owned as to 50% each by LSG and CGL. LSG is the ultimate holding company of the Company and CGL is a connected person of the Company as mentioned in section (1) above. Mass Energy is, therefore, an associate of the connected persons of the Company and the Tenancy Agreement constituted CCT for the Company under the Listing Rules.

Continuing Connected Transactions (continued)

The CCTs listed under sections (1) and (2) above have been reviewed by the INED(s) who have/has 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 agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, Certified Public Accountants ("**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 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 Rule 14A.38 of the Listing Rules.

Directors' Interests in Competing Businesses

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

Dr. Peter Lam, Dr. KM Lam, Madam U and Mr. Lester Lam ("**Interested Directors**") held shareholding interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong including CGL.

Dr. Peter Lam held shareholding or other interests and/or directorships in companies or entities engaged in the business of investment in and operation of restaurants in Hong Kong.

Dr. KM Lam held shareholding or other interests and/or directorships in companies or entities engaged in the production of pop concerts, music production and distribution and management of artistes.

The Directors do not consider the interests held by the Interested Directors to be competing in practice with the relevant business of the Group in view of:

(1) different locations and different uses of the properties owned by the above companies and those of the Group; and

(2) different target customers of the restaurant operations as well as the concerts and albums of the above companies and those of the Group.

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 Scheme

The Company adopted a share option scheme ("**Scheme**") on 22 December 2006 and the Scheme became effective on 29 December 2006 ("**Commencement Date**"). The purpose of the Scheme is to provide incentives or rewards to any eligible employee and director of the Company or any of its subsidiaries, any agent or consultant of any member of the Group or any employee of the shareholder of any member of the Group or any holder of any securities issued by any member of the Group for their contribution or would be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Unless otherwise altered or terminated, the Scheme will be valid and effective for a period of 10 years commencing on the Commencement Date.

Details of the Share Option Scheme are set out in note 31 to the financial statements.

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 July 2013 and their respective associates (as defined in the Listing Rules) were interested or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**") or (d) as known to the Directors:

(1) The Company

Long positions in the ordinary shares of HK$0.01 each of the Company ("Shares") and the underlying Shares

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	14,307,745	Nil	10,024,465,353 *(Note 1)*	20,062,893 *(Note 3)*	10,058,835,991	50.14%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	200,628,932 *(Note 3)*	200,628,932	1.00%
Lau Shu Yan, Julius	Beneficial owner	8,783,333	Nil	Nil	100,314,466 *(Note 3)*	109,097,799	0.544%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	200,628,932 *(Note 3)*	200,628,932	1.00%
U Po Chu *(Note 2)*	Beneficial owner	897,316	Nil	Nil	Nil	897,316	0.004%

(1) The Company (continued)

Notes:

(1) *Lai Sun Garment (International) Limited ("**LSG**") and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned a total of 10,024,465,353 Shares, representing approximately 49.97% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,024,465,353 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 40.15% in the issued share capital of LSG. LSG is approximately 10.16% owned by Dr. Lam Kin Ngok, Peter and is approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam Kin Ngok, Peter.*

(2) *Madam U Po Chu is the widow of the late Mr. Lim Por Yen whose estate includes an interest of 197,859,550 Shares, representing approximately 0.99% of the issued share capital of the Company.*

(3) *A share option scheme was adopted by the Company on 22 December 2006 and commenced with effect from 29 December 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester, particulars of which are set out below:*

Registered Name	Date of grant	Number of underlying Shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	20,062,893	18/01/2013-17/01/2023	HK$0.335 per Share
Chew Fook Aun	05/06/2012	200,628,932	05/06/2012-04/06/2022	HK$0.112 per Share
Lau Shu Yan, Julius	18/01/2013	100,314,466	18/01/2013-17/01/2023	HK$0.335 per Share
Lam Hau Yin, Lester	18/01/2013	200,628,932	18/01/2013-17/01/2023	HK$0.335 per Share

Directors' Interests (continued)

(2) Associated Corporations

(i) Lai Sun Garment (International) Limited ("LSG") — the ultimate holding company of the Company

Long positions in the ordinary shares of HK$0.01 each and the underlying shares in LSG

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	162,744,319	Nil	484,991,750 *(Note 1)*	1,617,423 *(Note 2)*	649,353,492	40.15%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	16,174,234 *(Note 2)*	16,174,234	1.00%
Lam Hau Yin, Lester	Beneficial owner	60,623,968	Nil	Nil	16,174,234 *(Note 2)*	76,798,202	4.75%
Lam Kin Ming	Beneficial owner	5,008,263	Nil	Nil	Nil	5,008,263	0.31%
U Po Chu	Beneficial owner/ Owner of controlled corporations	4,127,625	Nil	484,991,750 *(Note 1)*	Nil	489,119,375	30.24%

Notes:

(1) Both Dr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares by virtue of their respective 50% interests in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in LSG.

(2) A share option scheme was adopted by LSG on 22 December 2006 and commenced with effect from 29 December 2006. A share option was granted to each of Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, particulars of which are set out below:

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	1,617,423	18/01/2013-17/01/2023	HK$1.41 per share
Chew Fook Aun	05/06/2012	16,174,234	05/06/2012-04/06/2022	HK$0.582 per share
Lam Hau Yin, Lester	18/01/2013	16,174,234	18/01/2013-17/01/2023	HK$1.41 per share

Directors' Interests (continued)

(2) Associated Corporations (continued)

(ii) eSun Holdings Limited ("eSun") — an associate of the Company

Long positions in the ordinary shares of HK$0.50 each and the underlying shares in eSun

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	Nil	496,404,186 *(Note 1)*	1,243,212 *(Note 2)*	500,441,841	40.25%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	6,216,060 *(Note 2)*	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	12,432,121 *(Note 2)*	15,226,564	1.22%

Notes:

(1) *LSG was interested in 10,024,465,353 Shares in the Company, representing approximately 49.97% of the issued share capital of the Company. Transtrend Holdings Limited, a wholly-owned subsidiary of the Company, was interested in 496,404,186 shares in eSun, representing approximately 39.93% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 496,404,186 shares in eSun (representing approximately 39.93% of eSun's issued share capital) by virtue of, in aggregate, his personal and deemed interests of approximately 40.15% and 50.14% in the issued share capital of LSG and the Company, respectively.*

(2) *A share option scheme was adopted by eSun on 23 December 2005 and commenced with effect from 5 January 2006. A share option was granted to Dr. Lam Kin Ngok, Peter, Mr. Chew Fook Aun and Mr. Lam Hau Yin, Lester, particulars of which are set out below:*

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	1,243,212	18/01/2013-17/01/2023	HK$1.612 per share
Chew Fook Aun	05/06/2012	6,216,060	05/06/2012-04/06/2022	HK$0.92 per share
Lam Hau Yin, Lester	18/01/2013	12,432,121	18/01/2013-17/01/2023	HK$1.612 per share

Directors' Interests (continued)

(2) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited ("Lai Fung") — a subsidiary of eSun

(a) Long positions in the ordinary shares of HK$0.10 each and the underlying shares in Lai Fung

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	Nil	7,960,375,422 *(Note 1)*	16,095,912 *(Note 2)*	7,976,471,334	49.56%
Chew Fook Aun	Beneficial owner	Nil	Nil	Nil	80,479,564 *(Note 2)*	80,479,564	0.50%
Lau Shu Yan, Julius	Beneficial owner	12,917,658	Nil	Nil	48,287,738 *(Note 2)*	61,205,396	0.38%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	Nil	160,959,129 *(Note 2)*	160,959,129	1.00%

(b) Interests in the 9.125% Senior Notes due 2014 issued by Lai Fung ("Senior Notes")

Name of Director	Capacity	Nature of interests	Principal amount
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	US$1,025,000 *(Note 1)*
Lau Shu Yan, Julius	Beneficial owner	Personal	US$300,000

Notes:

(1) eSun was interested in 7,960,375,422 shares in Lai Fung, representing approximately 49.46% of the issued share capital of Lai Fung and in the principal amount of US$1,025,000 of the Senior Notes issued by Lai Fung. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 7,960,375,422 issued shares in Lai Fung and the same principal amount of US$1,025,000 of the Senior Notes issued by Lai Fung by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 40.25% in the issued share capital of eSun.

Dr. Lam Kin Ngok, Peter stepped down as the chairman of the board of directors and an ED of Lai Fung with effect from 1 November 2012.

(2) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited ("Lai Fung") — a subsidiary of eSun (continued)

Notes: (continued)

(2) *A share option scheme was adopted by Lai Fung on 21 August 2003 and commenced with effect from 28 August 2003 ("**Old Scheme**"). A new share option scheme was adopted by Lai Fung on 18 December 2012 and commenced with effect from 20 December 2012 ("**New Scheme**"). A share option was granted to Mr. Chew Fook Aun under the Old Scheme and remains exercisable though the Old Scheme was terminated on 20 December 2012. A share option was also granted to each of Dr. Lam Kin Ngok, Peter, Mr. Lau Shu Yan, Julius and Mr. Lam Hau Yin, Lester under the New Scheme, particulars of the share options granted in the above schemes are set out below:*

Registered Name	Date of grant	Number of underlying shares comprised in the option	Option period	Subscription price
Lam Kin Ngok, Peter	18/01/2013	16,095,912	18/01/2013-17/01/2023	HK$0.228 per share
Chew Fook Aun	12/06/2012	80,479,564	12/06/2012-11/06/2020	HK$0.133 per share
Lau Shu Yan, Julius	18/01/2013	48,287,738	18/01/2013-17/01/2023	HK$0.228 per share
Lam Hau Yin, Lester	18/01/2013	160,959,129	18/01/2013-17/01/2023	HK$0.228 per share

(iv) Media Asia Group Holdings Limited ("MAGHL") — a subsidiary of eSun

Long positions in the shares and underlying shares in MAGHL

Name of Director	Capacity	Number of ordinary shares of HK$0.01 each held	Number of underlying shares (convertible notes)	Deemed interest pursuant to section 317 of the SFO *(Note 2)*	Total interests	Approximate % of total interests to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	6,712,925,500 *(Note 1)*	14,132,500,000 *(Note 1)*	11,171,573,103	32,016,998,603	243.66%

Notes:

(1) *Perfect Sky Holdings Limited ("**Perfect Sky**"), a wholly-owned subsidiary of eSun, was interested in 6,712,925,500 shares and 14,132,500,000 underlying shares in MAGHL. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 20,845,425,500 shares and underlying shares in MAGHL by virtue of, in aggregate, his personal and deemed shareholding interests of approximately 40.25% in the issued share capital of eSun.*

(2) *Dr. Lam Kin Ngok, Peter was deemed to be interested in the 11,171,573,103 shares and underlying shares in MAGHL pursuant to section 317 of the SFO since eSun was deemed to be interested in the shares and the underlying shares in MAGHL held by the parties (other than MAGHL) to a subscription agreement dated 23 March 2011 and entered into amongst Perfect Sky and such parties for the subscription of certain shares in and convertible notes of MAGHL, and their respective ultimate beneficial owners.*

Save as disclosed above, as at 31 July 2013, 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, or recorded in the Register of Directors and Chief Executive as aforesaid, notified under the Securities Code or otherwise known by the Directors.

Arrangements for Directors to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' Interests" in this Report and in note 31 headed "Share Option Scheme" 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 2013, so far as it is known by or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals, one being a Director of the Company, who had 5% or more interests in the following long positions in the Shares and underlying Shares of the Company 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 positions in the Shares and the underlying Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate % of Shares in issue
Substantial Shareholders				
Lai Sun Garment (International) Limited	Beneficial owner	Corporate	10,024,465,353	49.97%
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporation	Personal and corporate	10,058,835,991	50.14% *(Note)*

Note:

LSG and two of its wholly-owned subsidiaries, namely Zimba International Limited and Joy Mind Limited, beneficially owned 10,024,465,353 Shares, representing approximately 49.97% of the issued share capital of the Company. Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 10,024,465,353 Shares by virtue of, in aggregate, his personal and deemed interests of approximately 40.15% in the issued share capital of LSG.

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 2013, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares of the Company recorded in the Register of Shareholders.

Purchase, Sale or Redemption of Listed Securities

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

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.

Property, Plant and Equipment, Investment Properties and Properties Under Development for Sale

Details of the movements in the property, plant and equipment, investment properties and properties under development for sale of the Company and the Group during the Year are set out in notes 14, 16 and 17, respectively, to the financial statements. Further details of the Group's investment properties and properties under development for sale are set out in the "Particulars of Major Properties" of this Annual Report.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2013 are set out in note 18 to the financial statements.

Charitable Contributions

During the Year, the Group made charitable contributions totalling approximately HK$3,746,000.

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.

During the Year, the Group's purchases from its five largest suppliers accounted for approximately 40% of the Group's total purchases, while the largest supplier accounted for approximately 27% of the Group's total purchases. None of the Directors or any of their associates or any Shareholders, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest suppliers.

Disclosure Pursuant to Paragraph 13.21 of Chapter 13 of the Listing Rules

On 26 October 2012, the Company entered into a facility agreement ("**LSD Facility Agreement**") related to a term loan and revolving credit facility of up to HK$2,200 million ("**LSD Facility**") to be made available to the Company, as borrower, for a period of up to three years commencing 26 October 2012 ("**LSD Facility Period**").

Pursuant to the LSD Facility Agreement, the Company has undertaken to procure that Dr. Peter Lam and his family, will, at all times during the LSD Facility Period, remain as the single largest shareholder of the Company (directly or indirectly) and will maintain control over the management of the Company.

At 31 July 2013, the outstanding loan balance of the LSD Facility amounted to approximately HK$1,058,750,000.

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 years is set out in the "Financial Summary" of this Annual Report on pages 19 and 20.

Disclosure Pursuant to Paragraph 13.22 of Chapter 13 of the Listing Rules

Financial assistance and guarantees to affiliated companies

As at 31 July 2013, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded the assets ratio of 8% under the Listing Rules.

In compliance with paragraph 13.22 of Chapter 13 of the Listing Rules, the pro forma combined statement of financial position of the affiliated companies as at 31 July 2013 is disclosed as follows:

	HK$'000
Property, plant and equipment	2,928,778
Properties under development	759,175
Investment property under construction	4,606,107
Investment properties	13,706,233
Film rights	47,225
Film products	101,223
Music catalogs	20,665
Goodwill	10,435
Other intangible assets	64,018
Interests in associates	42,133
Interests in joint ventures	1,092,289
Available-for-sale investments	158,491
Deposits, prepayments and other receivables	159,403
Deferred tax assets	3,738
Amount due from shareholders	9,627
Net current assets	6,429,428
Total assets less current liabilities	30,138,968
NON-CURRENT LIABILITIES	
Long term deposits received	(133,690)
Long term borrowings	(3,126,586)
Convertible notes	(60,357)
Fixed rate senior notes	(2,223,610)
Derivative financial instruments	(43,712)
Deferred tax liabilities	(2,367,094)
Deferred income	(47,846)
Amount due to shareholders	(5,205,914)
	(13,208,809)
	16,930,159
CAPITAL AND RESERVES	
Issued capital	644,042
Share premium account	4,230,797
Contributed surplus	891,289
Investment revaluation reserve	8,570
Share option reserve	15,258
Hedging reserve	(29,516)
Exchange reserve	189,600
Other reserve	375,271
Accumulated profits	2,591,311
	8,916,622
Non-controlling interests	8,013,537
	16,930,159

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 23 to 37.

Independence of Independent Non-Executive Directors

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

Review by Audit Committee

The Audit Committee of the Company comprises two INEDs, Mr. Leung Shu Yin, William and Mr. Lam Bing Kwan and a NED, Dr. Lam Kin Ming. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the Year.

Independent Auditors

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

On behalf of the Board

Chew Fook Aun
Executive Director and Deputy Chairman

Hong Kong
9 October 2013

Key Dates

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

	For Financial Year 2012/2013
Annual results announcement	9 October 2013
Latest time and date for lodging transfer documents with the share registrars to ascertain entitlement to attending and voting at the 2013 annual general meeting ("**AGM**")	4:30 p.m. on 19 November 2013
AGM	22 November 2013

	For Financial Year 2013/2014
Interim results announcement	on or before 31 March 2014
Annual results announcement	on or before 31 October 2014

Annual Report

To ensure that all shareholders have equal and timely access to important corporate information, the Company makes extensive use of its website to deliver up-to-date information. This 2012-2013 Annual Report is printed in both English and Chinese and is available on the Company's website at www.laisun.com.

AGM

The AGM will be held on 22 November 2013. Details of the AGM are set out in the notice of the AGM which constitutes part of this Annual Report. Notice of the AGM and the proxy form are also available on the Company's website.

ERNST & YOUNG
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To the shareholders of Lai Sun Development Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Lai Sun Development Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 59 to 147, which comprise the consolidated and company statements of financial position as at 31 July 2013, 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 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 141 of the Hong Kong Companies Ordinance, 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 2013, 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 Hong Kong Companies Ordinance.

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

9 October 2013

Consolidated Income Statement

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
TURNOVER	6	**963,757**	875,156
Cost of sales		**(374,807)**	(330,732)
Gross profit		**588,950**	544,424
Other revenue	6	**67,376**	19,346
Selling and marketing expenses		**(24,596)**	(13,784)
Administrative expenses		**(291,612)**	(301,857)
Other operating expenses, net		**(32,580)**	(38,388)
Employee share option benefits	31	**(50,810)**	(9,008)
Fair value gains on investment properties	16	**2,076,072**	793,709
(Provision)/reversal of provision for tax indemnity	34(c)	**(267,537)**	171,435
PROFIT FROM OPERATING ACTIVITIES	7	**2,065,263**	1,165,877
Finance costs	8	**(161,060)**	(49,823)
Share of profits and losses of associates		**(7,153)**	441,121
Share of profits and losses of joint ventures		**616,052**	710,968
Discount on acquisition of additional interest in an associate	19(a)	**134,930**	88,695
PROFIT BEFORE TAX		**2,648,032**	2,356,838
Tax	11	**(45,694)**	(31,110)
PROFIT FOR THE YEAR		**2,602,338**	2,325,728
Attributable to:			
Owners of the Company	12	**2,564,114**	2,282,568
Non-controlling interests		**38,224**	43,160
		2,602,338	2,325,728
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**HK$0.128**	HK$0.125
Diluted		**HK$0.127**	HK$0.125

Consolidated Statement of Comprehensive Income

Year ended 31 July 2013

	2013 **HK$'000**	2012 HK$'000
PROFIT FOR THE YEAR	**2,602,338**	2,325,728
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of available-for-sale financial assets	**33,727**	92,842
Exchange realignments	**(3,882)**	(3,845)
Share of other comprehensive income of an associate	**56,175**	(72,744)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**86,020**	16,253
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,688,358**	2,341,981
Attributable to:		
Owners of the Company	**2,650,173**	2,298,818
Non-controlling interests	**38,185**	43,163
	2,688,358	2,341,981

Consolidated Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**510,202**	350,817
Prepaid land lease payments	15	**23,982**	25,010
Investment properties	16	**10,736,496**	8,570,911
Properties under development for sale	17	**777,904**	1,309,418
Interests in associates	19(a)	**3,378,850**	3,083,687
Interests in joint ventures	19(b)	**5,688,684**	3,889,258
Available-for-sale financial assets	20	**1,198,321**	1,185,810
Pledged bank balances and time deposits	21	**134,692**	—
Deposits paid	22	**23,500**	61,500
Total non-current assets		**22,472,631**	18,476,411
CURRENT ASSETS			
Completed properties for sale	23	**765,591**	76,480
Equity investments at fair value through profit or loss	24	**7,489**	1,648
Inventories		**6,456**	5,305
Debtors, deposits paid and other receivables	25(a)	**122,348**	99,594
Held-to-maturity debt investments	26	**8,317**	—
Pledged bank balances and time deposits	21	**—**	106,037
Cash and cash equivalents	21	**3,123,631**	1,565,105
Total current assets		**4,033,832**	1,854,169
CURRENT LIABILITIES			
Creditors, deposits received and accruals	25(b)	**336,278**	243,603
Tax payable		**77,634**	61,627
Bank borrowings	27	**417,286**	1,104,818
Total current liabilities		**831,198**	1,410,048
NET CURRENT ASSETS		**3,202,634**	444,121
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,675,265**	18,920,532

Consolidated Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	27	**(2,661,322)**	(1,707,404)
Guaranteed notes	28	**(2,695,474)**	—
Amounts due to associates	19(a)	**—**	(20,799)
Deferred tax	29	**(105,694)**	(100,880)
Provision for tax indemnity	34(c)	**(614,672)**	(347,135)
Long term rental deposits received		**(68,152)**	(60,032)
Total non-current liabilities		**(6,145,314)**	(2,236,250)
		19,529,951	16,684,282
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	**200,629**	200,629
Share premium account		**7,429,332**	7,429,332
Investment revaluation reserve		**1,116,135**	1,079,452
Share option reserve		**64,622**	11,139
Hedging reserve		**(11,786)**	—
Capital redemption reserve		**1,200,000**	1,200,000
General reserve	30	**646,700**	630,400
Other reserve		**142,076**	78,823
Special capital reserve	30	**—**	—
Exchange fluctuation reserve		**96,941**	35,787
Retained profits		**8,243,123**	5,692,023
		19,127,772	16,357,585
Non-controlling interests		**402,179**	326,697
		19,529,951	16,684,282

Chew Fook Aun
Director

Lau Shu Yan, Julius
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2013

	Attributable to owners of the Company													
	Issued capital HK$'000	Share premium account HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Other reserve HK$'000	Special capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 August 2011	141,620	6,974,701	986,610	1,092	—	1,200,000	504,136	7,565	126,264	112,379	3,409,455	13,463,822	287,934	13,751,756
Profit for the year	—	—	—	—	—	—	—	—	—	—	2,282,568	2,282,568	43,160	2,325,728
Other comprehensive income/(expenses) for the year:														
Changes in fair value of available-for-sale financial assets	—	—	92,842	—	—	—	—	—	—	—	—	92,842	—	92,842
Exchange realignments	—	—	—	—	—	—	—	—	—	(3,848)	—	(3,848)	3	(3,845)
Share of other comprehensive income of an associate	—	—	—	—	—	—	—	—	—	(72,744)	—	(72,744)	—	(72,744)
Total comprehensive income/(expenses) for the year	—	—	92,842	—	—	—	—	—	—	(76,592)	2,282,568	2,298,818	43,163	2,341,981
Rights issue (note 30)	59,009	472,068	—	—	—	—	—	—	—	—	—	531,077	—	531,077
Share issue expenses (note 30)	—	(17,437)	—	—	—	—	—	—	—	—	—	(17,437)	—	(17,437)
Share of reserve movements of associates	—	—	—	1,039	—	—	—	71,258	—	—	—	72,297	—	72,297
Transfer of reserves (note 30)	—	—	—	—	—	—	126,264	—	(126,264)	—	—	—	—	—
Recognition of share-based payments	—	—	—	9,008	—	—	—	—	—	—	—	9,008	—	9,008
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(4,400)	(4,400)
At 31 July 2012 and 1 August 2012	200,629	7,429,332	1,079,452	11,139	—	1,200,000	630,400	78,823	—	35,787	5,692,023	16,357,585	326,697	16,684,282
Profit for the year	—	—	—	—	—	—	—	—	—	—	2,564,114	2,564,114	38,224	2,602,338
Other comprehensive income/(expenses) for the year:														
Changes in fair value of available-for-sale financial assets	—	—	33,727	—	—	—	—	—	—	—	—	33,727	—	33,727
Exchange realignments	—	—	—	—	—	—	—	—	—	(3,843)	—	(3,843)	(39)	(3,882)
Share of other comprehensive income of an associate	—	—	2,956	—	(11,786)	—	—	8	—	64,997	—	56,175	—	56,175
Total comprehensive income/(expenses) for the year	—	—	36,683	—	(11,786)	—	—	8	—	61,154	2,564,114	2,650,173	38,185	2,688,358
Share of reserve movements of associates	—	—	—	3,665	—	—	—	63,245	—	—	2,294	69,204	—	69,204
Transfer of reserves (note 30)														
— From retained profits to special capital reserve	—	—	—	—	—	—	—	—	16,300	—	(16,300)	—	—	—
— From special capital reserve to general reserve	—	—	—	—	—	—	16,300	—	(16,300)	—	—	—	—	—
Recognition of share-based payments	—	—	—	50,810	—	—	—	—	—	—	—	50,810	—	50,810
Lapse of share options	—	—	—	(992)	—	—	—	—	—	—	992	—	—	—
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	38,797	38,797
Repayment to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(1,500)	(1,500)
At 31 July 2013	**200,629**	**7,429,332**	**1,116,135**	**64,622**	**(11,786)**	**1,200,000**	**646,700**	**142,076**	**—**	**96,941**	**8,243,123**	**19,127,772**	**402,179**	**19,529,951**

Consolidated Statement of Cash Flows

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,648,032**	2,356,838
Adjustments for:			
Finance costs	8	**161,060**	49,823
Share of profits and losses of associates		**7,153**	(441,121)
Share of profits and losses of joint ventures		**(616,052)**	(710,968)
Discount on acquisition of additional interest in an associate		**(134,930)**	(88,695)
Fair value gains on investment properties		**(2,076,072)**	(793,709)
Provision/(reversal of provision) for tax indemnity	34(c)	**267,537**	(171,435)
Depreciation	7	**29,076**	24,518
Amortisation of prepaid land lease payments	7	**1,028**	1,028
(Gain)/loss on disposal of items of property, plant and equipment	7	**(82)**	4,331
Loss on disposal of an unlisted available-for-sale financial asset	7	**100**	—
Fair value loss on listed equity investments at fair value through profit or loss	7	**1,772**	803
(Gain)/loss on disposal of listed equity investments at fair value through profit or loss	7	**(220)**	10,334
Interest income	6	**(11,774)**	(5,640)
Dividend income from listed equity investments at fair value through profit or loss	6	**(52)**	(244)
Dividend income from unlisted available-for-sale financial assets	6	**(36,420)**	(160)
Employee share option benefits	7	**50,810**	9,008
		290,966	244,711
Increase in properties under development for sale		**(206,209)**	(200,944)
Decrease in completed properties for sale		**58,714**	70,717
(Increase)/decrease in inventories		**(1,151)**	573
(Increase)/decrease in debtors, deposits paid and other receivables		**(33,054)**	25,239
Increase in creditors, deposits received and accruals		**95,512**	23,883
Cash generated from operations		**204,778**	164,179
Interest received		**11,686**	4,178
Interest paid on bank borrowings		**(68,030)**	(49,298)
Interest paid on guaranteed notes		**(77,349)**	—
Hong Kong profits tax paid		**(11,266)**	(11,054)
Overseas taxes paid		**(13,607)**	(14,906)
Net cash flows from operating activities		**46,212**	93,099

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(248,708)**	(23,440)
Additions to investment properties		**(34,495)**	(29,114)
Deposit paid for acquisition of an investment property	22	**—**	(61,500)
Deposit paid for acquisition of a subsidiary	22	**(6,500)**	—
Deposit paid for purchase of items of property, plant and equipment	22	**(17,000)**	—
Acquisition of equity investments at fair value through profit or loss		**(33,868)**	(23,142)
Acquisition of an unlisted available-for-sale financial asset		**(11,650)**	(56,772)
Repayment from an unlisted debt investment		**32,766**	—
(Acquisition)/redemption of held-to-maturity debt investments		**(8,229)**	33,963
Proceeds from disposal of items of property, plant and equipment		**3,113**	—
Proceeds from disposal of equity investments at fair value through profit or loss		**26,475**	20,515
Acquisition of additional interest in an associate		**(29,336)**	(43,301)
Advances to associates		**(28,971)**	(7,813)
(Repayment to)/advances from associates		**(4,499)**	4,945
Acquisition of a joint venture		**—**	(756,168)
(Advances to)/repayment from joint ventures		**(1,451,158)**	276,723
Dividend received from a joint venture		**325,000**	238,302
Interest received from held-to-maturity debt investments		**—**	1,203
Dividends received from listed equity investments at fair value through profit or loss		**52**	244
Dividends received from unlisted available-for-sale financial assets		**36,420**	160
Increase in pledged bank balances and time deposits		**(28,655)**	(6,446)
Net cash flows used in investing activities		**(1,479,243)**	(431,641)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings raised		**1,458,273**	1,875,900
Guaranteed notes issued		**2,714,005**	—
Repayment of bank borrowings		**(1,156,068)**	(1,474,493)
Guaranteed notes issue expenses		**(21,101)**	—
Bank financing charges		**(39,403)**	(9,081)
Capital contribution from non-controlling interests of subsidiaries		**38,797**	—
Repayment to non-controlling interests of subsidiaries		**(1,500)**	(4,400)
Proceeds from rights issue		**—**	531,077
Share issue expenses		**—**	(17,437)
Net cash flows from financing activities		**2,993,003**	901,566
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,559,972**	563,024
Cash and cash equivalents at beginning of year		**1,565,105**	1,002,805
Effect of foreign exchange rate changes, net		**(1,446)**	(724)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,123,631**	1,565,105
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged cash and bank balances		**2,499,571**	660,152
Non-pledged time deposits		**624,060**	904,953
		3,123,631	1,565,105

Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,628**	3,790
Investment properties	16	**6,688,500**	5,334,000
Interests in subsidiaries	18	**4,464,492**	3,886,816
Interests in associates	19(a)	**8,992**	9,015
Interest in a joint venture	19(b)	**1,812,180**	393,522
Available-for-sale financial assets	20	**47,759**	40,348
Pledged bank balances and time deposits	21	**134,692**	—
Total non-current assets		**13,159,243**	9,667,491
CURRENT ASSETS			
Equity investments at fair value through profit or loss	24	**7,489**	1,648
Debtors, deposits paid and other receivables	25(a)	**37,877**	47,219
Held-to-maturity debt investments	26	**8,317**	—
Pledged bank balances and time deposits	21	**—**	106,037
Cash and cash equivalents	21	**409,222**	1,218,109
Total current assets		**462,905**	1,373,013
CURRENT LIABILITIES			
Creditors, deposits received and accruals	25(b)	**81,053**	77,710
Tax payable		**62,411**	47,430
Bank borrowings	27	**180,301**	798,000
Total current liabilities		**323,765**	923,140
NET CURRENT ASSETS		**139,140**	449,873
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,298,383**	10,117,364

	Notes	**2013 HK$'000**	2012 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings	27	**(2,473,965)**	(1,336,100)
Amounts due to associates	19(a)	**—**	(16,303)
Deferred tax	29	**(54,869)**	(52,177)
Provision for tax indemnity	34(c)	**(614,672)**	(347,135)
Long term rental deposits received		**(41,541)**	(43,381)
Total non-current liabilities		**(3,185,047)**	(1,795,096)
		10,113,336	8,322,268
EQUITY			
Issued capital	30	**200,629**	200,629
Reserves	32(b)	**9,912,707**	8,121,639
		10,113,336	8,322,268

Chew Fook Aun
Director

Lau Shu Yan, Julius
Director

1. Corporate Information

Lai Sun Development Company Limited (the "**Company**") is a limited liability company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong. In the opinion of the directors, the Company's ultimate holding company is Lai Sun Garment (International) Limited ("**LSG**"), a limited liability company incorporated in Hong Kong with its shares listed on the Main Board of the Stock Exchange.

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

- property development for sale
- property investment
- investment in and operation of hotel and restaurants
- investment holding

Details of the principal activities of the principal subsidiaries, associates and joint ventures are set out in notes 18 and 19 to the financial statements, respectively.

2.1 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through profit or loss and certain available-for-sale financial assets, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 July 2013. 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 it 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.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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 profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policies and Disclosures

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

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point of time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance.

2.3 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* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [1]
HKFRS 9	*Financial Instruments* [3]
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* [3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities* [2]
HKFRS 13	*Fair Value Measurement* [1]
HKAS 19 (2011)	*Employee Benefits* [1]

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [2]
HKAS 36 Amendments	Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* [2]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting* [2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [1]
HK(IFRIC)-Int 21	*Levies* [2]
Annual Improvements 2009-2011 Cycle	*Amendments to a number of HKFRSs issued in June 2012* [1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 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.

2.4 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.

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.

2.4 Summary of Significant Accounting Policies (continued)

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 a 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 interests 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 interests 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 interests 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 interests 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 ventures

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 interests 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 interests 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 interests 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 interests 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*.

2.4 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 to measure 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 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-related 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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from the interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 acquired, the difference is, after reassessment, recognised in profit or loss 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.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties under development for sale, completed properties for sale, inventories, 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 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 an 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, 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.

2.4 Summary of Significant Accounting Policies (continued)

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:

Hotel properties	Over the remaining lease terms
Leasehold buildings	Over the remaining lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 25%
Computers	10% – 25%
Motor vessels	25%

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 each financial year end.

An item of property, plant and equipment including 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 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 properties that are being constructed or developed for future use as investment properties. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year 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 year of the retirement or disposal.

Operating leases

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.

Properties under development for sale

Properties under development for sale are stated at the 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 prevailing market prices on an individual property basis less estimated costs of completion and costs to be incurred in selling the property.

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

2.4 Summary of Significant Accounting Policies (continued)

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 apportionment of the total land and building costs attributable to unsold properties. Net realisable value is determined by the directors based on prevailing market prices on an individual property basis less costs to be incurred in selling the property.

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 amounts due from associates and joint ventures, trade debtors and other receivables, available-for-sale financial assets, equity investments at fair value through profit or loss, held-to-maturity debt investments, pledged bank balances and time deposits, and cash and cash equivalents.

Subsequent measurement

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

Held-to-maturity debt 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 the income statement. The loss arising from impairment is recognised in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

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 as 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 intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. 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 as 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.

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.

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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 assets 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 profit or loss 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 profit or loss in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial assets 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 intention 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 intention 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 intention to hold until the maturity date of the financial asset.

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 profit or loss 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.

2.4 Summary of Significant Accounting Policies (continued)

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 risks 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 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.

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 write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

For available-for-sale financial assets, 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 financial 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 profit or loss. 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.

2.4 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, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include amounts due to associates, trade creditors, other payables and accruals, bank borrowings and guaranteed 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 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.

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 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 are stated at the lower of cost and net realisable value. Cost for food, beverages, cutlery, linen and supplies used in hotel and restaurant operations is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 that 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 statement 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.

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.

2.4 Summary of Significant Accounting Policies (continued)

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 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 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.

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.

Income tax (continued)

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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e., based on the expected manner as to how the properties will be recovered).

Revenue recognition

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

(a) 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 are ready for delivery to the purchasers pursuant to the sales agreements, and collectability of the 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, in the period in which the properties are let and on the straight-line basis over the lease terms;

(c) service income from hotel and restaurant operations and the provision of other related services, in the period in which such services are rendered;

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

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

2.4 Summary of Significant Accounting Policies (continued)

Dividends

Final dividends proposed by the board of directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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.

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 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange at the end of the reporting period. Differences arising on settlement or transaction of monetary items are recognised in 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 translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 associates 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 prevailing 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. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation 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.

2.4 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 are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Share-based payments

The Company operates a share option scheme 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 payments, 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 Binomial Option Pricing Model, further details of which are given in note 31 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 payments, 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.

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the year end is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the material expected future cost of such paid leave earned during the current financial year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments that have been earned by the employees from their service to the Group at the end of the reporting period.

Retirement benefits

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 Vietnam and the People's Republic of China (the "**PRC**") are required to participate in central pension schemes operated by the respective governments in Vietnam and the PRC. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

3. 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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:

Impairment of assets

In determining whether an asset is impaired or the event 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.

Provision for tax indemnity

Provision for tax indemnity is recognised when a present obligation (legal or constructive) has arisen as a result of tax liability arising from disposal of certain property interests in the PRC pursuant to certain indemnity deeds entered into by the Group and it is probable that such tax liability will be required to be settled. Management's judgement is required to determine (i) the estimated sales proceeds and outgoings; and (ii) the latest development plan and status of individual property development projects. Further details are included in note 34(c) to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

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 within the next financial year, are described below.

Estimation of fair value of investment properties and available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date 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 carrying amount at fair value of investment properties as at 31 July 2013 was approximately HK$10,736,496,000 (2012: HK$8,570,911,000) and that of an available-for-sale financial assets, of which the principal asset is an investment property, as at 31 July 2013 was approximately HK$1,115,939,000 (2012: HK$1,120,420,000).

Estimation of total budgeted costs and costs to completion for properties under development for sale

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

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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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, 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 is 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. Segment Information

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

(a) the property development and sales segment engages in property development and sale of properties;

(b) the property investment segment engages in the leasing of and sale of investment properties and development of properties for investment purposes;

(c) the hotel and restaurant operations segment engages in the operation of hotel and restaurants; and

(d) the "others" segment comprises the Group's property management and consultancy services business, which provides property management, security and consultancy services to residential, office, industrial, commercial properties, hotel and restaurants, and project management services to property development projects.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that fair value gains on investment properties, (provision)/reversal of provision for tax indemnity, interest income, finance costs, dividend income, share of profits and losses of associates, share of profits and losses of joint ventures and discount on acquisition of additional interest in an associate are excluded from such measurement.

Segment assets mainly exclude interests in associates, interests in joint ventures, available-for-sale financial assets, equity investments at fair value through profit or loss, held-to-maturity debt investments, pledged bank balances and time deposits, and certain cash and cash equivalents.

Segment liabilities mainly exclude bank borrowings, guaranteed notes, tax payable, deferred tax and provision for tax indemnity.

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

4. Segment Information (continued)

Segment revenue and results

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue:												
Sales to external customers	**100,312**	92,122	**434,234**	395,777	**409,928**	362,759	**19,283**	24,498	**—**	—	**963,757**	875,156
Intersegment sales	**—**	—	**15,982**	10,953	**—**	—	**27,172**	25,734	**(43,154)**	(36,687)	**—**	—
Other revenue	**1,126**	5,444	**1,206**	2,388	**972**	2	**9,814**	973	**—**	—	**13,118**	8,807
Total	**101,438**	97,566	**451,422**	409,118	**410,900**	362,761	**56,269**	51,205	**(43,154)**	(36,687)	**976,875**	883,963
Segment results	**15,373**	11,308	**343,484**	306,508	**63,434**	76,228	**10,415**	4,574	**—**	—	**432,706**	398,618
Interest income and unallocated revenue											**54,258**	10,539
Fair value gains on investment properties	**—**	—	**2,076,072**	793,709	**—**	—	**—**	—	**—**	—	**2,076,072**	793,709
Unallocated expenses											**(230,236)**	(208,424)
(Provision)/reversal of provision for tax indemnity											**(267,537)**	171,435
Profit from operating activities											**2,065,263**	1,165,877
Finance costs											**(161,060)**	(49,823)
Share of profits and losses of associates	**150**	2,016	**—**	—	**(887)**	(1,538)	**—**	—	**—**	—	**(737)**	478
Share of profits and losses of associates — unallocated											**(6,416)**	440,643
Share of profits and losses of joint ventures	**18,825**	62,531	**597,227**	648,437	**—**	—	**—**	—	**—**	—	**616,052**	710,968
Discount on acquisition of additional interest in an associate											**134,930**	88,695
Profit before tax											**2,648,032**	2,356,838
Tax											**(45,694)**	(31,110)
Profit for the year											**2,602,338**	2,325,728

4. Segment Information (continued)

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Segment assets and liabilities										
Segment assets	1,576,095	1,398,555	10,782,490	8,705,592	847,642	558,074	69,849	56,819	13,276,076	10,719,040
Interests in associates	9,630	9,503	—	—	20,029	11,214	—	—	29,659	20,717
Interests in associates — unallocated									3,349,191	3,062,970
Interests in joint ventures	1,426,038	256,363	4,262,646	3,632,895	—	—	—	—	5,688,684	3,889,258
Unallocated assets									4,162,853	2,638,595
Total assets									26,506,463	20,330,580
Segment liabilities	120,698	44,301	127,086	119,140	65,270	56,456	5,140	6,115	318,194	226,012
Bank borrowings									3,078,608	2,812,222
Guaranteed notes									2,695,474	—
Other unallocated liabilities									884,236	608,064
Total liabilities									6,976,512	3,646,298
Other segment information										
Amortisation of prepaid land lease payments	—	—	—	—	1,028	1,028	—	—	1,028	1,028
Depreciation	352	127	362	10	21,769	17,664	83	102	22,566	17,903
Depreciation — unallocated									6,510	6,615
									29,076	24,518
Capital expenditure	217,439	211,751	96,974	90,613	187,403	16,435	31	61	501,847	318,860
Capital expenditure — unallocated									1,951	6,417
									503,798	325,277

4. Segment Information (continued)

Geographical information

The following table presents revenue and assets by geographical location of assets for the years ended 31 July 2013 and 2012:

	Hong Kong		Vietnam		Others		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue								
Sales to external customers	**627,410**	555,205	**327,003**	302,324	**9,344**	17,627	**963,757**	875,156
Other revenue	**13,116**	8,807	**—**	—	**2**	—	**13,118**	8,807
Total	**640,526**	564,012	**327,003**	302,324	**9,346**	17,627	**976,875**	883,963
Segment assets								
Non-current assets	**11,392,524**	9,733,407	**284,153**	294,313	**327,025**	216,992	**12,003,702**	10,244,712
Current assets	**955,690**	176,353	**297,376**	238,774	**19,308**	59,201	**1,272,374**	474,328
Total	**12,348,214**	9,909,760	**581,529**	533,087	**346,333**	276,193	**13,276,076**	10,719,040

Information about major customers

For both the years ended 31 July 2013 and 31 July 2012, there was no revenue derived from a single customer which contributed more than 10% of the Group's revenue for the respective years.

5. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances detailed elsewhere in the financial statements, the Group entered into the following material transactions with related parties during the year:

(a) Transactions with related parties

	Group	
	2013	2012
	HK$'000	HK$'000
Rental income and building management fee received from:		
— eSun Holdings Limited ("**eSun**") and its subsidiaries (collectively the "**eSun Group**"), an associate	**5,038**	7,766
— a joint venture	**—**	545
Food and beverage income received from the eSun Group	**1,642**	221
Project management fee income received from a joint venture	**8,900**	—
Rental expenses and building management fees paid to:		
— the eSun Group	**889**	144
— an associate of LSG (Note)	**1,822**	1,668
Purchase of leasehold buildings from a joint venture	**205,000**	—

The above transactions were entered into based on terms stated in the respective agreements or contracts and were charged on bases mutually agreed by the respective parties.

Note: This transaction, which was subject to the reporting requirements set out in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), was disclosed in the Report of the Directors.

(b) Compensation of key management personnel of the Group

	Group	
	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**25,819**	20,179
Employee share option benefits	**31,844**	9,008
Post-employment benefits	**236**	319
Total compensation paid to key management personnel	**57,899**	29,506

Further details of directors' emoluments are included in note 9 to the financial statements.

6. Turnover and Other Revenue

Turnover comprises the proceeds from the sale of properties, rental income and building management fee, and income from hotel, restaurant and other operations.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Turnover		
Sale of properties	**100,312**	92,122
Rental income and building management fee	**434,234**	395,777
Hotel, restaurant and other operations	**429,211**	387,257
	963,757	875,156

	Group	
	2013	2012
	HK$'000	HK$'000
Other revenue		
Interest income from bank deposits	**11,260**	3,862
Interest income from held-to-maturity debt investments	**88**	1,203
Other interest income	**426**	575
Dividend income from listed equity investments at fair value through profit or loss	**52**	244
Dividend income from unlisted available-for-sale financial assets	**36,420**	160
Project management fee income received from a joint venture	**8,900**	—
Others	**10,230**	13,302
	67,376	19,346

7. Profit from Operating Activities

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

	Notes	Group 2013 HK$'000	Group 2012 HK$'000
Cost of inventories sold		**52,556**	40,716
Cost of completed properties sold		**58,501**	70,717
Depreciation#	14	**29,076**	24,518
Amortisation of prepaid land lease payments*	15	**1,028**	1,028
Staff costs (including directors' remuneration — note 9):			
Wages and salaries		**198,880**	181,129
Pension scheme contributions		**4,438**	3,951
Employee share option benefits		**50,810**	9,008
		254,128	194,088
Auditors' remuneration		**2,885**	2,743
(Gain)/loss on disposal of items of property, plant and equipment*		**(82)**	4,331
Loss on disposal of an unlisted available-for-sale financial asset*		**100**	—
Fair value loss on listed equity investments at fair value through profit or loss*		**1,772**	803
(Gain)/loss on disposal of listed equity investments at fair value through profit or loss*		**(220)**	10,334
Minimum lease payments under operating leases		**12,066**	14,396
Contingent rents		**399**	238
Total operating lease payments		**12,465**	14,634
Minimum lease income under operating leases		**(432,642)**	(395,608)
Contingent rents		**(1,592)**	(169)
Total operating lease income		**(434,234)**	(395,777)
Less: Outgoings		**61,856**	56,763
Net rental income		**(372,378)**	(339,014)
Foreign exchange losses, net		**84**	93

Depreciation charge of approximately HK$26,301,000 (2012: HK$21,901,000) for property, plant and equipment is included in "other operating expenses, net" on the consolidated income statement.

* These items are included in "other operating expenses, net" on the consolidated income statement.

8. Finance Costs

	Group	
	2013	2012
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**67,727**	51,021
Interest on guaranteed notes wholly repayable within five years	**85,505**	—
Bank financing charges	**17,930**	9,081
	171,162	60,102
Less: Amount capitalised in properties under development for sale (note 17)	**(10,102)**	(10,279)
	161,060	49,823

9. Directors' Remuneration

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

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	**1,121**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**24,698**	19,579
Employee share option benefits	**31,844**	9,008
Pension scheme contributions	**236**	319
	56,778	28,906
	57,899	29,506

9. DIRECTORS' REMUNERATION (CONTINUED)

The remuneration paid to executive directors, non-executive directors and independent non-executive directors during the year were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2013					
Executive directors:					
Lam Kin Ngok, Peter	—	10,985	1,990	15	12,990
Chew Fook Aun[1]	—	7,408	—	15	7,423
Lau Shu Yan, Julius[^]	—	4,267	9,951	194	14,412
Lam Hau Yin, Lester[2]	—	1,531	19,903	11	21,445
Lui Siu Tsuen, Richard[4]	—	—	—	—	—
Cheung Sum, Sam[5]	—	507	—	1	508
	—	24,698	31,844	236	56,778
Non-executive directors:					
Lam Kin Ming	188	—	—	—	188
U Po Chu	188	—	—	—	188
Wan Yee Hwa, Edward[3]	70	—	—	—	70
	446	—	—	—	446
Independent non-executive directors:					
Ip Shu Kwan, Stephen	225	—	—	—	225
Lam Bing Kwan	225	—	—	—	225
Leung Shu Yin, William	225	—	—	—	225
	675	—	—	—	675
	1,121	24,698	31,844	236	57,899

9. Directors' Remuneration (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2012					
Executive directors:					
Lam Kin Ngok, Peter	—	9,987	—	13	10,000
Chew Fook Aun[1]	—	934	9,008	2	9,944
Lau Shu Yan, Julius[^]	—	3,989	—	182	4,171
Lui Siu Tsuen, Richard[4]	—	—	—	—	—
Cheung Sum, Sam[5]	—	1,655	—	13	1,668
Tam Kin Man, Kraven[6]	—	3,014	—	109	3,123
Cheung Wing Sum, Ambrose[7]	—	—	—	—	—
	—	19,579	9,008	319	28,906
Non-executive directors:					
Lam Kin Ming	—	—	—	—	—
U Po Chu	—	—	—	—	—
Wan Yee Hwa, Edward[3]	150	—	—	—	150
	150	—	—	—	150
Independent non-executive directors:					
Ip Shu Kwan, Stephen	150	—	—	—	150
Lam Bing Kwan	150	—	—	—	150
Leung Shu Yin, William	150	—	—	—	150
	450	—	—	—	450
	600	19,579	9,008	319	29,506

^ Lau Shu Yan, Julius is also the chief executive officer of the Company.

1 Chew Fook Aun was appointed the deputy chairman and an executive director on 5 June 2012.

2 Lam Hau Yin, Lester was appointed an executive director on 1 November 2012. Prior to the appointment, he received salaries amounted to approximately HK$337,000 and pension scheme contributions of approximately HK$4,000 from the Group during the period from 1 August 2012 to 31 October 2012.

3 Wan Yee Hwa, Edward retired as a non-executive director on 18 December 2012.

4 Lui Siu Tsuen, Richard resigned as an executive director on 1 November 2012.

5 Cheung Sum, Sam resigned as an executive director on 1 September 2012.

6 Tam Kin Man, Kraven retired as an executive director on 1 May 2012.

7 Cheung Wing Sum, Ambrose retired as an executive director on 21 December 2011.

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

10. Employees' Remuneration

The five highest paid employees during the year included four (2012: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2012: one) non-director, highest paid employee for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,670**	1,905
Employee share option benefits	**3,968**	—
Pension scheme contributions	**8**	86
	5,646	1,991

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

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**—**	1
HK$5,500,001 to HK$6,000,000	**1**	—

11. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

11. TAX (CONTINUED)

	Group	
	2013	2012
	HK$'000	HK$'000
Current tax		
Hong Kong	**28,563**	27,064
Overseas	**13,356**	14,894
	41,919	41,958
Deferred tax (note 29)	**4,814**	6,419
Prior years' overprovision		
Hong Kong	**(30)**	(17,267)
Overseas	**(1,009)**	—
	(1,039)	(17,267)
Tax charge for the year	**45,694**	31,110

A reconciliation of the tax charge 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 charge at the effective tax rate is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Profit before tax	**2,648,032**	2,356,838
Less: Share of profits and losses of associates	**7,153**	(441,121)
Share of profits and losses of joint ventures	**(616,052)**	(710,968)
Profit before tax attributable to the Company and its subsidiaries	**2,039,133**	1,204,749
Tax at the statutory tax rate of 16.5% (2012: 16.5%)	**336,457**	198,784
Higher tax rate for other countries	**1,541**	1,129
Adjustments in respect of current tax of previous periods	**(1,039)**	(17,267)
Income not subject to tax	**(373,407)**	(177,770)
Expenses not deductible for tax purposes	**63,299**	26,755
Tax losses utilised from previous periods	**(632)**	(2,806)
Tax losses not recognised	**19,475**	2,285
Tax charge for the year	**45,694**	31,110

12. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 July 2013 includes a profit of approximately HK$1,075,222,000 (2012: HK$719,488,000) which has been dealt with in the financial statements of the Company.

13. Earnings per Share Attributable to Owners of the Company

	2013 HK$'000	2012 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**2,564,114**	2,282,568
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of an associate based on dilution of its earnings per share	**—**	(19)
Earnings for the purpose of diluted earnings per share	**2,564,114**	2,282,549
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**20,062,893**	18,326,701
Effect of dilutive potential ordinary shares arising from share options	**102,974**	2,490
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**20,165,867**	18,329,191

The exercise of share options of an associate and the conversion of the outstanding convertible notes issued by an associate have an anti-dilutive effect on the basic earnings per share as presented during the year ended 31 July 2013.

The weighted average number of ordinary shares in issue for the year ended 31 July 2012 used in the basic earnings per share calculation had been adjusted to reflect the rights issue completed in December 2011 as set out in note 30.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Note	Hotel properties HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Motor vessels HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:										
At 1 August 2011		357,035	81,035	45,286	141,404	22,880	12,195	34,618	3,104	697,557
Additions		—	—	3,112	9,276	1,175	807	2,581	6,489	23,440
Disposals/write-off		—	—	(2,315)	(8,546)	(497)	(126)	—	—	(11,484)
At 31 July 2012 and 1 August 2012		357,035	81,035	46,083	142,134	23,558	12,876	37,199	9,593	709,513
Additions		—	156,592	24,882	7,133	740	551	187	1,407	191,492
Disposals/write-off		—	—	—	(5,138)	(333)	(127)	—	—	(5,598)
At 31 July 2013		**357,035**	**237,627**	**70,965**	**144,129**	**23,965**	**13,300**	**37,386**	**11,000**	**895,407**
Accumulated depreciation:										
At 1 August 2011		114,429	14,145	34,009	114,619	20,026	9,732	34,371	—	341,331
Depreciation provided during the year	7	8,209	1,726	5,194	5,457	1,697	1,474	761	—	24,518
Disposals/write-off		—	—	(1,169)	(5,674)	(248)	(62)	—	—	(7,153)
At 31 July 2012 and 1 August 2012		122,638	15,871	38,034	114,402	21,475	11,144	35,132	—	358,696
Depreciation provided during the year	7	8,209	4,335	7,468	5,781	1,665	841	777	—	29,076
Disposals/write-off		—	—	—	(2,112)	(333)	(122)	—	—	(2,567)
At 31 July 2013		**130,847**	**20,206**	**45,502**	**118,071**	**22,807**	**11,863**	**35,909**	**—**	**385,205**
Net carrying amount:										
At 31 July 2013		**226,188**	**217,421**	**25,463**	**26,058**	**1,158**	**1,437**	**1,477**	**11,000**	**510,202**
At 31 July 2012		234,397	65,164	8,049	27,732	2,083	1,732	2,067	9,593	350,817

14. Property, Plant and Equipment (continued)

Group (continued)

The Group's hotel properties and leasehold buildings included above are held under the following lease terms:

	2013 HK$'000	2012 HK$'000
At cost:		
Medium-term leases		
Hong Kong	**237,627**	81,035
Outside Hong Kong	**357,035**	357,035
	594,662	438,070

The additions of leasehold buildings during the year ended 31 July 2013 represented purchase of leasehold buildings from a joint venture (note 5(a)) and the related acquisition costs.

At 31 July 2012, the Group's hotel properties with a total carrying amount of HK$234,397,000 were pledged to banks to secure banking facilities granted to the Group (note 27). No property, plant and equipment were pledged as at 31 July 2013.

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost:					
At 1 August 2011	19,900	12,625	20,409	1,215	54,149
Additions	1,022	412	668	238	2,340
Disposals/write-off	—	—	—	(21)	(21)
At 31 July 2012 and 1 August 2012	20,922	13,037	21,077	1,432	56,468
Additions	540	206	738	94	1,578
Disposals/write-off	—	—	(333)	(87)	(420)
At 31 July 2013	**21,462**	**13,243**	**21,482**	**1,439**	**57,626**
Accumulated depreciation:					
At 1 August 2011	19,321	11,802	17,928	1,030	50,081
Depreciation provided during the year	481	473	1,511	151	2,616
Disposals/write-off	—	—	—	(19)	(19)
At 31 July 2012 and 1 August 2012	19,802	12,275	19,439	1,162	52,678
Depreciation provided during the year	630	482	1,488	140	2,740
Disposals/write-off	—	—	(333)	(87)	(420)
At 31 July 2013	**20,432**	**12,757**	**20,594**	**1,215**	**54,998**
Net carrying amount:					
At 31 July 2013	**1,030**	**486**	**888**	**224**	**2,628**
At 31 July 2012	1,120	762	1,638	270	3,790

15. Prepaid Land Lease Payments

	Group	
	2013	2012
	HK$'000	HK$'000
Cost:		
At beginning and end of year	**35,960**	35,960
Accumulated amortisation:		
At beginning of year	**10,950**	9,922
Amortisation provided for the year (note 7)	**1,028**	1,028
At end of year	**11,978**	10,950
Net carrying amount:		
At beginning of year	**25,010**	26,038
At end of year	**23,982**	25,010

Leasehold land of the Group is held under a medium-term lease and is situated outside Hong Kong.

At 31 July 2012, the Group's prepaid land lease payments with a carrying amount of HK$25,010,000 were pledged to banks to secure banking facilities granted to the Group (note 27). No prepaid land lease payments were pledged as at 31 July 2013.

16. Investment Properties

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of year	**8,570,911**	7,756,931	**5,334,000**	4,839,100
Exchange realignment	**(6,482)**	(8,843)	**—**	—
Additions, at cost	**95,995**	29,114	**3,215**	10,197
Fair value gains	**2,076,072**	793,709	**1,351,285**	484,703
Carrying amount at end of year	**10,736,496**	8,570,911	**6,688,500**	5,334,000

The Group's investment properties are situated in Hong Kong and outside Hong Kong and are held under the following lease terms:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long-term leases in Hong Kong	**3,720,000**	3,020,000	**—**	—
Medium-term leases in Hong Kong	**6,692,100**	5,336,520	**6,688,500**	5,334,000
Freehold land outside Hong Kong	**324,396**	214,391	**—**	—
	10,736,496	8,570,911	**6,688,500**	5,334,000

16. Investment Properties (continued)

At 31 July 2013, the investment properties were stated at their aggregate open market value of approximately HK$10,736,496,000 (2012: HK$8,570,911,000), based on their existing use with reference to a valuation performed by Savills Valuation and Professional Services Limited, independent chartered surveyors, as at that date.

All investment properties of the Group and the Company are leased out under operating leases, further summary details of which are included in note 35(a) to the financial statements.

Certain investment properties of the Group and the Company with carrying amounts of approximately HK$10,714,396,000 (2012: HK$8,554,391,000) and HK$6,670,000,000 (2012: HK$5,320,000,000), respectively, were pledged to banks to secure banking facilities granted to the Group (note 27).

17. Properties under Development for Sale

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of year, at cost	**1,309,418**	1,098,195
Additions	**206,209**	200,944
Interest and bank financing charges capitalised (note 8)	**10,102**	10,279
Transfers to completed properties for sale	**(747,825)**	—
At end of year, at cost	**777,904**	1,309,418

The Group's properties under development for sale are situated in Hong Kong and are held under the following lease terms:

	Group	
	2013	2012
	HK$'000	HK$'000
Long-term leases	**776,997**	667,559
Medium-term leases	**907**	641,859
	777,904	1,309,418

As at 31 July 2013, the Group's properties under development for sale with a total carrying amount of approximately HK$668,921,000 (2012: HK$1,200,491,000) were pledged to banks to secure banking facilities granted to the Group (note 27).

18. INTERESTS IN SUBSIDIARIES

	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted shares, at cost	**167,411**	167,411
Amounts due from subsidiaries	**8,054,078**	7,451,854
Amounts due to subsidiaries	**(1,234,042)**	(1,193,546)
	6,820,036	6,258,308
Provision for impairment #	**(2,522,955)**	(2,538,903)
	4,464,492	3,886,816

The provision for impairment as at 31 July 2013 included impairment provision of HK$10,008,000 (2012: HK$10,008,000) and HK$2,512,947,000 (2012: HK$2,528,895,000) for investment cost and amounts due from subsidiaries, respectively, and was determined on the basis of the amounts recoverable from subsidiaries with reference to the fair value of the underlying assets held by the subsidiaries. During the year, the provision for impairment was decreased by approximately HK$15,948,000 (2012: HK$128,719,000).

Balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for amounts due from certain subsidiaries of approximately HK$1,186,484,000 (2012: HK$874,590,000) as at 31 July 2013 which bear interest at the prevailing market lending rate.

Particulars of the principal subsidiaries as at 31 July 2013 were as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Bushell Limited	Hong Kong	HK$2	Ordinary	—	100.00	Property development
Chains Caravelle Hotel Joint Venture Company Limited ("**CCHJV**")	Vietnam	US$23,175,577	*	—	26.01 **	Hotel operations
Furama Hotel Enterprises Limited	Hong Kong	HK$102,880,454	Ordinary	—	100.00	Investment holding
Furama Hotels and Resorts International Limited	British Virgin Islands/ Hong Kong	US$1,000,000	Ordinary	—	100.00	Provision of management services
Gilroy Company Limited	Hong Kong	HK$10,000	Ordinary	100.00	—	Property investment

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Glynhill Hotels and Resorts (Vietnam) Pte. Ltd.	Singapore/ Vietnam	S$2	Ordinary	—	100.00	Provision of management and consultancy services to hotel owners
Glynhill Investments (Vietnam) Pte Limited ("**GIV**")	Singapore	S$2	Ordinary	—	51.00 **	Investment holding
Goldmay Development Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property development/ property sales
Hong Kong Hill Limited	Hong Kong	HK$100	Ordinary	100.00	—	Property investment
Kolot Property Services Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property management
Lai Sun F&B Management Limited	Hong Kong	HK$1	Ordinary	—	100.00	Provision of management and consultancy services to restaurants
Lai Sun F&B Holding Company Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Investment holding
Lai Sun International Finance (2012) Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Treasury operation
Lai Sun Real Estate Agency Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property management and real estate agency
Mazy Charm Limited	Hong Kong	HK$4,200	Ordinary	—	51.00	Restaurant operation
Mazy Lamp Limited	Hong Kong	HK$1	Ordinary	—	53.00	Restaurant operation

18. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Milirich Investment Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property development
Modern Charm Limited	Hong Kong	HK$10,000	Ordinary	—	70.00	Restaurant operation
Oriental Style Limited	Hong Kong	HK$1	Ordinary	—	100.00	Property development/ property sales
Peakflow Profits Limited ("**Peakflow**")	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Investment holding
Porchester Assets Limited ("**Porchester**")	British Virgin Islands/ Hong Kong	US$100	Ordinary	—	51.00 **	Investment holding
Really Star Limited	Hong Kong	HK$3,100	Ordinary	—	56.77	Restaurant operation
Royal Team Limited	Hong Kong	HK$10,000	Ordinary	—	52.00	Restaurant operation
Speedy Result Limited	British Virgin Islands/ United Kingdom	US$1	Ordinary	—	100.00	Property investment
Transformation International Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Investment holding
Transtrend Holdings Limited	Hong Kong	HK$20	Ordinary	—	100.00	Investment holding

* This subsidiary has registered rather than issued share capital.

** The Group owns a 51% (2012: 51%) equity interest in Porchester, which in turn, through GIV, a wholly-owned subsidiary of Porchester, owns a 51% (2012: 51%) interest in CCHJV. By virtue of the 51% (2012: 51%) equity interest in CCHJV held by the Group through the 51%-owned Porchester, an effective equity interest of 26.01% (2012: 26.01%) in CCHJV was held by the Group.

18. Interests 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.

Shares of certain subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group (note 27).

Summarised consolidated financial information of Porchester and its subsidiaries that has material non-controlling interests before intergroup eliminations is set out below:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**297,832**	239,363
Non-current assets	**280,246**	290,201
Current liabilities	**(37,927)**	(47,560)
Non-current liabilities	**(32,616)**	(30,522)
Equity attributable to owners of Porchester	**284,119**	255,600
Non-controlling interests	**223,416**	195,882

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Turnover	**327,003**	302,323
Cost of sales and operating expenses	**(256,550)**	(200,094)
Profit and total comprehensive income for the year	**56,053**	60,376
Profit and total comprehensive income attributable to owners of Porchester	**28,519**	29,996
Profit and total comprehensive income attributable to the non-controlling interests	**27,534**	30,380
Profit and total comprehensive income for the year	**56,053**	60,376

19. INTERESTS IN ASSOCIATES/INTERESTS IN JOINT VENTURES

(a) Interests in associates

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Unlisted shares, at cost	**—**	—	**907**	907
Share of net assets	**3,248,168**	2,981,976	**—**	—
	3,248,168	2,981,976	**907**	907
Amounts due from associates	**308,145**	280,608	**203,723**	203,741
Provision for impairment	**(177,463)**	(178,897)	**(195,638)**	(195,633)
	3,378,850	3,083,687	**8,992**	9,015
Market value of listed shares at the end of the reporting period	**570,865**	471,604		
Amounts due to associates (classified as non-current liabilities)	**—**	(20,799)	**—**	(16,303)

The balances with associates were unsecured, interest-free and had no fixed terms of repayment.

The provision for impairment in respect of the amounts due from associates at the end of the reporting period was determined on the basis of the amounts recoverable from the associates with reference to the fair value of the underlying assets held by the associates.

During the year, the provision for impairment was decreased by approximately HK$1,434,000 (2012: increased by approximately HK$6,141,000).

During the year ended 31 July 2013, a dividend of HK$16,300,000 (2012:Nil) was declared by an associate, which was settled through the amount due to an associate.

19. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

Particulars of the principal associates as at 31 July 2013 were as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Notes
eSun	Bermuda/ Hong Kong	Ordinary	39.93	a
Lai Fung Holdings Limited ("**Lai Fung**")	Cayman Islands/ PRC	Ordinary	19.75	b
Media Asia Group Holdings Limited ("**Media Asia**")	Incorporated in the Cayman Islands and continued in Bermuda	Ordinary	20.40	c

Notes:

a eSun is listed on the Main Board of the Stock Exchange.

eSun and its subsidiaries are principally engaged in 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.

b Lai Fung is listed on the Main Board of the Stock Exchange. As at 31 July 2013, eSun owns a 49.46% in Lai Fung.

Lai Fung and its subsidiaries are principally engaged in property development for sale and property investment for rental purposes.

c Media Asia is listed on the Growth Enterprise Market of the Stock Exchange. As at 31 July 2013, eSun owns a 51.09% interest in Media Asia.

Media Asia and its subsidiaries are principally engaged in film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television drama series; music production and publishing; cinema investment and operation; provision of consultancy services in planning and management of cultural, entertainment and live performance projects; provision of contents to new media; and operation of new media and related business primarily in the Mainland China and Macau.

19. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

The above table lists the associates 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 associates would, in the opinion of the directors, result in particulars of excessive length.

The financial year end dates of the above associates are coterminous with that of the Group.

All the above associates have been accounted for using the equity method in these financial statements.

The eSun Group

(i) In August 2011, the Group acquired 1.93% additional interest in eSun at a cost of HK$43,301,000 and the Group's interest in eSun was increased from 36.00% to 37.93%. A discount on acquisition of HK$88,695,000 arose from this acquisition.

(ii) On 27 February 2012, eSun and Lai Fung issued a joint announcement in respect of the proposed open offer of Lai Fung (the "**Open Offer**") and an underwriting arrangement between eSun and Lai Fung, pursuant to which eSun irrevocably undertook to Lai Fung to take up all shares offered in the Open Offer. The Open Offer became unconditional on 6 June 2012. eSun increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer on 11 June 2012. With early adoption of HKFRS 10 *Consolidated Financial Statements* during the year ended 31 July 2012, the directors of eSun concluded that eSun has had control over Lai Fung and Lai Fung has become a subsidiary of eSun since 11 June 2012. Subsequent to the Open Offer, eSun further acquired shares of Lai Fung from the public shareholders and increased its interest in Lai Fung to 47.87% in June 2012.

During the year ended 31 July 2013, eSun further acquired shares of Lai Fung from the public shareholders and increased its interest to 49.46%.

(iii) During the period from October to December 2012, the Group acquired 2% additional interest in eSun from the public shareholders at a cost of approximately HK$29,336,000 and the Group's interest in eSun was increased from 37.93% to 39.93%. A discount on acquisition of HK$134,930,000 arose from this acquisition.

19. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

The eSun Group (continued)

The below summarised financial information is extracted from the published consolidated financial statements of the eSun Group. The consolidated financial statements of the eSun Group are prepared in accordance with HKFRSs and complied with the Group's accounting policies.

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**10,304,361**	8,026,791
Non-current assets	**16,701,340**	15,691,930
Current liabilities	**(3,907,528)**	(3,212,071)
Non-current liabilities	**(6,781,223)**	(4,639,865)
Net assets attributable to owners of eSun	**8,306,920**	7,997,900
Non-controlling interests	**8,010,030**	7,868,885

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Turnover	**2,631,699**	702,151
Profit for the year	**197,063**	1,086,011
Other comprehensive income/(expenses) for the year	**282,503**	(191,719)
Total comprehensive income for the year	**479,566**	894,292

19. Interests in Associates/Interests in Joint Ventures (continued)

(a) Interests in associates (continued)

The eSun Group (continued)

Reconciliation of the above summarised financial information of the eSun Group to the carrying amount of the interests in associates recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Net assets attributable to owners of eSun	**8,306,920**	7,997,900
The Group's 39.93% interest in the eSun Group (2012: 37.93%)	**3,316,953**	3,033,604
The Group's share of net liabilities of the remaining associates not individually material	**(68,785)**	(51,628)
The Group's share of net assets of associates	**3,248,168**	2,981,976

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
The Group's share of (loss)/profit and total comprehensive income of the remaining associates not individually material	**(859)**	560

(b) Interests in joint ventures

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**—**	—	**—**	—
Share of net assets	**3,506,415**	3,158,147	**—**	—
	3,506,415	3,158,147	**—**	—
Amounts due from joint ventures	**2,182,269**	731,111	**1,812,180**	393,522
	5,688,684	3,889,258	**1,812,180**	393,522

Balances with joint ventures were unsecured, interest-free and had no fixed terms of repayment.

19. INTERESTS IN ASSOCIATES/INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Interests in joint ventures (continued)

Particulars of the joint ventures as at 31 July 2013 were as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Best Value International Limited ("**Best Value**")	Hong Kong	Ordinary	50.00	Property development
Brilliant Pearl Limited ("**Brilliant Pearl**")	Hong Kong	Ordinary	50.00	Property development/ property sales
Diamond Path Limited ("**Diamond Path**")	British Virgin Islands/ Hong Kong	Ordinary	50.00	Investment holding
Diamond String Limited ("**Diamond String**")	Hong Kong	Ordinary	50.00	Property investment
Lucky Result Limited ("**Lucky Result**")	British Virgin Islands/ Hong Kong	Ordinary	50.00	Investment holding
Orient Hero Management Limited ("**Orient Hero**")	British Virgin Islands/ Hong Kong	Ordinary	50.00	Project management
Strongly Limited	Hong Kong	Ordinary	50.00	Property development

Certain shares of a joint venture held by the Group were pledged to a bank to secure a banking facility granted to the joint venture.

All the joint ventures have been accounted for using the equity method in these financial statements.

The financial year end dates of the following joint ventures are different from that of the Group:

(i) Lucky Result, Brilliant Pearl and Diamond String have a financial year end date of 31 December; and

(ii) Best Value has a financial year end date of 30 June.

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

The summarised financial information below represents amounts shown in the financial statements of the respective joint ventures prepared in accordance with HKFRSs and complied with the Group's accounting policies.

Best Value and its subsidiaries (the "Best Value Group")

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**1,167**	4,981
Non-current assets	**2,000,000**	1,740,000
Current liabilities	**(1,995)**	(74)
Non-current liabilities	**(740,178)**	(675,178)
The above amounts of assets and liabilities include the following:		
Non-current financial liabilities (excluding trade and other payables and provisions)	**(740,178)**	(675,178)

	Year ended 31 July 2013 HK$'000	Period from 11 November 2011 (date of acquisition) to 31 July 2012 HK$'000
Turnover	**—**	—
Profit and total comprehensive income for the year/period	**189,264**	42,571

Reconciliation of the above summarised financial information of the Best Value Group to the carrying amount of the interest in the Best Value Group recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Net assets of the Best Value Group	**1,258,994**	1,069,729
The Group's 50% ownership interest in the Best Value Group	**629,497**	534,865
Amount due from the Best Value Group	**370,089**	337,589
Carrying amount of the Group's interest in the Best Value Group	**999,586**	872,454

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond Path, Strongly Limited and Orient Hero (the "Diamond Path Group")

	31 July 2013 HK$'000
Current assets	4,126
Non-current assets	2,833,397
Current liabilities	(1,640)
Non-current liabilities	(2,836,000)
The above amounts of assets and liabilities include the following:	
Non-current financial liabilities (excluding trade and other payables and provisions)	(2,836,000)

	Period from 4 September 2012 (date of incorporation) to 31 July 2013 HK$'000
Turnover	—
Loss and total comprehensive expense for the period	(117)

Reconciliation of the above summarised financial information of the Diamond Path Group to the carrying amount of the interest in the Diamond Path Group recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000
Net liabilities of the Diamond Path Group	(117)
The Group's 50% ownership interest in the Diamond Path Group	(59)
Amount due from the Diamond Path Group	1,418,634
Carrying amount of the Group's interest in the Diamond Path Group	1,418,575

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond String

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**233,730**	136,064
Non-current assets	**7,600,000**	6,410,000
Current liabilities	**(133,841)**	(96,577)
Non-current liabilities	**(1,960,861)**	(1,715,649)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**162,906**	135,159
Non-current financial liabilities (excluding trade and other payables and provisions)	**(1,960,861)**	(1,715,649)
Interest income (capitalised as non-current assets)	**420**	1,342
Interest expense (capitalised as non-current assets)	**8,463**	18,964

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Turnover	**50,217**	—
Profit and total comprehensive income for the year	**1,005,189**	1,254,303
The above profit and total comprehensive income for the year include the following:		
Interest income	**481**	—
Interest expense	**20,033**	—

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Diamond String (continued)

Reconciliation of the above summarised financial information of Diamond String to the carrying amount of the interest in Diamond String recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Net assets of Diamond String	**5,739,028**	4,733,838
The Group's 50% ownership interest in Diamond String	**2,869,514**	2,366,919
Amount due from Diamond String	**393,546**	393,522
Carrying amount of the Group's interest in Diamond String	**3,263,060**	2,760,441

Lucky Result and Brilliant Pearl (the "Lucky Result Group")

	31 July 2013 HK$'000	31 July 2012 HK$'000
Current assets	**39,118**	805,146
Current liabilities	**(24,193)**	(292,420)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**37,327**	518,396

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Turnover	**351,680**	314,692
Profit and total comprehensive income for the year	**152,199**	125,062
Dividends declared by the Lucky Result Group during the year	**650,000**	476,603
The above profit for the year includes the following:		
Tax charge	**29,939**	24,170

19. Interests in Associates/Interests in Joint Ventures (continued)

(b) Interests in joint ventures (continued)

Lucky Result and Brilliant Pearl (the "Lucky Result Group") (continued)

Reconciliation of the above summarised financial information of the Lucky Result Group to the carrying amount of the interest in the Lucky Result Group recognised in the consolidated financial statements is as follows:

	31 July 2013 HK$'000	31 July 2012 HK$'000
Net assets of the Lucky Result Group	**14,925**	512,726
The Group's 50% ownership interest in the Lucky Result Group	**7,463**	256,363

20. Available-for-sale Financial Assets

	Group		**Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Available-for-sale investments, at fair value				
Unlisted equity investments	**1,183,968**	1,138,591	**47,758**	40,247
Unlisted debt investments	**—**	32,766	**—**	—
	1,183,968	1,171,357	**47,758**	40,247
Unlisted equity investments, at cost	**176,317**	176,247	**3,001**	3,101
Provision for impairment	**(161,964)**	(161,794)	**(3,000)**	(3,000)
	14,353	14,453	**1**	101
	1,198,321	1,185,810	**47,759**	40,348

As at 31 July 2013, unlisted investments of the Group with a carrying amount of approximately HK$14,353,000 (2012: HK$14,453,000) were stated at cost less impairment because the directors are of the opinion that the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value.

As at 31 July 2013, included in available-for-sale financial assets at fair value were equity interest in Bayshore Development Group Limited ("**Bayshore**"), the principal activity of which is property investment, of approximately HK$1,115,939,000 (2012: aggregate amount of fair value of equity and debt interests of approximately HK$1,120,420,000). The interest held by the Group was pledged to banks to secure a syndicated loan facility granted to Bayshore.

21. Pledged Bank Balances and Time Deposits and Cash and Cash Equivalents

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**2,634,263**	665,001	**515,073**	492,331
Time deposits	**624,060**	1,006,141	**28,841**	831,815
	3,258,323	1,671,142	**543,914**	1,324,146
Less: Pledged balances for bank borrowings:				
Bank balances	**(134,692)**	(4,849)	**(134,692)**	(4,849)
Time deposits	**—**	(101,188)	**—**	(101,188)
Pledged bank balances and time deposits	**(134,692)**	(106,037)	**(134,692)**	(106,037)
Cash and cash equivalents	**3,123,631**	1,565,105	**409,222**	1,218,109

At the end of the reporting period, cash and bank balances of the Group denominated in Vietnamese Dong ("**VND**") and Renminbi ("**RMB**") amounted to approximately HK$29,328,000 (2012: HK$18,816,000) and HK$1,162,000 (2012: HK$8,918,000), respectively. The conversion of VND/RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currency balances out of Vietnam/the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the respective government authorities concerned.

Cash at banks earns interest at floating rates based on bank deposit rates. Short term time deposits are spread over varying periods up to one month based on the estimated 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.

22. Deposits Paid

	Group	
	2013	2012
	HK$'000	HK$'000
Deposits paid for acquisition of property, plant and equipment	**17,000**	—
Deposit paid for acquisition of a subsidiary (note 39)	**6,500**	—
Deposit paid for acquisition of an investment property	**—**	61,500
	23,500	61,500

23. Completed Properties for Sale

The completed properties for sale are carried at cost at the end of the reporting period.

24. Equity Investments at Fair Value through Profit or Loss

	Group and Company	
	2013	2012
	HK$'000	HK$'000
Equity investments at market value:		
Listed in Hong Kong	**4,954**	—
Listed overseas	**2,535**	1,648
	7,489	1,648

The above equity instruments as at the end of the reporting period were classified as held for trading.

25. Debtors, Deposits Paid and Other Receivables/Creditors, Deposits Received and Accruals

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors:				
Not yet due or less than 30 days past due	**6,575**	4,881	**1,555**	325
31-60 days past due	**1,946**	1,282	**34**	232
61-90 days past due	**394**	347	**—**	232
Over 90 days past due	**1,491**	2,721	**674**	2,040
	10,406	9,231	**2,263**	2,829
Other receivables	**57,337**	16,767	**3,049**	2,985
Deposits paid and prepayments	**54,605**	73,596	**32,565**	41,405
	122,348	99,594	**37,877**	47,219

25. Debtors, Deposits Paid and Other Receivables/Creditors, Deposits Received and Accruals (continued)

(a) (continued)

Movements in provision for impairment of trade debtors are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 August	**—**	206	**—**	206
Impairment losses recognised	**—**	541	**—**	510
Amount written off as uncollectible	**—**	(747)	**—**	(716)
At 31 July	**—**	—	**—**	—

Debtors that were past due but not impaired mainly 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 rental deposits are received by the Group in advance from its customers, and accordingly, the balances are still considered fully recoverable. Other than rental deposits received, the Group does not hold any collateral or other credit enhancements over these balances.

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors:				
Not yet due or less than 30 days past due	**8,161**	7,398	**2,479**	2,384
31-60 days past due	**546**	480	**—**	105
61-90 days past due	**87**	148	**—**	29
Over 90 days past due	**236**	486	**—**	—
	9,030	8,512	**2,479**	2,518
Other payables and accruals	**173,773**	137,304	**31,393**	34,935
Deposits received and other provisions	**153,475**	97,787	**47,181**	40,257
	336,278	243,603	**81,053**	77,710

The trade creditors are non-interest-bearing normally with one month credit period.

26. Held-to-maturity Debt Investments

	Group and Company	
	2013	2012
	HK$'000	HK$'000
Debt securities, at amortised cost	**8,317**	—

The weighted average effective interest rate of these held-to-maturity debt investments was approximately 2.75% per annum.

27. Bank Borrowings

	Effective annual interest rate (%)	Group		Company	
		2013	2012	**2013**	2012
		HK$'000	HK$'000	**HK$'000**	HK$'000
Current					
Bank borrowings					
— secured	2.1-3.4 (2012:1.5-3.6)	**417,286**	1,104,818	**180,301**	798,000
Non-current					
Bank borrowings					
— secured	2.1-3.4 (2012:1.5-3.6)	**2,661,322**	1,707,404	**2,473,965**	1,336,100
		3,078,608	2,812,222	**2,654,266**	2,134,100

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank borrowings repayable:				
Within one year	**417,286**	1,104,818	**180,301**	798,000
In the second year	**386,933**	357,500	**199,576**	120,000
In the third to fifth years, inclusive	**2,274,389**	1,349,904	**2,274,389**	1,216,100
	3,078,608	2,812,222	**2,654,266**	2,134,100

27. Bank Borrowings (continued)

The Group's bank borrowings as at the end of the reporting period were secured, inter alia, by:

(i) fixed charges over certain investment properties and certain properties under development for sale of the Group with carrying amounts of approximately HK$10,714,396,000 (2012: HK$8,554,391,000) (note 16) and HK$668,921,000 (2012: HK$1,200,491,000) (note 17);

(ii) floating charges over all assets of certain subsidiaries of the Group with the aggregate carrying amounts of approximately HK$4,401,157,000 (2012: HK$3,590,401,000), of which approximately HK$668,921,000 (2012: HK$559,752,000) and HK$3,720,000,000 (2012: HK$3,020,000,000) including the carrying amounts of the subsidiaries' properties under development for sale and investment properties, respectively, are also included in note (i) above;

(iii) charges over certain bank balances and time deposits of the Group with an aggregate carrying amount of approximately HK$134,692,000 (2012: HK$106,037,000) (note 21);

(iv) charges over shares of certain subsidiaries held by the Group (note 18); and

(v) guarantees provided by the Company (note 34(a)).

In the prior year, the Group's bank borrowings as at 31 July 2012 were also secured by hotel properties and prepaid land lease payments of the Group with carrying amounts of approximately HK$234,397,000 (note 14) and approximately HK$25,010,000 (note 15), respectively. During the year, the corresponding bank borrowings were fully repaid by the Group and these pledged assets were released.

28. Guaranteed Notes

On 18 January 2013, Lai Sun International Finance (2012) Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes in an aggregate principal amount of US$350,000,000 (the "**Notes**"). The Notes are guaranteed by the Company, have a maturity term of five years and bear a fixed interest rate of 5.7% per annum with interest payable semi-annually in arrears.

The net proceeds from the offering are approximately US$347,000,000 and will be used for general corporate purposes.

Group

	2013 HK$'000
Guaranteed notes	**2,714,005**
Issue expenses	**(18,531)**
	2,695,474
Fair value of the Notes as at 31 July 2013	**2,577,029**

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 31 July 2013.

29. Deferred Tax

The movements in deferred tax (liabilities)/assets during the year are as follows:

Group

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 August 2011	(94,008)	703	(1,156)	(94,461)
Deferred tax (charged)/credited to the consolidated income statement during the year (note 11)	(6,896)	477	—	(6,419)
At 31 July 2012 and 1 August 2012	(100,904)	1,180	(1,156)	(100,880)
Deferred tax (charged)/credited to the consolidated income statement during the year (note 11)	(7,035)	509	1,712	(4,814)
At 31 July 2013	**(107,939)**	**1,689**	**556**	**(105,694)**

Apart from tax losses for which deferred tax had been recognised above, the Group had tax losses arising in Hong Kong of approximately HK$1,400 million (2012: HK$1,284 million) 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 future taxable profits may not be available to utilise such losses in the foreseeable future.

Company

	Accelerated tax depreciation HK$'000
At 1 August 2011	(47,978)
Deferred tax charged to the income statement during the year	(4,199)
At 31 July 2012 and 1 August 2012	(52,177)
Deferred tax charged to the income statement during the year	(2,692)
At 31 July 2013	**(54,869)**

At 31 July 2013, there was no significant unrecognised deferred tax liability (2012: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted.

30. Share Capital

	2013		2012	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**HK$'000**	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**38,000,000**	**380,000**	27,000,000	270,000
Preference shares of HK$1.00 each	**1,200,000**	**1,200,000**	1,200,000	1,200,000
		1,580,000		1,470,000
Issued and fully paid:				
Ordinary shares of HK$0.01	**20,062,893**	**200,629**	20,062,893	200,629

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company on 22 September 2011, the authorised share capital of the Company was increased from HK$1,372,000,000 divided into 17,200,000,000 ordinary shares of HK$0.01 each and 1,200,000,000 preference shares of HK$1.00 each to HK$1,470,000,000 divided into 27,000,000,000 ordinary shares of HK$0.01 each and 1,200,000,000 preference shares of HK$1.00 each by the creation of 9,800,000,000 additional shares of HK$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 18 December 2012, the authorised share capital of the Company was increased from HK$1,470,000,000 divided into 27,000,000,000 ordinary shares of HK$0.01 each and 1,200,000,000 preference shares of HK$1.00 each to HK$1,580,000,000 divided into 38,000,000,000 ordinary shares of HK$0.01 each and 1,200,000,000 preference shares of HK$1.00 each by the creation of 11,000,000,000 additional ordinary shares of HK$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

In December 2011, the Company completed a rights issue of 5,900,850,966 ordinary shares of HK$0.01 each on the basis of five rights shares for every twelve shares held of the Company at a subscription price of HK$0.09 per rights share (the "**Rights Issue**"). The net proceeds from the Rights Issue was approximately HK$513,640,000, after deduction of share issue expenses of approximately HK$17,437,000.

Movements in the Company's issued capital during the year are summarised as follows:

	Number of ordinary shares	**Issued capital**	**Share premium account**	**Total**
	'000	HK$'000	HK$'000	HK$'000
At 1 August 2011	14,162,042	141,620	6,974,701	7,116,321
Rights Issue	5,900,851	59,009	472,068	531,077
Share issue expenses	—	—	(17,437)	(17,437)
At 31 July 2012, 1 August 2012 and 31 July 2013	20,062,893	200,629	7,429,332	7,629,961

30. Share Capital (continued)

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "**Capital Reduction**") which took effect on 18 October 2006. The paid-up capital on each of its issued ordinary shares of HK$0.50 was cancelled to the extent of HK$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK$0.50 per share to HK$0.01 per share. A total credit of HK$6,245,561,000 had arisen as a result of the Capital Reduction. An amount of HK$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK$626,561,000 was credited to the share premium account of the Company.

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1 August 2005 in respect of the Company's:

(1) 50% investment in Fortune Sign Venture Inc. ("**Fortune Sign**"), up to an aggregate amount of HK$1,556,000,000;

(2) 10% investment in Bayshore, up to an aggregate amount of HK$2,923,000,000; and/or

(3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK$1,140,000,000

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18 October 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisos:

(i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserve of the Company and the same shall become available for distribution;

(ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets being the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and

(iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

30. Share Capital (continued)

In prior years, an aggregate amount of HK$630,400,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow, a wholly-owned subsidiary, which holds a 10% equity interest in Bayshore, to the extent of HK$372,072,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company.

After the effective date of the Capital Reduction, the Company entered into a placing agreement dated 17 November 2006 pursuant to which a total of 1,416,000,000 new ordinary shares of HK$0.01 each in the capital of the Company were allotted and issued for net cash proceeds of HK$504,136,000. With such increase in the Company's issued share capital and share premium account resulting from the placing of new shares for cash, an aggregate amount of HK$504,136,000 was then transferred from special capital reserve to general reserve (a distributable reserve) of the Company in prior years pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

As a result of the Rights Issue with net cash proceeds of approximately HK$513,640,000 as detailed above, the Company's issued share capital and share premium account was further increased by an aggregate amount of approximately HK$513,640,000. The entire remaining balance of the special capital reserve of approximately HK$126,264,000 was further transferred to the general reserve (a distributable reserve) of the Company during the year ended 31 July 2012 pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

During the year ended 31 July 2013, the Company recognised a dividend income from Fortune Sign of HK$16,300,000. Therefore, the Company transferred HK$16,300,000 (i) from retained profits to special capital reserve and (ii) from special capital reserve to general reserve, pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

As a result of the above transfer between the reserves, the outstanding balance of the general reserve of the Company as at 31 July 2013 was approximately HK$646,700,000 (2012: HK$630,400,000). There was no remaining balance in the special capital reserve as at 31 July 2012 and 31 July 2013.

31. Share Option Scheme

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives or rewards to eligible participants for their contribution or would-be contribution to the Group, to enable the Group to recruit and retain high-calibre employees and to attract human resource that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors (including executive, non-executive directors and independent non-executive directors), employees of the Group, agents or consultants 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 Share Option Scheme was adopted on 22 December 2006 and became effective on 29 December 2006 and, unless otherwise terminated or amended, will remain in force for 10 years from the latter date.

31. Share Option Scheme (continued)

The maximum number of the Company's shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Company's total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the total number of shares of the Company in issue as at the date of adopting the Share Option Scheme unless the Company seeks the approval of its shareholders in general meeting to refresh the 10% limit under the Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's total number of shares in issue. Any further grant of share options representing in aggregate over 1% of the total number of the Company's shares in issue must be separately approved by the shareholders in general meetings of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, shall be subject to approval by the independent non-executive directors of the Company. Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, representing in aggregate over 0.1% of the shares of the Company in issue or having an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, in the 12-month period up to and including the date of such grant must be approved by shareholders in general meetings of the Company.

The offer of a grant of share options shall be accepted within 28 days from the date of offer and acceptance shall be made with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. The exercise period of the share options granted is determinable by the directors of the Company save that such period shall not be more than 10 years from the date of grant of the share options.

The exercise price of share options is determinable by the directors of the Company, but shall not be lower than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Share options do not confer rights on the holders to dividends or to vote at general meetings of the Company.

31. Share Option Scheme (continued)

The following table discloses movements of the Company's share options held by certain directors and employees during the year ended 31 July 2013:

Name and category of participant	Number of share options: Outstanding at 01/08/2012	Granted during year	Lapsed during year	Outstanding at 31/07/2013	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Directors							
Lam Kin Ngok, Peter	—	20,062,893	—	20,062,893	18/01/2013	18/01/2013 - 17/01/2023	0.335
Lam Hau Yin, Lester	—	200,628,932	—	200,628,932	18/01/2013	18/01/2013 - 17/01/2023	0.335
Chew Fook Aun	200,628,932	—	—	200,628,932	05/06/2012	05/06/2012 - 04/06/2022	0.112
Lau Shu Yan, Julius	—	100,314,466	—	100,314,466	18/01/2013	18/01/2013 - 17/01/2023	0.335
Other employees, in aggregate	—	187,188,680	(10,000,000)	177,188,680	18/01/2013	18/01/2013 - 17/01/2023	0.335
Other employees, in aggregate	—	4,000,000	—	4,000,000	26/07/2013	26/07/2013 - 25/07/2023	0.235
	200,628,932	512,194,971	(10,000,000)	702,823,903			

The following table discloses movements of the Company's share options held by a director during the year ended 31 July 2012:

Name and category of participant	Number of share options: Outstanding at 01/08/2011	Granted during year	Outstanding at 31/07/2012	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Director						
Chew Fook Aun	—	200,628,932	200,628,932	05/06/2012	05/06/2012- 04/06/2022	0.112

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other relevant changes in the Company's share capital.

31. Share Option Scheme (continued)

The closing prices of the Company's shares immediately before 5 June 2012, 18 January 2013 and 26 July 2013, the dates of grant, were HK$0.109, HK$0.325 and HK$0.242, respectively.

The fair value of the share options granted during the year was approximately HK$50,810,000 (2012: HK$9,008,000) of which the Group recognised the entire amount as expense during the year.

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 options were granted. The following table lists the inputs to the model used:

	2013	2012
Dividend yield (%)	**—**	—
Expected volatility (%)	**68.971**	46.012
Historical volatility (%)	**68.971**	46.012
Risk-free interest rate (%)	**1.012**	1.024
Expected life of options (years)	**10**	10
Closing share price (HK$ per share)	**0.335**	0.111

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.

Other than the grant and the lapse of the above share options, during the year, no other options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme.

At the end of the reporting period, the Company had 702,823,903 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 702,823,903 additional ordinary shares of the Company and additional share capital of approximately HK$7,028,000 and share premium of approximately HK$183,278,000 (before issue expenses).

As at the date of approval of these financial statements, further options to subscribe for a maximum of 713,380,329 shares of HK$0.01 each in the Company could be granted under the Share Option Scheme. Together with the underlying 702,823,903 shares of HK$0.01 each comprised in the share options remained outstanding as at 31 July 2013 and the date of approval of these financial statements, a total number of 1,416,204,232 shares of HK$0.01 each are available for issue under the Share Option Scheme, representing approximately 7.1% of the Company's share in issue as at the date of approval of these financial statements.

32. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 63 of the financial statements.

32. Reserves (continued)

(b) Company

	Share premium account HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Special capital reserve HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
At 1 August 2011	6,974,701	—	—	1,200,000	504,136	126,264	(1,966,999)	6,838,102
Profit for the year	—	—	—	—	—	—	829,571	829,571
Other comprehensive expense for the year:								
Change in fair value of available-for-sale financial assets	—	(9,673)	—	—	—	—	—	(9,673)
Total comprehensive (expense)/ income for the year	—	(9,673)	—	—	—	—	829,571	819,898
Rights issue (note 30)	472,068	—	—	—	—	—	—	472,068
Share issue expenses (note 30)	(17,437)	—	—	—	—	—	—	(17,437)
Transfer of reserves (note 30)	—	—	—	—	126,264	(126,264)	—	—
Recognition of share-based payments	—	—	9,008	—	—	—	—	9,008
At 31 July 2012 and 1 August 2012	7,429,332	(9,673)	9,008	1,200,000	630,400	—	(1,137,428)	8,121,639
Profit for the year	—	—	—	—	—	—	1,732,747	1,732,747
Other comprehensive income for the year:								
Change in fair value of available-for-sale financial assets	—	7,511	—	—	—	—	—	7,511
Total comprehensive income for the year	—	7,511	—	—	—	—	1,732,747	1,740,258
Transfer of reserves (note 30)								
— from retained profits to special capital reserve	—	—	—	—	—	16,300	(16,300)	—
— from special capital reserve to general reserve	—	—	—	—	16,300	(16,300)	—	—
Recognition of share-based payments	—	—	50,810	—	—	—	—	50,810
Lapse of share options	—	—	(992)	—	—	—	992	—
At 31 July 2013	**7,429,332**	**(2,162)**	**58,826**	**1,200,000**	**646,700**	**—**	**580,011**	**9,912,707**

The profit for the year ended 31 July 2013 included dividend income and interest income received from subsidiaries, and impairment of interests in subsidiaries.

33. Capital Commitments

The Group and the Company had the following commitments not provided for in the financial statements at the end of the reporting period:

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Contracted, but not provided for				
Purchase of property, plant and equipment	**34,803**	2,458	**923**	2,453
Acquisition of a subsidiary (note 39)	**123,500**	—	**123,500**	—
	158,303	2,458	**124,423**	2,453

In addition, the Group's and the Company's share of a joint venture's own capital commitments, in respect of future development expenditure of its investment properties, is as follow:

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Contracted, but not provided for	**24,821**	54,426	**—**	—

34. Contingent Liabilities

(a) Contingent liabilities not provided for in the financial statements at the end of the reporting period are as follows:

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Guarantees given to banks in connection with facilities granted to and utilised by:				
Subsidiaries	**—**	—	**188,031**	422,604
A joint venture	**—**	465,287	**—**	465,287
	—	465,287	**188,031**	887,891

34. CONTINGENT LIABILITIES (CONTINUED)

(b) In connection with the disposal (the "**Transaction**") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company, Limited ("**Taiwa**"), an indirect 50%-owned associate of the Group, Taiwa, the Company, and the other 50% beneficial shareholder of Taiwa (collectively the "**Covenantors**") entered into a tax deed (the "**Tax Deed**") with the purchaser of the Transaction, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries (collectively the "**Properties Holding Companies**") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events happened prior to the completion of the Transaction for a maximum amount of HK$30,000,000. As such, the maximum liability of the Company under the Tax Deed is HK$15,000,000. The Tax Deed is valid for a period of 7 years from the date of its execution.

(c) Pursuant to an indemnity deed (the "**Lai Fung Tax Indemnity Deed**") dated 12 November 1997 entered into between the Company and Lai Fung, the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("**LAT**") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31 October 1997 (the "**Property Interests**"). These tax indemnities given by the Company 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 chartered surveyors, 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 premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The Lai Fung Tax 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 PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on the Stock Exchange (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 Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2013 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK$1,345,265,000 (2012: HK$1,345,265,000).

As at 31 July 2013, the directors of the Company, after taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, considered it is probable that an estimated amount of HK$614,672,000 (2012: HK$347,135,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, an additional provision for tax indemnity of HK$267,537,000 (2012: a reversal of provision for tax indemnity of HK$171,435,000) was recognised in the income statement for the year ended 31 July 2013.

35. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions. Certain leases include contingent rentals calculated with reference to the turnover of the tenants.

At the end of the reporting period, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		**Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Within one year	**291,600**	284,463	**207,331**	197,843
In the second to fifth years, inclusive	**227,051**	218,552	**146,439**	146,665
	518,651	503,015	**353,770**	344,508

(b) As lessee

The Group leases certain properties under operating lease arrangements, with an original lease term of twelve years with option to terminate the leases upon expiry of six years, nine years or twelve years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Within one year	**28,514**	27,953	**17,223**	20,330
In the second to fifth years, inclusive	**45,950**	20,553	**—**	17,223
After five years	**10,970**	—	**—**	—
	85,434	48,506	**17,223**	37,553

36. 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:

Financial assets

	Group								
	2013					2012			
	Financial assets at fair value through profit or loss HK$'000	**Loans and receivables HK$'000**	**Available-for-sale financial assets HK$'000**	**Held-to-maturity debt investments HK$'000**	**Total HK$'000**	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	**—**	**—**	**1,198,321**	**—**	**1,198,321**	—	—	1,185,810	1,185,810
Amounts due from associates	**—**	**130,682**	**—**	**—**	**130,682**	—	101,711	—	101,711
Amounts due from joint ventures	**—**	**2,182,269**	**—**	**—**	**2,182,269**	—	731,111	—	731,111
Held-to-maturity debt investments	**—**	**—**	**—**	**8,317**	**8,317**	—	—	—	—
Trade debtors and other receivables	**—**	**67,743**	**—**	**—**	**67,743**	—	25,998	—	25,998
Equity investments at fair value through profit or loss	**7,489**	**—**	**—**	**—**	**7,489**	1,648	—	—	1,648
Pledged bank balances and time deposits	**—**	**134,692**	**—**	**—**	**134,692**	—	106,037	—	106,037
Cash and cash equivalents	**—**	**3,123,631**	**—**	**—**	**3,123,631**	—	1,565,105	—	1,565,105
	7,489	**5,639,017**	**1,198,321**	**8,317**	**6,853,144**	1,648	2,529,962	1,185,810	3,717,420

Financial liabilities

	Group	
	2013 Financial liabilities at amortised cost HK$'000	2012 Financial liabilities at amortised cost HK$'000
Amounts due to associates	**—**	20,799
Trade creditors, other payables and accruals	**182,803**	145,816
Bank borrowings	**3,078,608**	2,812,222
Guaranteed notes	**2,695,474**	—
	5,956,885	2,978,837

36. Financial Instruments by Category (continued)

Financial assets

	Company								
	2013					2012			
	Financial assets at fair value through profit or loss HK$'000	**Loans and receivables HK$'000**	**Available-for-sale financial assets HK$'000**	**Held-to-maturity debt investments HK$'000**	**Total HK$'000**	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amounts due from subsidiaries	**—**	**5,541,131**	**—**	**—**	**5,541,131**	—	4,922,959	—	4,922,959
Amounts due from associates	**—**	**8,085**	**—**	**—**	**8,085**	—	8,108	—	8,108
Amounts due from joint ventures	**—**	**1,812,180**	**—**	**—**	**1,812,180**	—	393,522	—	393,522
Available-for-sale financial assets	**—**	**—**	**47,759**	**—**	**47,759**	—	—	40,348	40,348
Held-to-maturity debt investments	**—**	**—**	**—**	**8,317**	**8,317**	—	—	—	—
Trade debtors and other receivables	**—**	**5,312**	**—**	**—**	**5,312**	—	5,814	—	5,814
Equity investments at fair value through profit or loss	**7,489**	**—**	**—**	**—**	**7,489**	1,648	—	—	1,648
Pledged bank balances and time deposits	**—**	**134,692**	**—**	**—**	**134,692**	—	106,037	—	106,037
Cash and cash equivalents	**—**	**409,222**	**—**	**—**	**409,222**	—	1,218,109	—	1,218,109
	7,489	**7,910,622**	**47,759**	**8,317**	**7,974,187**	1,648	6,654,549	40,348	6,696,545

Financial liabilities

	Company	
	2013 Financial liabilities at amortised cost HK$'000	2012 Financial liabilities at amortised cost HK$'000
Amounts due to subsidiaries	**1,234,042**	1,193,546
Amounts due to associates	**—**	16,303
Trade creditors, other payables and accruals	**33,872**	37,453
Bank borrowings	**2,654,266**	2,134,100
	3,922,180	3,381,402

Except for the guaranteed notes with fair value disclosed in note 28, the directors consider the carrying amounts of all financial assets and financial liabilities at amortised cost of the Group and the Company approximate to their fair values as at the end of the reporting period.

37. 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)

Assets measured at fair value:

Group

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 July 2013				
Available-for-sale financial assets, at fair value (note 20)	**—**	**1,183,968**	**—**	**1,183,968**
Equity investments at fair value through profit or loss	**7,489**	**—**	**—**	**7,489**
	7,489	**1,183,968**	**—**	**1,191,457**
As at 31 July 2012				
Available-for-sale financial assets, at fair value (note 20)	—	1,171,357	—	1,171,357
Equity investments at fair value through profit or loss	1,648	—	—	1,648
	1,648	1,171,357	—	1,173,005

37. Fair Value Hierarchy (continued)

Assets measured at fair value: (continued)

Company

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 July 2013				
Available-for-sale financial assets, at fair value (note 20)	**—**	**47,758**	**—**	**47,758**
Equity investments at fair value through profit or loss	**7,489**	**—**	**—**	**7,489**
	7,489	**47,758**	**—**	**55,247**
As at 31 July 2012				
Available-for-sale financial assets, at fair value (note 20)	—	40,247	—	40,247
Equity investments at fair value through profit or loss	1,648	—	—	1,648
	1,648	40,247	—	41,895

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2012: Nil).

38. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise available-for-sale financial assets, amounts due from associates and joint ventures, pledged bank balances and time deposits and cash and cash equivalents. The management would base on the Group's projected cashflow requirements, determine the types and levels of these financial instruments with a view to maintaining appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial instruments. The Group's principal financial liabilities are bank borrowings and guaranteed notes. The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment projects. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are interest rate risks, foreign currency risk, credit risk and liquidity risk. The management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group has adopted relatively conservative strategies on its risk management and the Group has not used any derivatives and other instruments for hedging purposes during the year. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and determine policies for managing each of these risks and they are summarised as follows:

38. Financial Risk Management Objectives and Policies (continued)

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument fluctuates because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged bank balances and time deposits, cash and cash equivalents and bank borrowings with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group constantly reviews 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 and before any impact on tax, of the Group's profit or loss (through the impact on floating rate pledged bank balances and time deposits, cash and cash equivalents and bank borrowings) and the Group's and the Company's equity.

	Group		Company	
	Increase in interest rate (in percentage)	**Increase/ (decrease) in profit and equity** HK$'000	**Increase in interest rate (in percentage)**	**Decrease in profit and equity** HK$'000
2013	**0.5**	**899**	**0.5**	**(10,552)**
2012	0.5	(5,705)	0.5	(4,050)

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of changes in foreign exchange rates.

The Group's major assets and liabilities and transactions are principally denominated in HK$ or US$. As HK$ is pegged against US$, the Group does not expect any significant movements in the exchange rate in the foreseeable future.

The Group had made an investment in the United Kingdom with the assets and liabilities denominated in Pounds Sterling. The investment was partly financed by bank borrowings denominated in Pounds Sterling in order to minimise the net foreign exchange exposure. The net investment amounted to approximately HK$146 million (2012: HK$124 million) which only accounted for an insignificant portion of the consolidated net assets of the Group as at 31 July 2013. Other than the abovementioned, the remaining monetary assets and liabilities of the Group were denominated in RMB and VND which were also insignificant as compared with the Group's total assets and liabilities. No hedging instruments were employed to hedge for the foreign exchange exposure.

38. Financial Risk Management Objectives and Policies (continued)

(iii) Credit risk

The Group maintains various credit policies for different business operations as described in note 25. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the financial assets, which comprise trade debtors and other receivables, amounts due from subsidiaries, associates and joint ventures, held-to-maturity debt investments, pledged bank balances and time deposits, cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its capital expenditure and financial liabilities. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2013				
	Less than 3 months HK$'000	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**No fixed repayment term HK$'000**	**Total HK$'000**
Trade creditors, other payables and accruals	**182,803**	**—**	**—**	**—**	**182,803**
Bank borrowings	**31,360**	**466,817**	**2,771,914**	**—**	**3,270,091**
Guaranteed notes	**—**	**154,698**	**3,255,449**	**—**	**3,410,147**
	214,163	**621,515**	**6,027,363**	**—**	**6,863,041**

	2012				
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to associates	—	—	—	20,799	20,799
Trade creditors, other payables and accruals	145,816	—	—	—	145,816
Bank borrowings	54,337	1,097,988	1,793,087	—	2,945,412
	200,153	1,097,988	1,793,087	20,799	3,112,027

38. Financial Risk Management Objectives and Policies (continued)

(iv) Liquidity risk (continued)

Company

	2013				
	Less than 3 months HK$'000	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**No fixed repayment term HK$'000**	**Total HK$'000**
Amounts due to subsidiaries	**—**	**—**	**—**	**1,234,042**	**1,234,042**
Trade creditors, other payables and accruals	**33,872**	**—**	**—**	**—**	**33,872**
Bank borrowings	**28,580**	**222,798**	**2,579,640**	**—**	**2,831,018**
	62,452	**222,798**	**2,579,640**	**1,234,042**	**4,098,932**

	2012				
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to subsidiaries	—	—	—	1,193,546	1,193,546
Amounts due to associates	—	—	—	16,303	16,303
Trade creditors, other payables and accruals	37,453	—	—	—	37,453
Bank borrowings	50,962	780,554	1,410,144	—	2,241,660
	88,415	780,554	1,410,144	1,209,849	3,488,962

(v) Risk associated with interests in joint ventures

Details of the Group's contingent liabilities in relation to the guarantees given to banks for facilities granted to and utilised by a joint venture as at 31 July 2012 were described in note 34(a).

38. Financial Risk Management Objectives and Policies (continued)

(vi) Capital management

The Group manages its capital structure to ensure that entities in 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 Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of mainly bank borrowings, guaranteed notes 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 the recommendation of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintenance of appropriate types and level of debts.

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity. Net debt includes bank borrowings and guaranteed notes, less pledged bank balances and time deposits and cash and cash equivalents. Total equity represented equity attributable to owners of the Company. The gearing ratio as at the end of the reporting period is as follows:

	2013 HK$'000	2012 HK$'000
Bank borrowings	**3,078,608**	2,812,222
Guaranteed notes	**2,695,474**	—
Less: Pledged bank balances and time deposits	**(134,692)**	(106,037)
Cash and cash equivalents	**(3,123,631)**	(1,565,105)
Net debt	**2,515,759**	1,141,080
Equity attributable to owners of the Company	**19,127,772**	16,357,585
Gearing ratio	**13%**	7%

39. Event after the Reporting Period

On 5 July 2013, the Company entered into an agreement with Kadokawa Holdings Asia Limited ("**KHAL**"), Lai's Holdings Limited ("**LHL**") and Kadokawa Intercontinental Group Holdings Limited ("**KIGHL**") pursuant to which KHAL and LHL have conditionally agreed to procure KIGHL to sell, and KIGHL has conditionally agreed to sell, to the Company the entire shares of Intercontinental Development and Services Limited ("**IDSL**") and all loans advanced by KHAL and LHL and their subsidiaries (if any) for a total consideration of HK$130 million. Upon completion, IDSL will become 100% beneficially owned by the Company.

IDSL is a property holding company. On 15 August 2013, the Company paid the remaining balance of the consideration of HK$123.5 million and the transaction was completed.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 9 October 2013.

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of the members ("**Members**") of Lai Sun Development Company Limited ("**Company**") will be held at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 22 November 2013 at 11:30 a.m. for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2013 ("**Year**") and the reports of the directors and the independent auditors thereon;

2. To re-elect the retiring directors of the Company ("**Directors**") and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration;

3. To re-appoint Ernst & Young, Certified Public Accountants ("**Ernst & Young**"), as the independent auditors of the Company and to authorise the Board to fix their remuneration; and

4. As special businesses, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

    Ordinary Resolution (A)

    "**THAT**:

    (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase shares of the Company on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Code on Share Repurchases for this purpose, subject to and in accordance with all applicable laws in Hong Kong and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

    (b) the aggregate nominal amount of the shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

    (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

        (i) the conclusion of the next Annual General Meeting of the Company;

        (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or

        (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held."

Ordinary Resolution (B)

"**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares in the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

    (i) a Rights Issue (as hereinafter defined); or

    (ii) an issue of shares in the Company upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company); or

    (iii) an issue of shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or

    (iv) an issue of shares in the Company under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares in the Company or rights to acquire shares in the Company,

    shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

    "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

    (i) the conclusion of the next Annual General Meeting of the Company;

    (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members of the Company in general meeting; or

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held; and

"Rights Issue" means an offer of shares in the Company open for a period fixed by the Directors to the holders of shares, whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

Ordinary Resolution (C)

"**THAT**:

subject to the passing of the Ordinary Resolution (A) and Ordinary Resolution (B) set out in agenda item 4 contained in the notice convening this meeting, the general mandate granted to the directors of the Company ("**Directors**") and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the issued share capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution."

Ordinary Resolution (D)

"**THAT**:

subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") granting the listing of, and permission to deal in, the additional shares of HK$0.01 each in the capital of the Company ("**Shares**") to be issued pursuant to the exercise of options which may be granted under the share option scheme adopted by the Company on 22 December 2006 and becoming effective on 29 December 2006 ("**Share Option Scheme**"), the refreshment of the general limit in respect of the grant of options to subscribe for Shares under the Share Option Scheme be and is hereby approved provided that:

(a) the total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the total number of Shares in issue as at the date of passing this resolution ("**Refreshed Limit**");

(b) options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme) will not be counted for the purpose of calculating the Refreshed Limit;

(c) the directors of the Company ("**Directors**") be and are hereby unconditionally authorised to offer or grant options pursuant to the Share Option Scheme to subscribe for Shares up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with the Shares upon the exercise of such options; and

(d) such increase in the Refreshed Limit shall in no event result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company exceed 30% of the Shares in issue from time to time"; and

"**THAT** the Directors and Company Secretary of the Company be and are hereby authorised to do all such acts, deeds and things as they shall, at their absolute discretion, deem fit in order to effect the foregoing."

By Order of the Board
Lai Sun Development Company Limited
Chow Kwok Wor
Company Secretary

Hong Kong, 24 October 2013

Registered Office:
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 AGM convened by the above notice ("**Notice**") (or its adjourned meeting) is entitled to appoint one (or if he/she/it holds two or more shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company ("**Articles of Association**"). A proxy need not be a Member.*

2. *A form of proxy for use at the AGM is sent to the Member with the Annual Report of the Company for the Year and is also available at the websites of the Stock Exchange and the Company.*

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 the Company's share registrars, Tricor Tengis Limited ("**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 AGM or its adjourned meeting (as the case may be) and in default, the form of proxy shall 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 AGM or at its adjourned meeting should they so wish. In such case, the said form(s) 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 AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrars not later than 4:30 p.m. on Tuesday, 19 November 2013 for registration.*

5. *Where there are joint registered holders of any ordinary share of HK$0.01 each in the Company ("**Share**"), any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders are present at the AGM or its adjourned meeting (as the case may be) personally or by proxy, that one of such holders so present whose name stands first in the Register of Members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.*

6. Concerning agenda item 2 of this Notice,

*(i) in accordance with Article 102 of the Articles of Association, Madam U Po Chu (**Madam U**) and Mr. Ip Shu Kwan, Stephen (**Mr. Stephen Ip**) will retire from office as Directors by rotation at the AGM. Being eligible, they offer themselves for re-election;*

(ii) in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the particulars of Madam U and Mr. Stephen Ip are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the Year.

*7. Concerning agenda item 3 of this Notice, the Board (which concurs with the Audit Committee) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed independent auditors of the Company for the year ending 31 July 2014 ("**Year 2014**"). Members should note that in practice, independent auditors' remuneration for Year 2014 cannot be fixed at the 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 2014, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for the Year 2014 is required, and is hereby sought, at the AGM.*

8. The proposed Ordinary Resolution (A) under agenda item 4 of this Notice relates to the granting of a general mandate to the Directors to repurchase shares of up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution. Members' attention is also drawn to the explanatory statement on the proposed repurchase mandate contained in Appendix I to the circular dated 24 October 2013.

The proposed Ordinary Resolution (B) under agenda item 4 of this Notice relates to the granting of a general mandate to the Directors to issue new Shares of up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution. The Company has no immediate plan to issue any new Shares under the general mandate.

The proposed Ordinary Resolution (C) under agenda item 4 of this Notice extends the general mandate to include the Shares repurchased under the repurchase mandate.

The proposed Ordinary Resolution (D) under agenda item 4 of this Notice relates to the refreshment of the share option limit under the Share Option Scheme up to a maximum of 10% of the Shares in issue as at the date of passing the said Resolution.

9. In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be taken by poll.

10. 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 7:00 a.m. and 5:00 p.m. on the date of the AGM, the AGM will be postponed and the Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice, posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 7:00 a.m. on the date of the AGM and where conditions permit, the AGM will be held as scheduled.

The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Members should decide whether they would attend the AGM under a bad weather condition after considering their own situations and if they do so, they are advised to exercise care and caution.

11. Details regarding the Ordinary Resolutions (A), (B), (C) and (D) under agenda item 4 of this Notice are set out in the circular of the Company dated 24 October 2013 in relation to, among others, the proposals involving general mandates to repurchase shares and to issue shares as well as the refreshment of share option scheme limit.