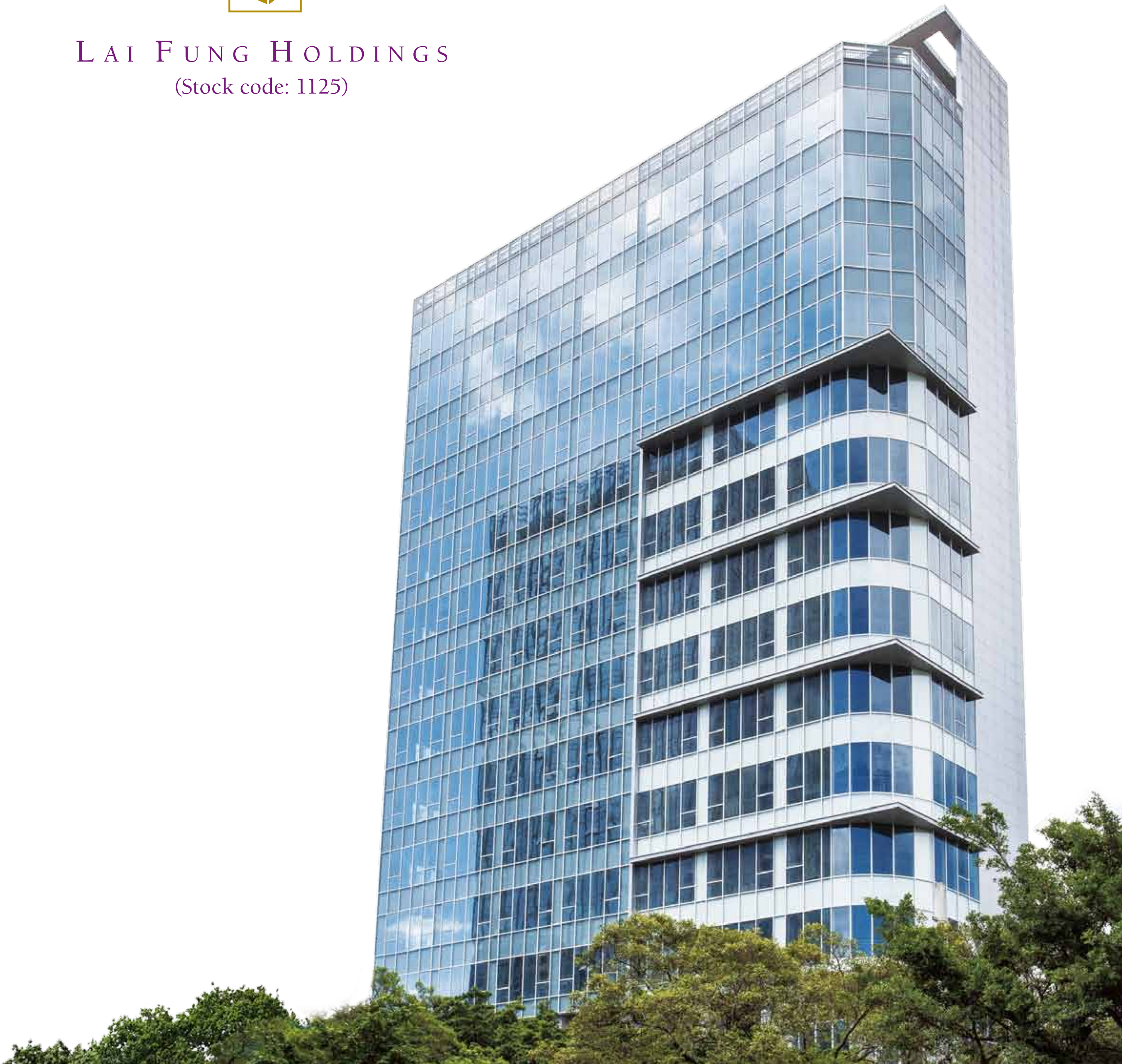
LAI FUNG HOLDINGS
(Stock code: 1125)



LAI FUNG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report

Year ended 31 July 2013

Cover Photo
Guangzhou STARR Xin Hotel, serviced apartment located at Guangzhou, China

Contents

Corporate Information

Place of Incorporation

Cayman Islands

Board of Directors

Executive Directors

Chew Fook Aun *(Chairman)*
Lam Kin Ming *(Deputy Chairman)*
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*
Lam Hau Yin, Lester *(Chief Executive Officer)*
Cheng Shin How
Lau Shu Yan, Julius
U Po Chu

Non-executive Directors

Leow Juan Thong, Jason
Lucas Ignatius Loh Jen Yuh
(also Alternate Director to Leow Juan Thong, Jason)

Independent Non-executive Directors

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

Audit Committee

Law Kin Ho *(Chairman)*
Lam Bing Kwan
Leow Juan Thong, Jason

Remuneration Committee

Lam Bing Kwan *(Chairman)*
Chew Fook Aun
Ku Moon Lun
Law Kin Ho
Leow Juan Thong, Jason

Authorised Representatives

Chew Fook Aun
Lam Kin Ming

Company Secretary

Yim Lai Wa

Registered Office

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman, Cayman Islands

Principal Place Of Business

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

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

Share Registrars and Transfer Office in Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrars and Transfer Office in Hong Kong

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

Independent Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

The Bank of East Asia, Limited
China CITIC Bank Corporation Limited
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Listing Information

Shares

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

Stock Code/Board Lot

1125/1,000 shares

Notes

The 9.125% senior notes due 2014 issued by the Company are listed and traded on Singapore Exchange Securities Trading Limited

The 6.875% senior notes due 2018 issued by the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

Website

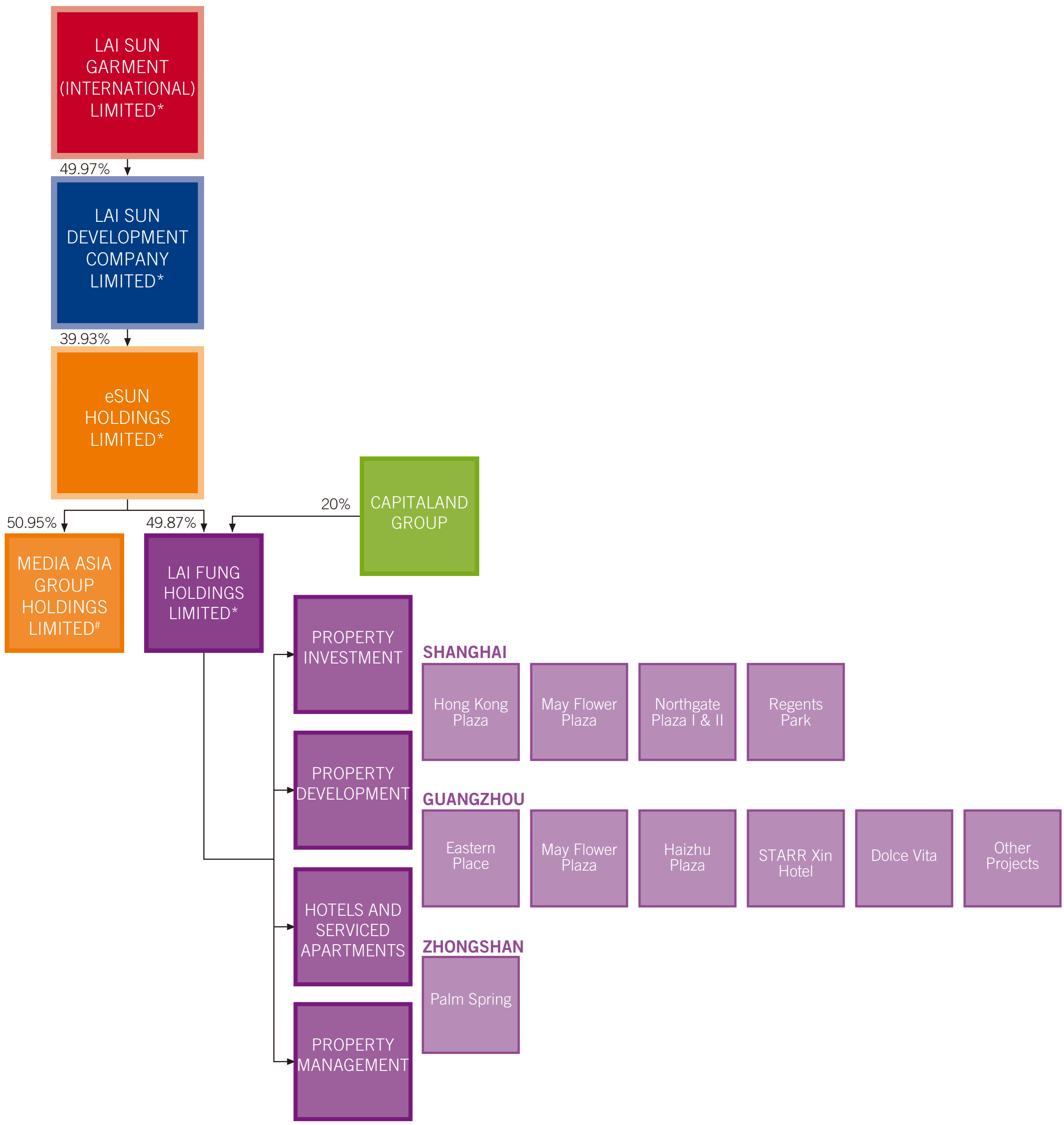
www.laifung.com

Investor Relations

Tel: (852) 2853 6116
Fax: (852) 2853 6651
Email: ir@laifung.com

Lai Fung Holdings Limited ("**Lai Fung**") is a member of the Lai Sun Group and was listed on The Stock Exchange of Hong Kong Limited in November 1997. Lai Fung is the property development and investment arm of the Lai Sun Group in the Mainland of China ("**China**").

Lai Fung's core businesses include the investment and development of serviced apartments, residential, office and commercial properties in prime locations in major gateway cities in China, in particular, Shanghai and Guangzhou, with excellent accessibility and infrastructure. With over ten years of extensive experience in and in-depth knowledge of property development in China, Lai Fung is well poised to benefit from the growing demand for quality properties in China.



* *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

I am pleased to present the audited consolidated results of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**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$1,894.9 million (2012: HK$1,394.0 million) and a gross profit of HK$997.6 million (2012: HK$813.4 million), representing an increase of approximately 36% and 23%, respectively over last year. Turnover from rental income and sales of properties during the year were HK$522.7 million (2012: HK$474.4 million) and HK$1,372.2 million (2012: HK$919.6 million), representing an increase of 10% and 49%, respectively.

Net profit attributable to owners of the Company was approximately HK$757.0 million (2012: HK$812.8 million), representing a decrease of approximately 7% over last year. Basic earnings per share taking into account the full year effect of the open offer in 2012 was HK$0.047 (2012: HK$0.085). Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$287.5 million (2012: HK$134.6 million), representing an increase of approximately 114% over last year. Basic earnings per share excluding the effect of property revaluations and taking into account the full year effect of the open offer in 2012 increased to HK$0.018 (2012: HK$0.014).

Net assets attributable to owners of the Company as at 31 July 2013 amounted to HK$11,418.8 million, up from HK$10,438.1 million as at 31 July 2012. Net asset value per share attributable to owners of the Company increased to HK$0.709 per share as at 31 July 2013 from HK$0.648 per share as at 31 July 2012.

Final Dividend

The Board has recommended a final dividend of HK$0.003 per share for the year ended 31 July 2013 (2012: HK$0.0028 per share) payable to shareholders ("**Shareholders**") whose names appear on the Hong Kong Branch Register of Members of the Company ("**Register of Members**") at the close of business on Friday, 6 December 2013. Subject to the approval of Shareholders at the forthcoming annual general meeting ("**AGM**") of the Company, the proposed final dividend, will be payable in cash, with an option for the Shareholders to receive new fully paid shares of par value of HK$0.10 each in the share capital of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "**Scrip Dividend Scheme**").

A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the Shareholders on or about Friday, 13 December 2013.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the AGM and the granting of the listing of and permission to deal in new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

Final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about Friday, 17 January 2014 to the Shareholders whose names appear on the Register of Members on Friday, 6 December 2013.

Economic and Market Environment

The global economy has been on a delicate recovery path since 2009. The pace of recovery remained slow with major economies in the world experiencing a loss of growth momentum. Gross Domestic Product ("**GDP**") 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 precarious state of affairs. Against this backdrop, the Central Government sought to stabilise its domestic economy and stimulate growth through various measures such as the reduction of the deposit-reserve ratio and benchmark interest rates cuts with a view to maintaining the target GDP of 7.5% which is still a relatively bright spot when compared to the rest of the world.

The Central Government continued its firm and unwavering stance in regulating the domestic property market and continued to implement restrictive policy measures on purchase, price and credit. Although the tightening measures implemented by the Central Government were taking effect, the demand for housing, underpinned by continued urbanisation and the desire for improved living conditions remained robust, which continued to push up property prices. The Group expects the Central Government to remain committed to strict implementation of policy measures to stabilise the property market but optimistic about the pent up demand as a result of these tightening measures.

Business Review and Prospects

Steady progress amid challenging environment

Notwithstanding the challenging operating conditions due to the continued effort by the Central Government to stabilise the property market, the Group delivered a solid performance this year with steady increases in rental income and encouraging sales from our residential units in Shanghai, Guangzhou and Zhongshan.

Guangzhou Dolce Vita — Residential Blocks

Shanghai May Flower Plaza — Residential Blocks

Business Review and Prospects (Continued)

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. The proposed addition of approximately 1.1 million square feet of rental gross floor area by end of 2015 as set out in the annual report last year is progressing as planned. This will further enhance our existing rental and hotel/serviced apartment portfolio of 2.4 million square feet situated primarily in Shanghai and Guangzhou.

The approval of the Conditional Waiver in December 2012 enabled the Group to further expand in China through leveraging our sister companies' expertise and financial strength thus enabling the Company to participate in more as well as larger projects. The signing of the HK$3,550 million equivalent onshore/offshore syndicated loan in March 2013 and the issue of RMB1,800 million senior notes in April 2013, which were 1.5 times and 3.6 times oversubscribed, respectively, removed all refinancing concerns in the near term and generated further expansion capital for the Group at arguably the most favourable timing and pricing. Deposit of part of the proceeds from the RMB1,800 million senior notes with an independent trustee for full repayment of the 2007 senior notes with outstanding interest when due in April 2014 provided the 2007 senior notes holders with full confidence to support the Company in a consent solicitation exercise to harmonise the covenants of the old 2007 senior notes and the new senior notes issued in April 2013. This consent solicitation exercise was achieved in May 2013 and is an important step to put the Group on a level playing field to enable the Group to expand with all available options. With the achievement of the consent solicitation, we proceeded to consolidate our interests with the buyout of the 5% and 22.5% minorities in Shanghai Hong Kong Plaza and Guangzhou May Flower Plaza, which were completed in August 2013 and September 2013, respectively after the year end.

Shanghai Hong Kong Plaza — Shopping Arcade


Guangzhou May Flower Plaza

Guangzhou Eastern Place Phase V — Residential Blocks

Zhongshan Palm Spring — Residential Blocks

Business Review and Prospects (Continued)

Landbank

As at 31 July 2013, the Group has a landbank of 9.1 million square feet. The Group has cash on hand of HK$5,665.7 million with a net debt to equity ratio of 4% as at 31 July 2013 giving us full confidence and the means to be reviewing opportunities for expansion more actively. However, we will continue our prudent and flexible approach in growing our landbank and managing our financial position.

On 26 September 2013, the Group announced it had successfully won Phase I of the Creative Culture City project in Hengqin. Phase I has a total gross floor area of 2.8 million square feet and the Group will, subject to its independent shareholders' approval, finalise the development plan for Phase I with eSun Holdings Limited having a 20% interest in this site. This site will further increase the Group's landbank and development portfolio.

Guangzhou Guan Lu Road Project

Discussions are progressing smoothly between the Group and the Guangzhou government on the redevelopment plan for the site located on Guan Lu Road in Guangzhou which is the former residence of Mr. Sit Kok Sin, a renowned Cantonese opera legend. Regarding the case that the Group refused to pay a former landlord compensation amounting to HK$6 million, sufficient compensation was included in the land premium paid by the Group in the auction for the land dating back to 2007. Due to impending litigation, it would be inappropriate for us to comment further on specifics at present.

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. Mak Wing Sum, Alvin and Mr. Shek Lai Him, Abraham who joined the Board as Independent Non-Executive Directors with effect from 1 November 2012 and 19 December 2012, respectively. I would like to thank Dr. Lam Kin Ngok, Peter, Mr. Lui Siu Tsuen, Richard and Mr. Cheung Sum, Sam, who left the Board during the year for their valuable contributions to the Company during their tenure. I would also like to extend my personal thanks to our outgoing Chairman, Dr. Lam Kin Ngok, Peter, for his trust and confidence in relinquishing the Chairmanship of the Company to me on 1 November 2012. He has led the Company with distinction during his Chairmanship, giving us a solid platform to enable us to grow further.

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.

Chew Fook Aun
Chairman

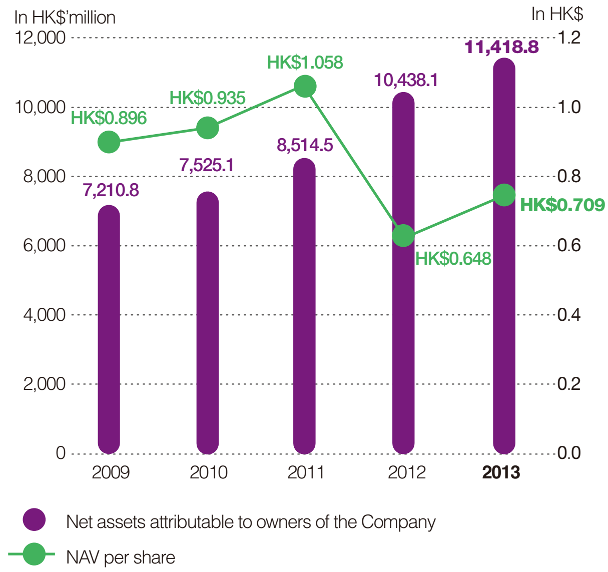
Hong Kong, 9 October 2013

Financial Highlights

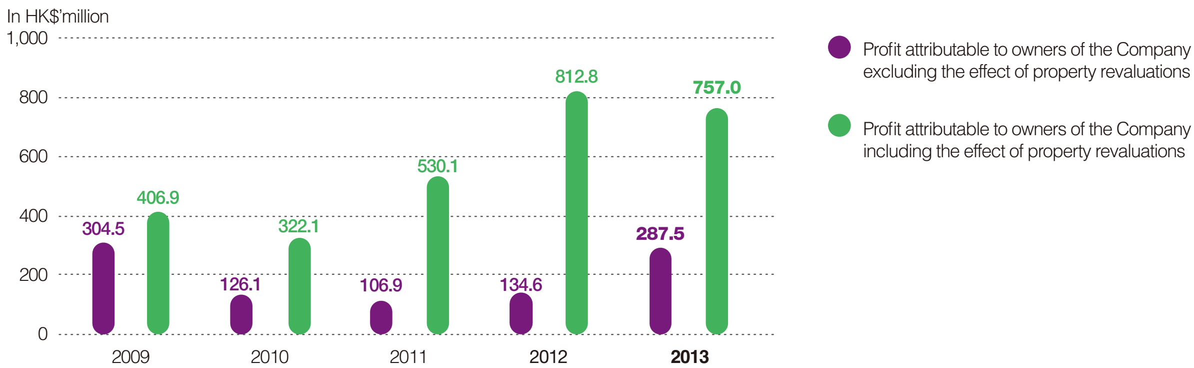
		Year ended 31 July 2013	Year ended 31 July 2012	%
Turnover	(HK$'M)	**1,894.9**	1,394.0	36%
Gross profit	(HK$'M)	**997.6**	813.4	23%
Gross profit margin	(%)	**53%**	58%	
Operating profit	(HK$'M)	**1,433.5**	1,496.8	-4%
Operating profit margin	(%)	**76%**	107%	
Profit attributable to owners of the Company	(HK$'M)			
— excluding the effect of property revaluations		**287.5**	134.6	114%
— including the effect of property revaluations		**757.0**	812.8	-7%
Net profit margin	(%)			
— excluding the effect of property revaluations		**15%**	10%	
— including the effect of property revaluations		**40%**	58%	
Basic earnings per share	(HK$)			
— excluding the effect of property revaluations		**0.018**	0.014	27%
— including the effect of property revaluations		**0.047**	0.085	-45%
Net assets attributable to owners of the Company	(HK$'M)	**11,418.8**	10,438.1	9%
Net borrowings	(HK$'M)	**443.9**	763.5	-42%
Net asset value per share	(HK$)	**0.709**	0.648	9%
Share price as at 31 July	(HK$)	**0.192**	0.146	32%
Price earnings ratio	(times)			
— excluding the effect of property revaluations		**10.7**	10.4	
— including the effect of property revaluations		**4.1**	1.7	
Market capitalisation as at 31 July	(HK$'M)	**3,090.4**	2,350.0	32%
Return on shareholders' equity	(%)			
— excluding the effect of property revaluations		**3%**	2%	
— including the effect of property revaluations		**7%**	13%	
Dividend per share	(HK$)	**0.003**	0.0028	
Dividend yield	(%)	**1.6%**	1.9%	
Gearing — net debt to equity	(%)	**4%**	7%	
Interest cover	(times)			
— excluding the effect of property revaluations		**1.2**	0.6	
— including the effect of property revaluations		**3.2**	3.9	
Current ratio	(times)	**2.3**	1.7	
Discount to net asset value	(%)	**73%**	77%	

Turnover by Segment

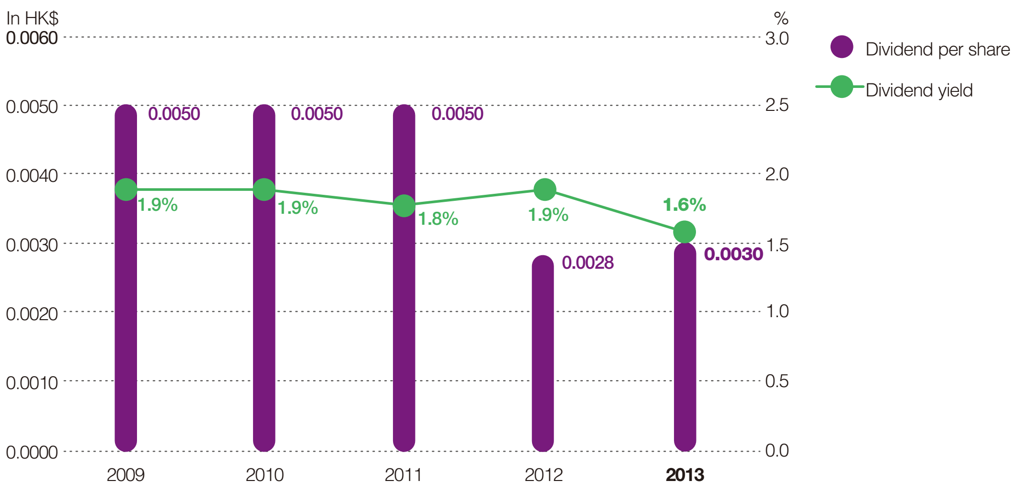
Net Assets & Net Asset Value ("NAV") per share



Profit attributable to owners of the Company including & excluding the effect of property revaluations



Dividend & Dividend Yield



Overview

Despite the challenging operating environment during the year under review, the business delivered an encouraging set of results underpinned by the strong and growing recurrent rental income base from investment properties of the Group.

As at 31 July 2013, the Group maintained a property portfolio including, in attributable gross floor area ("**GFA**") (excluding car-parking spaces and ancillary facilities), completed properties held for rental of approximately 2.0 million square feet, completed hotel properties and serviced apartments of approximately 0.4 million square feet, properties under development of approximately 9.1 million square feet and completed properties held for sale of approximately 0.7 million 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) of the Group's major properties and number of car-parking spaces as at 31 July 2013:

	Commercial/ Retail	Office	Serviced Apartment	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	1,458	548	—	—	2,006	537
Completed Hotel Properties and Serviced Apartments	—	—	444	—	444	—
Properties Under Development[2]	1,357	1,037	621	6,085	9,100	5,452
Completed Properties Held for Sale[3]	176	—	18	524	718	964
Total GFA of major properties of the Group	**2,991**	**1,585**	**1,083**	**6,609**	**12,268**	**6,953**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale, including 175,804 square feet of shopping arcade space which is expected to be reclassified as completed properties held for rental purpose as it is being leased out over time*

Zhongshan Palm Spring — Townhouses

Property Portfolio Composition (continued)

Property Investment

Rental Income

For the year ended 31 July 2013, the Group's rental operations recorded a turnover of HK$522.7 million (2012: HK$474.4 million), representing a 10% increase over last year. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July 2013 HK$ million	2012 HK$ million	% Change	Year end occupancy (%)
Shanghai Hong Kong Plaza	359.8	349.6	2.9%	Retail: 99.6% Office: 93.1% Serviced Apartments: 86.2%
Shanghai Regents Park (commercial podium and car-parking spaces)	11.7	10.2	14.7%	100.0%
Shanghai Northgate Plaza I	9.8	7.8	25.6%	86.3%
Shanghai May Flower Plaza (commercial podium and car-parking spaces)	28.7	2.1	1,266.7%	92.1%
Guangzhou May Flower Plaza	96.3	88.8	8.4%	Retail: 97.2% Office: 100.0%
Guangzhou West Point (commercial podium and car-parking spaces)	15.9	15.9	0%	98.9%
Zhongshan Palm Spring (commercial podium)	0.5	—	N/A	6.3%
Total	**522.7**	**474.4**	**10.2%**	

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio, as well as a full year's contribution from the retail podium of the Shanghai May Flower Plaza since the end of the 2012 financial year.

A portion of the Zhongshan Palm Spring Rainbow Mall has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes fully leased. Soft opening of the serviced apartments in the Zhongshan Palm Spring, STARR Resort Residence Zhongshan, commenced shortly after the year end. The other STARR branded hotel and serviced apartments in Shanghai and Guangzhou are ontrack for soft openings in Q4 2013 and Q2 2014, respectively.

Property Portfolio Composition (continued)

Property Investment (continued)

Review of major rental properties

Shanghai Hong Kong Plaza

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

The property's total GFA is approximately 1.18 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 360,700 square feet, 468,400 square feet and 352,100 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, Tiffany, MCM, Shiatzy Chen, Y3 and internationally renowned luxury brands and high-end restaurants. The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

Subsequent to the year end, the Group acquired the 5% minority interest in this property in August 2013 and now owns 100% of this property.

Shanghai May Flower Plaza

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

The Group retains a 95% interest in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility with Lotte Mart as the anchor tenant.

Shanghai Northgate Plaza

Shanghai Northgate Plaza I comprises office units, a retail podium (now closed) and car-parking spaces. Located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal, this property has a total GFA of approximately 322,600 square feet excluding car-parking spaces and ancillary area.

Ascott Huaihai Road Shanghai

STARR Hotel Shanghai

Property Portfolio Composition (continued)

Property Investment (continued)

Review of major rental properties (continued)

Shanghai Northgate Plaza (continued)

Shanghai Northgate Plaza II is a vacant site adjacent to Plaza I. The site area of Plaza II is approximately 44,300 square feet and its buildable GFA is approximately 259,900 square feet excluding car-parking spaces and ancillary facilities. The Group plans to redevelop Shanghai Northgate Plaza I and II together under a comprehensive redevelopment plan. The redeveloped project will include an office tower, a shopping arcade and underground car-parking spaces. The Group is currently discussing the redevelopment proposal with professional consultants and local authorities.

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces. The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

Subsequent to the year end, the Group acquired the 22.5% minority interest in this property in September 2013 and now owns 100% of this property.

Guangzhou West Point

Guangzhou West Point is located on Zhongshan Qi Road and is within walking distance from the Ximenkou Subway Station. This is a mixed-use property where the Group has sold all the residential and office units and retained a commercial podium with GFA of approximately 172,700 square feet. Tenants of the retail podium include renowned restaurants and local retail brands.

Hotels and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Hong Kong Plaza managed by the Ascott Group is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 352,100 square feet has 306 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 79% (2012: 81%) was achieved during the year and the average room tariff increased by 3% over last year.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan soft opened in August 2013 and comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan West District at Cui Sha Road. There are 90 fully furnished serviced apartment units and the total GFA is approximately 98,600 square feet.

Property Development

Recognised Sales

For the year ended 31 July 2013, the Group's property development operations recorded a turnover of HK$1,372.2 million (2012: HK$919.6 million) from sale of properties, representing a 49% increase in sales revenue over last year.

Property Portfolio Composition (continued)

Property Development (continued)

Recognised Sales (continued)

Total recognised sales was primarily driven by the sales performance of Shanghai May Flower Plaza and Zhongshan Palm Spring of which approximately 286,000 and 360,000 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$1,065.9 million and HK$217.3 million, respectively.

Sales of Dolce Vita Phase I performed well and achieved an average selling price of HK$1,792 per square foot. This is recognised as a component of "Share of profit of joint ventures" in the consolidated income statement.

For the year ended 31 July 2013, average selling price recognised as a whole (excluding Dolce Vita) decreased to approximately HK$2,160 per square foot (2012: HK$4,080 per square foot). The decrease is due to more units/square feet of Zhongshan Palm Spring being sold this year at lower average selling prices.

Breakdown of turnover for the year ended 31 July 2013 from property sales is as follows:

Recognised basis	**Approximate Gross Floor Area** Square feet	**Average Selling Price#** HK$/square foot	**Turnover*** HK$ million
Shanghai May Flower Plaza			
Residential Units	248,443	4,092	959.1
Office Apartment Units	37,983	2,981	106.8
Zhongshan Palm Spring			
Residential High-Rise Units	339,383	589	188.7
Residential House Units	21,019	1,445	28.6
Shanghai Regents Park Phase II			
Residential Units	11,345	4,898	52.4
Guangzhou West Point			
Residential Units	6,066	2,625	15.0
Office Units	9,229	2,482	21.6
Total	673,468	2,160	1,372.2
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	243,660	1,792	411.9

Before business tax

* *After business tax*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("CapitaLand China") in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2013, the recognised sales (after business tax) attributable to the full project is HK$867.2 million and approximately 512,969 square feet of GFA were recognised.*

Property Portfolio Composition (continued)

Property Development (continued)

Contracted Sales

As at 31 July 2013, the Group's property development operations has contracted but not yet recognised sales of HK$827.2 million from sale of properties.

Breakdown of contracted but not yet recognised sales as at 31 July 2013 is as follows:

Contracted basis	**Approximate Gross Floor Area** Square feet	**Average Selling Price#** HK$/square foot	**Turnover#** HK$ million
Shanghai May Flower Plaza			
Residential Units	25,949	4,366	113.3
Office Apartment Units	4,592	3,009	13.8
Zhongshan Palm Spring			
Residential High-rise Units	30,247	626	18.9
Residential House Units	39,604	1,261	50.0
Sub-total	100,392	1,953	196.0
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	331,558	1,904	631.2
Total	**431,950**	**1,915**	**827.2**

\# *Before business tax*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2013, the contracted but not yet recognised sales attributable to the full project is HK$1,328.8 million and approximately 698,018 square feet of GFA were sold.*

Guangzhou West Point

Guangzhou King's Park

STARR Resort Residence Zhongshan

Property Portfolio Composition (continued)

Property Development (continued)

Review of major properties completed for sale and under development

Shanghai May Flower Plaza

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

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,500 square feet of GFA. During the year under review, 248,443 square feet was recognised at an average selling price of HK$4,092 per square foot, which contributed HK$959.1 million to the turnover. As at 31 July 2013, contracted but not yet recognised sales amounted to HK$113.3 million or 25,949 square feet at an average selling price of HK$4,366 per square foot. As at 31 July 2013, completed residential units held for sale in this development amounted to approximately 168,100 square feet with a carrying amount of approximately HK$300.9 million.

The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. During the year under review, sales of 37,983 square feet was recognised at an average selling price of HK$2,981 per square foot, which contributed HK$106.8 million to the turnover. As at 31 July 2013, contracted but not yet recognised sales amounted to HK$13.8 million or 4,592 square feet at an average selling price of HK$3,009 per square foot. As at 31 July 2013, completed office apartment units held for sale in this development amounted to approximately 19,500 square feet with a carrying amount of approximately HK$45.2 million.

STARR Hotel Shanghai

STARR Hotel Shanghai is a 17-storey hotel located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. The construction work is completed and the hotel's tentative soft-opening will be in Q4 2013, which is expected to bring in approximate attributable GFA of 136,700 square feet to our hotel and serviced apartment portfolio.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 8.885 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 6.408 million square feet.

Phase Ia of the project, which was completed during the first half of the financial year ended 31 July 2013, comprises of high-rise residential towers and townhouses. During the year under review, 339,383 square feet of high-rise residential units and 21,019 square feet of townhouses were recognised at average selling prices of HK$589 and HK$1,445 per square foot, respectively, which contributed a total of HK$217.3 million to the sales turnover. As at 31 July 2013, contracted but not yet recognised sales amounted to HK$18.9 million and HK$50.0 million at average selling prices of HK$626 and HK$1,261 per square foot for high-rise residential units and townhouses, respectively. As at 31 July 2013, completed units held for sale/lease in this development amounted to 519,500 square feet with a carrying amount of approximately HK$512.1 million. The remaining GFA under development was approximately 5,390,600 square feet.

Property Portfolio Composition (continued)

Property Development (continued)

Review of major properties completed for sale and under development (continued)

Zhongshan Palm Spring (continued)

Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA * (square feet)	Expected completion
Ib	High-rise residential units	984,300	Q2 2017
II	Townhouses	202,000	Q3 2016
III	High-rise residential units including commercial units and serviced apartments	1,608,100	Q1 2018
IV	High-rise residential units including commercial units	2,596,200	Q4 2018

* *Excluding car-parking spaces and ancillary facilities*

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

Guangzhou Eastern Place Phase V

Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 914,400 square feet, comprising two residential blocks (GFA 320,100 square feet approximately), an office block and ancillary retail spaces (GFA 594,300 square feet approximately). Construction work for the residential blocks is expected to be completed in the second half of financial year ending 31 July 2014. The office block and ancillary retail spaces will be kept as rental properties and they are expected to complete in the second half of financial year ending 31 July 2015.

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd ("**CapitaLand China**") in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou will have a total project GFA of approximately 4.722 million square feet. The project will comprise of approximately 2,785 low-rise and high-rise residential units and shopping amenities totaling 3.800 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

The project is divided into five phases of development. Phase I comprises 8 high-rise residential blocks and are all sold. Phase Ia (4 high-rise residential blocks) was completed in the second half of 2012 and Phase Ib is expected to complete in the second half of financial year ending 31 July 2014. During the year under review, 243,660 square feet attributable to the Group was recognised and generated an attributable turnover of HK$411.9 million. As at 31 July 2013, attributable contracted but not yet recognised sales amounted to HK$631.2 million or 331,558 square feet at an average selling price of HK$1,904 per square foot. As at 31 July 2013, attributable GFA of completed units held for sale for Phase Ia amounted to 19,400 square feet with an attributable carrying amount of approximately HK$12.5 million. The remaining GFA under development was approximately 3,238,800 square feet.

Property Portfolio Composition (continued)

Property Development (continued)

Review of major properties completed for sale and under development (continued)

Guangzhou Dolce Vita (continued)

Set out below is the current expectation on the development of the remaining phases:

Phase	Description	Approximate GFA * (square feet)	Expected completion
Ib	High-rise residential units	553,800	Q1 2014
II	Townhouses including a small amount of commercial units	288,700	Q4 2013
III	High-rise residential units including a small amount of commercial units	424,400	Q4 2014
IV	Town houses and low-rise residential units	305,800	Q4 2014
V	High-rise residential units	1,666,100	Q4 2015

* *Excluding car-parking spaces and ancillary facilities*

Guangzhou King's Park

This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 97,000 square feet excluding 58 car-parking spaces and ancillary facilities. Construction work is completed and the project is expected to be launched for sale soon.

Guangzhou Haizhu Plaza

Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 592,200 square feet and is intended to be developed for rental purpose.

Guangzhou Paramount Centre

This is a serviced apartment development, namely "STARR Xin Hotel", located at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The attributable GFA is approximately 80,300 square feet excluding 46 car-parking spaces and ancillary facilities. This project will be added to the hotel and serviced apartment portfolio of the Group upon completion. Construction work is expected to complete before the end of the next financial year and soft-opening is expected to be in the second quarter of 2014.

Guangzhou Guan Lu Road Project

The site is located on Guan Lu Road in Yuexiu District. The expected residential and retail GFA is approximately 92,800 square feet excluding 57 car-parking spaces and ancillary facilities. Discussions on the redevelopment plan are progressing smoothly between the Group and the Guangzhou government.

Outlook

Whilst the leadership change is now settled, it is clear that the Central Government will continue its firm and unwavering stance in regulating the domestic property market and continued with its restrictive policy measures on purchase, price and credit. Although the tightening measures implemented by the Central Government are taking effect, the demand for housing, underpinned by continued urbanisation and the desire for improved living conditions remained robust, which continued to push up property prices. The Group expects the Central Government to remain committed to strict implementation of policy measures to stabilise the property market but is optimistic about the pent up demand as a result of these tightening measures.

The Group believes that the focus of putting a larger emphasis on rental properties will be instrumental to maintaining sustainable growth in the long run. The incremental rental income to be derived from investment property projects already in the pipeline will further strengthen the recurring rental income further and establish a solid base for the Group in the next few years. The property development part of the business will be key in ensuring an efficient redeployment of capital into future projects when the residential units are sold.

The Group has a number of projects in various stages of development in Shanghai, Guangzhou and Zhongshan. The remaining residential units in Guangzhou Dolce Vita Phase I and III and Zhongshan Palm Spring Phase I are expected to contribute to the profit and loss account in the coming financial years.

As at 31 July 2013, the Group has a landbank of 9.1 million square feet. The Group's strong cash position of HK$5,665.7 million of cash on hand with a net debt to equity ratio of 4% as at 31 July 2013 provides the Group full confidence and the means to review opportunities more actively. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2013, cash and bank balance held by the Group amounted to HK$5,665.7 million and undrawn facilities of the Group was HK$1,764.5 million.

As at 31 July 2013, the Group had total borrowings amounting to HK$6,109.6 million (2012: HK$3,402.2 million), representing an increase of HK$2,707.4 million from 2012. The consolidated net assets attributable to the owners of the Company amounted to HK$11,418.8 million (2012: HK$10,438.1 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 4% (2012: 7%). The maturity profile of the Group's borrowings of HK$6,109.6 million is well spread with HK$2,052.5 million repayable within 1 year, HK$387.6 million repayable in the second year and HK$3,669.5 million repayable in the third to fifth years.

Approximately 60% and 39% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 1% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK$2,450.9 million were 49% denominated in Renminbi ("**RMB**"), 30% in Hong Kong dollars ("**HKD**") and 21% in United States Dollars ("**USD**").

Capital Structure, Liquidity and Debt Maturity Profile (continued)

The Group's fixed rate senior notes of HK$3,658.7 million were 61% denominated in RMB and 39% in USD. On 25 April 2013, issue date of the RMB denominated senior notes ("**RMB Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the RMB Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK$5,665.7 million were 40% denominated in RMB, 40% in USD and 20% in HKD.

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

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$8,096.0 million, properties under development with a total carrying amount of approximately HK$858.5 million, serviced apartments and related properties with a total carrying amount of approximately HK$727.1 million, a construction in progress with carrying amount of approximately HK$238.4 million, a property with carrying amount of approximately HK$39.5 million and bank balances of approximately HK$6.0 million.

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

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 33 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2013, the Group employed a total of around 1,400 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.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements of the Group, is set out below:

Results

	Year ended 31 July				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,894,938**	1,394,034	647,183	1,514,214	937,380
Profit before tax	**1,343,189**	1,374,137	771,963	817,560	767,735
Tax	**(530,622)**	(494,358)	(193,663)	(454,297)	(339,590)
Profit for the year	**812,567**	879,779	578,300	363,263	428,145
Attributable to:					
Owners of the Company	**757,045**	812,758	530,112	322,106	406,888
Non-controlling interests	**55,522**	67,021	48,188	41,157	21,257
	812,567	879,779	578,300	363,263	428,145

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
Property, plant and equipment and prepaid land lease payments	**1,497,117**	846,764	937,491	797,505	662,322
Investment properties	**11,377,034**	10,289,369	9,295,785	7,921,429	5,329,900
Properties under development	**513,517**	925,588	1,122,284	1,055,751	3,394,309
Goodwill	**1,032**	3,400	4,561	4,561	4,561
Investments in joint ventures	**436,340**	319,861	350,289	329,247	325,837
Current assets	**7,697,302**	5,108,909	3,224,905	2,802,752	3,087,077
TOTAL ASSETS	**21,522,342**	17,493,891	14,935,315	12,911,245	12,804,006
Current liabilities	**(3,412,775)**	(2,945,643)	(1,541,626)	(1,391,116)	(2,091,344)
Long-term deposits received	**(77,021)**	(68,045)	(81,692)	(52,161)	(26,126)
Non-current interest-bearing bank loans, secured	**(1,774,856)**	(358,342)	(1,471,241)	(949,702)	(624,275)
Non-current fixed rate senior notes	**(2,223,610)**	(1,427,253)	(1,427,850)	(1,421,368)	(1,415,475)
Advances from a former substantial shareholder	**(58,621)**	(57,200)	(56,474)	(53,535)	(52,976)
Derivative financial instruments	**(43,712)**	—	—	—	—
Deferred tax liabilities	**(1,819,897)**	(1,566,958)	(1,283,303)	(1,038,827)	(949,511)
TOTAL LIABILITIES	**(9,410,492)**	(6,423,441)	(5,862,186)	(4,906,709)	(5,159,707)
	12,111,850	11,070,450	9,073,129	8,004,536	7,644,299
Non-controlling interests	**(693,016)**	(632,339)	(558,671)	(479,409)	(433,515)
	11,418,834	10,438,111	8,514,458	7,525,127	7,210,784

Completed Properties held for rental

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	95% *(Note1)*	The property is held for a term of 50 years commencing on 16 September 1992	445,012	342,653	787,665	333
May Flower Plaza	Sujiaxiang, Zhabei District	95%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	304,298	—	304,298	—
Northgate Plaza I	99 Tian Mu Road West, Zhabei District	97%	The property is held for a term of 50 years commencing on 15 June 1993	186,578	126,326	312,904	99
Regents Park	88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,959	—	77,959	—
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	77.5% *(Note 2)*	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	259,146	79,417	338,563	105
West Point	Zhongshan Qi Road, Liwan District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	172,720	—	172,720	—
Zhongshan							
Palm Spring	Caihong Planning Area, West District	100%	The property is held for a term expiring on 30 March 2075	11,852	—	11,852	—
			Subtotal of completed properties held for rental *(Note 3)*:	**1,457,565**	**548,396**	**2,005,961**	**537**

Notes:

1. *Subsequent to the year end, the Group bought the remaining 5% minority interest in this property on 7 August 2013*
2. *Subsequent to the year end, the Group bought the remaining 22.5% minority interest in this property on 23 September 2013*
3. *Being completed and rental generating properties*

Completed Hotel Properties and Serviced Apartments

Property Name	Location	Group Interest	Tenure	No. of rooms	Approximate Attributable Gross Floor Area (square feet) Serviced Apartments	No. of car-parking spaces attributable to the Group
Ascott Huaihai Road Serviced Apartments	282 Huaihaizhong Road, Huangpu District, Shanghai	95% *(Note)*	The property is held for a term of 50 years commencing on 16 September 1992	297	133,345	—
		100%			211,758	
STARR Resort Residence Zhongshan	Caihong Planning Area, West District, Zhongshan	100%	The property is held for a term expiring on 23 October 2073	90	98,556	—
Subtotal of hotel properties and serviced apartments:					**443,659**	**—**

Note: Subsequent to the year end, the Group bought the remaining 5% minority interest in this property on 7 August 2013

Properties Under Development

Property Name	Location	Group Interest	Stage of Construction	Expected completion date	Approximate site area (square feet) *(Note 7)*	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Guangzhou											
King's Park	Donghua Dong Road, Yuexiu District	100%	Construction work completed	Q2 2013 *(Note 2)*	35,123	3,154	–	–	93,840	96,994	58
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	47.5%	Construction work in progress	Phase 1b: Q1 2014 Phase 2: Q4 2013 Phase 3: Q4 2014 Phase 4: Q4 2014 Phase 5: Q4 2015	3,217,769 *(Note 5)*	25,565	–	–	1,512,887	1,538,452	764
Paramount Centre	Da Sha Tou Road, Yuexiu District	100%	Construction work in progress	Q2 2014	23,788	5,350	–	74,971	–	80,321	46
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	Construction work in progress	Q2 2015	212,587	56,554	537,738	–	320,110	914,402	355
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	2017-2018 *(Note 1)*	90,708	288,195	303,975 *(Note 8)*	–	–	592,170	560
Guan Lu Road Project	Guan Lu Road, Yuexiu District	100%	Development under planning	*(Note 3)*	26,178	1,938	–	–	90,902	92,840	57
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase 1b: Q2 2017 Phase 2: Q3 2016 Phase 3: Q1 2018 Phase 4: Q4 2018	2,547,298 *(Note 5)*	914,787	–	409,032	4,066,802	5,390,621	3,435
Shanghai											
STARR Hotel Shanghai *(Note 6)*	Sujiaxiang, Zhabei District	95%	Construction work completed	Q4 2013	215,503 *(Note 5)*	–	–	136,654	–	136,654	–
Northgate Plaza II	Tian Mu Road West, Zhabei District	99%	Development under planning	2017-2018 *(Note 4)*	44,293	61,743	195,566	–	–	257,309	177
					Subtotal of properties under development *(Note 9)*:	**1,357,286**	**1,037,279**	**620,657**	**6,084,541**	**9,099,763**	**5,452**

Notes:

1. *In the process of negotiating the buildable area for the site with the city government*
2. *Construction work is completed and the project is expected to be launched for sale soon*
3. *In the process of discussing the re-development plan with the city government*
4. *In the process of discussing a comprehensive redevelopment proposal with the district government*
5. *Including portions of the projects that have been completed for sale/lease*
6. *Construction work is completed and the property recognised as PPE on balance sheet pending for expected soft-opening in the fourth quarter of 2013*
7. *On project basis*
8. *Office/office apartments*
9. *Being all properties under construction (including investment properties under construction and construction in progress)*

Completed properties held for Sale

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	100%	175,804 *(Note 1)*	—	—	343,648	519,452	—
Shanghai								
May Flower Plaza	Sujiaxiang, Zhabei District	95%	—	—	18,528	159,719	178,247	435
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	—	386
Guangzhou								
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	47.5%	—	—	—	19,429	19,429	—
Eastern Place	787 Dongfeng East Road, Yuexiu District	100%	—	—	—	891	891	2
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	—	141
Subtotal of completed properties held for sale *(Note 2)*:			**175,804**	**—**	**18,528**	**523,687**	**718,019**	**964**

Notes:

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

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

(1) Corporate Governance Practices

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

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

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

Under code provision A.5.1, a nomination committee comprising a majority of 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.

(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.

(2) Board of Directors (continued)

(2.1) Responsibilities and delegation (continued)

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 fourteen members, of whom seven are EDs, two are NEDs and the remaining five are INEDs, exceeding 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:

Executive Directors

Chew Fook Aun *(Chairman)*	
Lam Kin Ming *(Deputy Chairman)*	
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*	
Lam Hau Yin, Lester *(Chief Executive Officer)*	
Cheng Shin How	
Lau Shu Yan, Julius	
U Po Chu	
Cheung Sum, Sam	(resigned on 1 September 2012)
Lam Kin Ngok, Peter	(resigned on 1 November 2012)
Lui Siu Tsuen, Richard	(resigned on 1 November 2012)

Non-executive Directors

Leow Juan Thong, Jason
Lucas Ignatius Loh Jen Yuh
(also alternate Director to Leow Juan Thong, Jason)

Independent Non-executive Directors

Ku Moon Lun	
Lam Bing Kwan	
Law Kin Ho	
Mak Wing Sum, Alvin	(appointed with effect from 1 November 2012)
Shek Lai Him, Abraham	(appointed with effect from 19 December 2012)

(2) Board of Directors (continued)

(2.2) Composition of the Board (continued)

The brief biographical particulars of the current Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 42 to 49.

Dr. Lam Kin Ming is an elder brother of Mr. Lam Kin Hong, Matthew and an uncle of Mr. Lam Hau Yin, Lester who is a grandson of Madam U Po Chu. Save as aforesaid and as disclosed 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 (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three independent non-executive directors and the latter Rule requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

Mr. Lam Bing Kwan will retire by rotation at the forthcoming AGM and, being eligible, offers himself for re-election. Mr. Lam has served on the Board for more than 12 years (from July 2001). Being a long-serving Director, Mr. Lam has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Lam would impair his independent judgment. The Board is satisfied that Mr. Lam will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Lam as an INED at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

(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 ("**Independent Auditors**").

(3) Directors' Induction and Continuous Professional Development (continued)

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				
Chew Fook Aun	√	√	√	√
Lam Kin Ming	√	√	√	—
Lam Kin Hong, Matthew	√	√	√	√
Lam Hau Yin, Lester	√	√	√	—
Cheng Shin How	√	√	√	—
Lau Shu Yan, Julius	√	√	√	√
U Po Chu	√	√	√	—
Non-executive Directors				
Leow Juan Thong, Jason	√	√	√	√
Lucas Ignatius Loh Jen Yuh *(also alternate Director to Leow Juan Thong, Jason)*	√	√	√	√
Independent Non-executive Directors				
Ku Moon Lun	√	√	√	—
Lam Bing Kwan	√	√	√	—
Law Kin Ho	√	√	√	√
Mak Wing Sum, Alvin *(Note 1)*	√	√	√	√
Shek Lai Him, Abraham *(Note 2)*	√	√	√	√

Notes:

(1) Mr. Mak was appointed an INED with effect from 1 November 2012.

(2) Mr. Shek was appointed an INED with effect from 19 December 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 five members, including three INEDs, namely Messrs. Lam Bing Kwan (Chairman), Ku Moon Lun and Law Kin Ho, a NED Mr. Leow Juan Thong, Jason (alternate: Mr. Lucas Ignatius Loh Jen Yuh), and an ED, Mr. Chew Fook Aun who became a member on 1 September 2012. Mr. Cheung Sum, Sam was a member until his resignation as an ED with effect from 1 September 2012 and therefore his cessation as 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 websites of the Company and the Stock Exchange.

(a) **Duties of the Remuneration Committee**

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or 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, 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, reviewed the remuneration package of INEDs and 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 three members, including two of the INEDs, namely Mr. Law Kin Ho (Chairman) and Mr. Lam Bing Kwan, and a NED, Mr. Leow Juan Thong, Jason (alternate: Mr. Lucas Ignatius Loh Jen Yuh) during the Year and up to the date of this Annual Report.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive director) is an 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 report from the Independent Advisor was presented to and reviewed by the Audit Committee and the Board.

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

(b) Work performed by the Audit Committee

The Audit Committee held two meetings during the Year. It has reviewed the audited results of the Company for the 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 internal audit plan covering the Year and the ensuing two years, and put forward relevant recommendations to the Board for approval.

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. 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 separate and performed by different individuals.

Dr. Lam Kin Ngok, Peter was the Chairman of the Company up to 31 October 2012. Mr. Chew Fook Aun was appointed Chairman of the Company on 1 November 2012 and Mr. Lam Hau Yin, Lester acted as the Chief Executive Officer of the Company during the Year and up to the date of this Report.

(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 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 two INEDs, namely Mr. Mak Wing Sum, Alvin (with effect from 1 November 2012) and Mr. Shek Lai Him, Abraham (with effect from 19 December 2012).

(8) Board Diversity Policy

The Company has adopted a board diversity policy ("**Policy**") in July 2013 which sets out its 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 perspectives 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 has been 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 contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the Year.

(10) Independent Auditors' Remuneration

For the Year, the fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors, Ernst & Young, Certified Public Accountants, Hong Kong amounted to HK$3,067,000 and HK$2,409,000, respectively. The non-audit services mainly consist of tax advisory, review on interim results 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 meetings held during the Year is set out in the following table:

Meetings held during the Year

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Annual General Meeting	Extra-ordinary General Meeting
Number of Meetings Held	**6**	**2**	**3**	**1**	**1**

Directors	**Number of Meetings Attended/Number of Meetings Held**				
Executive Directors					
Chew Fook Aun	6/6	—	3/3	1/1	1/1
Lam Kin Ming	2/6	—	—	0/1	0/1
Lam Kin Hong, Matthew	6/6	—	—	1/1	1/1
Lam Hau Yin, Lester	6/6	—	—	1/1	1/1
Cheng Shin How	6/6	—	—	1/1	1/1
Lau Shu Yan, Julius	6/6	—	—	1/1	1/1
U Po Chu	4/6	—	—	0/1	0/1
Cheung Sum, Sam (Note 1)	N/A	—	N/A	N/A	N/A
Lam Kin Ngok, Peter (Note 2)	1/1	—	—	N/A	N/A
Lui Siu Tsuen, Richard (Note 3)	1/1	—	—	N/A	N/A
Non-executive Directors					
Leow Juan Thong, Jason	5/6 (Note 4)	2/2 (Note 5)	3/3 (Note 5)	0/1	0/1
Lucas Ignatius Loh Jen Yuh *(also alternate Director to Leow Juan Thong, Jason)*	5/6	—	—	1/1	1/1
Independent Non-executive Directors					
Ku Moon Lun	5/6	—	3/3	1/1	1/1
Lam Bing Kwan	6/6	2/2	2/3	1/1	1/1
Law Kin Ho	6/6	2/2	3/3	1/1	1/1
Mak Wing Sum, Alvin (Note 6)	5/5	—	—	1/1	1/1
Shek Lai Him, Abraham (Note 7)	4/4	—	—	N/A	N/A

Notes:

(1) Mr. Cheung resigned as an ED and ceased to be a member of the Remuneration Committee with effect from 1 September 2012.
(2) Dr. Lam resigned as an ED on 1 November 2012.
(3) Mr. Lui resigned as an ED on 1 November 2012.
(4) Including two meetings attended by Mr. Leow's alternate.
(5) Including a meeting attended by Mr. Leow's alternate.
(6) Mr. Mak was appointed an INED with effect from 1 November 2012.
(7) Mr. Shek was appointed an INED with effect from 19 December 2012.

(14) Internal Controls

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

Since August 2006, the Board has been engaging the Independent Advisor to conduct various agreed reviews over the Company's internal control 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.laifung.com;

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

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

(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 branch share registrars in Hong Kong ("**Registrars**") serve 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 was an EGM held on Tuesday, 17 September 2013 at 10:00 a.m. at The Excelsior, Causeway Bay, Hong Kong ("**2013 EGM**"). At the 2013 EGM, an ordinary resolution relating to the acquisition of 225 ordinary shares of Farron Assets Limited was duly passed by a vast majority of the total votes cast. Further details of the 2013 EGM are contained in the Company's circular dated 30 August 2013 and the announcement dated 17 September 2013 regarding the poll result of the 2013 EGM were published on both the websites of the Company and the Stock Exchange.

(17) Shareholders' Rights

(17.1) Procedures for Shareholders to convene an EGM

Pursuant to the Articles of Association, registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**EGM Requisitionists**") can deposit a written request to convene an EGM at the Company's principal place of business in Hong Kong ("**Principal Office**"), which is presently situated at 11/F., 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 Registrars will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars 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 this outcome and accordingly, an EGM will not be convened as requested.

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 provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. All reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be reimbursed 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, Chapter 32 of the Laws of Hong Kong, 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 of such 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 Company's Principal 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 of the Company's website at www.laifung.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
Email: 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 engages in a pro-active investor relations programme. Our EDs and Investor Relations Department communicate with research analysts and institutional investors on an on-going basis and meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

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	Organizer	Location
August 2012	UBS Hong Kong/ China Property Conference 2012	UBS	Hong Kong
September 2012	J.P. Morgan Hong Kong Property Corporate Access Days	J. P. 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	J.P. 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
April 2013	Post results non-deal roadshow	CIMB	Kuala Lumpur
April 2013	The Pulse of Asia Conference	DBS	Hong Kong

(18) Investor Relations (continued)

Month	Event	Organizer	Location
April 2013	Deal roadshow — Lai Fung Holdings Limited CNY senior notes	HSBC/J. P. 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

During the Year, the Company also had research reports published as follows:

Firm	Analyst	Publication Date
DBS	Andy YEE, Danielle WANG, Carol WU & Ken HE	23 January 2013
J.P. Morgan	Amy LUK, Leo NG	10 June 2013

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

Executive Directors

Each of the executive directors of the Company named below holds directorships in a number of the subsidiaries of the Company and all of them (except Mr. Cheng Shin How) hold directorships in all or certain of the Company's listed affiliates, namely Lai Sun Garment (International) Limited ("**LSG**"), Lai Sun Development Company Limited ("**LSD**") and eSun Holdings Limited ("**eSun**"). The issued shares of LSG, LSD and eSun are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). eSun is the ultimate holding company of the Company while LSD is the controlling shareholder of eSun and LSG is the ultimate holding company of LSD.

Mr. Chew Fook Aun, aged 51, has been appointed the Chairman of the Board and a member of the Executive Committee of the Company with effect from 1 November 2012. He was appointed an Executive Director of the Company on 5 June 2012 and is a member of the Remuneration Committee of the Company. Mr. Chew is also a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD as well as an executive director of eSun. 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 (the "**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 Main Board of the Stock Exchange.

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.

Dr. Lam Kin Ming, aged 76, was appointed an Executive Director of the Company in September 1997. Dr. Lam is the chairman of LSG, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of Crocodile Garments Limited ("**CGL**"), a company listed on the Main Board of the Stock Exchange. Dr. Lam received an Honorary Doctoral Degree from the International American University in the United States in 2009. He has extensive experience in property development and investment and garment businesses, and has been involved in the management of the garment business since 1958. Dr. Lam is the elder brother of Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and an uncle of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

Executive Directors (continued)

Mr. Lam Kin Hong, Matthew, aged 45, was appointed an Executive Director of the Company in December 2001. Mr. Lam is an executive director of LSG and CGL. He graduated from University College London of the University of London in the United Kingdom with a Bachelor of Science Degree and underwent training as a solicitor with Reed Smith Richards Butler, an international law firm. Mr. Lam is a founding partner of a Hong Kong law firm CWL Partners and a member of The Law Society of Hong Kong and The Law Society of England and Wales.

Mr. Lam has considerable experience in property development and corporate finance in Hong Kong and the Mainland China. He is the chairman of the Yangtze River Delta Region of the Hong Kong Real Estate Association, a standing committee member of the Chinese People's Political Consultative Conference ("**CPPCC**") in Shanghai and a standing committee member of the CPPCC in Shantou, Guangdong Province.

Mr. Lam also serves as the honorary consul of the Republic of Estonia in Hong Kong and a member of the management committee of the Consumer Legal Action Fund of the Consumer Council in Hong Kong. Mr. Lam was appointed a Council Member of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) on 15 February 2013.

Mr. Lam is the younger brother of Dr. Lam Kin Ming (Deputy Chairman of the Company) and Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company) and an uncle of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

Mr. Lam has a service contract with the Company with no fixed term of services. However, in accordance with the provisions of the Articles of Association of the Company ("**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 Annual General Meeting of the Company ("**AGM**") and will also be eligible for re-election at future AGMs. Mr. Lam presently receives a remuneration of HK$1,140,000 per annum and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Lam has not held any other directorships in listed public companies in the last three years. As at the date of this Annual Report, except for a corporate interest in a principal amount of CNY23,600,000 of the 6.875% Senior Notes due 2018 issued by the Company, Mr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong ("**SFO**").

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

Executive Directors (continued)

Mr. Lam Hau Yin, Lester, aged 32, was appointed an Executive Director of the Company in April 2005 and is a member of the Executive Committee of the Company. He is also an executive director of LSG and an alternate director to Madam U Po Chu who is an executive director of LSG. Further, Mr. Lam was appointed an executive director of both LSD and eSun with effect from 1 November 2012. He holds a Bachelor of Science in Business Administration Degree from the Northeastern University in Boston of the United States of America. He 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 nephew of Dr. Lam Kin Ming (Deputy Chairman of the Company) and Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and a grandson of Madam U Po Chu (Executive Director of the Company).

Mr. Cheng Shin How, aged 47, was appointed an Executive Director of the Company in June 2007. Prior to joining the Company, he was the Regional Director of the Hong Kong and Macau office of CapitaLand Limited (a substantial shareholder of the Company). Mr. Cheng joined CapitaLand Group in 1999 and has been involved in CapitaLand Group's real estate investment in Hong Kong, Macau and the Mainland of China. Prior to joining CapitaLand Limited, Mr. Cheng worked with CB Richard Ellis, an international property consultancy firm where he was involved in property valuation, development and investment consultancy. He has been involved in the PRC business since 1993. Mr. Cheng graduated with an Honours Degree in Land Management from the University of Reading, United Kingdom.

Mr. Cheng has a service contract with the Company with no fixed term of services. 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. Cheng presently receives a remuneration of HK$5,488,440 per annum and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market condition.

Save as disclosed above, Mr. Cheng has not held any other directorships in listed public companies in the last three years and does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Annual Report, except for an option granted under the share option scheme, adopted by the Company on 18 December 2012, to subscribe for a total of 32,191,825 ordinary shares of HK$0.10 each in the share capital of the Company, Mr. Cheng does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company within the meaning of Part XV of the SFO.

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

Mr. Lau Shu Yan, **Julius**, aged 57, was appointed an Executive Director of the Company in April 2005 and is a member of the Executive Committee of the Company. He is also an executive director and the chief executive officer of LSD. Mr. Lau has over 20 years of experience in the property development and investment industries in Hong Kong and the PRC holding senior management positions. 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.

Executive Directors (continued)

Madam U Po Chu, aged 88, was appointed an Executive Director of the Company in February 2003. She is an executive director of LSG and also a non-executive director of LSD and eSun. Madam U has over 55 years of experience in the garment manufacturing business and had been involved in the printing business in 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. Madam U is the grandmother of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

Non-executive Directors

Mr. Leow Juan Thong, Jason, aged 46, was appointed a Non-executive Director of the Company in March 2010 and is a member of both the Audit Committee and Remuneration Committee of the Company. He is also a director and Chief Executive Officer of CapitaLand China Holdings Pte Ltd ("**CapitaLand China**"), the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd. which is a substantial shareholder of the Company. CapitaLand China is an indirect wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**"), one of Asia's largest listed real estate companies, headquartered and listed in Singapore. Mr. Leow became a certified public accountant in Singapore in 1994 and obtained an Executive Master Degree in Business Administration from Fudan University in Shanghai of the People's Republic of China ("**PRC**"). He attended the Advanced Management Program at Harvard Business School in 2007. Mr. Leow has over 17 years of experience in real estate investment. Prior to joining CapitaLand Group in 2001, Mr. Leow was a senior financial analyst at ST Aerospace Ltd. and he also spent three years at DBS Finance Ltd. He worked in The Ascott Limited, a wholly-owned subsidiary of CapitaLand, from May 1994 to September 2001, participating in investment and development in the PRC. He is currently a non-executive director of Central China Real Estate Limited, the issued shares of which are listed and traded on the Main Board of the Stock Exchange.

The Company does not have any service contract with Mr. Leow. 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. Leow does not receive any emoluments from the Company.

Save as disclosed above, Mr. Leow has not held any other directorships in listed public companies in the last three years and does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Leow does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporation within the meaning of Part XV of the SFO.

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

Non-executive Directors (continued)

Mr. Lucas Ignatius Loh Jen Yuh, aged 46, was appointed a Non-executive Director of the Company in July 2010. He is also the alternate director to Mr. Leow Juan Thong, Jason, a Non-executive Director of the Company. Mr. Loh is currently a Deputy Chief Executive Officer of CapitaLand China, and the Chief Investment Officer and Regional General Manager (South China) of CapitaLand (China) Investment Co., Ltd. ("**CapitaLand Investment**"), a wholly-owned subsidiary of CapitaLand China. CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd. which is a substantial shareholder of the Company. CapitaLand China is also an indirect wholly-owned subsidiary of CapitaLand, one of Asia's largest listed real estate companies, headquartered and listed in Singapore. Mr. Loh oversees CapitaLand China's investment and asset management activities in the PRC and concurrently its South China business and operation management. Mr. Loh has more than 10 years' experience in PRC's real estate market. He joined the CapitaLand Group in 2001. Prior to his current appointment with CapitaLand Investment in July 2007, Mr. Loh was the managing director of The Ascott Limited (a wholly-owned subsidiary of CapitaLand) in the PRC. Prior to joining the CapitaLand Group, Mr. Loh was an Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited, which is a substantial shareholder of CapitaLand, covering the North Asia region. Mr. Loh began his career in 1991 as a real estate appraiser in Singapore. He obtained a Bachelor of Science (Estate Management) Degree from the National University of Singapore in 1991 and a Master's Degree in Business Administration from the Oklahoma City University in the United States of America in 1999. Mr. Loh is currently an alternate director to a director of Central China Real Estate Limited, the issued shares of which are listed and traded on the Main Board of the Stock Exchange.

The Company does not have any service contract with Mr. Loh. 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. Loh does not receive any emoluments from the Company.

Save as disclosed above, Mr. Loh has not held any other directorships in listed public companies in the last three years and does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Loh does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporation within the meaning of Part XV of the SFO.

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

Independent Non-executive Directors

Mr. Ku Moon Lun, aged 62, was appointed an Independent Non-executive Director of the Company in June 2006 and is a member of the Remuneration Committee of the Company. He has more than 35 years of experience in the real estate industry. He was an executive director of Davis Langdon & Seah International ("**DLSI**"), a property consultant firm, until the end of 2005 where he was responsible for formulating the policies and steering the direction of the DLSI group of companies. He was also the chairman of the board of directors of Davis Langdon & Seah Hong Kong Limited from 1995 to 2004. Mr. Ku was previously the chairman of Premas Hong Kong Limited, a facilities management company, from 2000 to 2002 and icFox International, an information technology company, from 2000 to 2003. Currently, Mr. Ku is an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Kerry Properties Limited, the issue shares of which are listed and traded on the Main Board of the Stock Exchange. He is also a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr. Ku is a fellow member of the Hong Kong Institute of Surveyors.

Mr. Lam Bing Kwan, aged 63, was appointed an Independent Non-executive Director of the Company in July 2001 and is the chairman of the Remuneration Committee and a member of the Audit 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. Having been actively involved in property development and investment in the PRC since the mid-1980's, he has substantial experience in this industry. 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 an independent non-executive director of LSG, LSD and eForce Holdings Limited as well as a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

The Company does not have any service contract with Mr. Lam. 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. Lam presently receives an annual director's fee of HK$250,000.

Mr. Lam has served on the Board for more than 12 years (from July 2001). Being a long-serving Director, Mr. Lam has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Lam would impair his independent judgment. The Board is satisfied that Mr. Lam will continue to have the required character and experience to fulfill the role of an Independent Non-executive Director and considers that the re-election of Mr. Lam as an Independent Non-executive Director at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

Save as disclosed above, Mr. Lam has not held any other directorships in listed public companies in the last three years and does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporation within the meaning of Part XV of the SFO.

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

Independent Non-executive Directors (continued)

Mr. Law Kin Ho, aged 46, was appointed an Independent Non-executive Director of the Company in March 2009 and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is a fellow member of the HKICPA and the Association of Chartered Certified Accountants, United Kingdom. He has extensive experience in the auditing and accounting fields in Hong Kong and is currently a practicing certified public accountant in Hong Kong. Prior to starting his own practice, Mr. Law worked with Yuanta Securities (Hong Kong) Company Limited, the Stock Exchange and Ernst & Young. He was an independent non-executive director of Coastal Greenland Limited, a company listed on the main Board of the Stock Exchange, from July 2002 to December 2012.

Mr. Mak Wing Sum, **Alvin**, aged 61, was appointed an Independent Non-executive Director of the Company in November 2012. He is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the HKICPA. He is currently an independent non-executive director of I.T Limited, Luk Fook Holdings (International) Limited and Hong Kong Television Network Limited (from 1 September 2013). The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. Mr. Mak is also an independent non-executive director of Crystal International Limited. After working in Citibank for over 26 years, Mr. Mak retired on 1 May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he had held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong's corporate finance business, regional asset management business and was the Chief Financial Officer of North Asia. Before joining Citibank in 1985, Mr. Mak was an audit group manager at Coopers & Lybrand (now known as PricewaterhouseCoopers). He worked for Coopers & Lybrand for eight years, five of which was in Toronto, Canada. He graduated from the University of Toronto with a Bachelor of Commerce degree in 1976.

Mr. Shek Lai Him, Abraham, aged 68, was appointed an Independent Non-executive Director of the Company in December 2012. He was appointed as Justice of the Peace in 1995 and awarded the Gold Bauhinia Star in July 2013. He has been a member of the Legislative Council for the Hong Kong Special Administrative Region of the PRC, representing the real estate and construction functional constituency since 2000. Mr. Shek acts as an independent non-executive director of a number of companies listed on the Main Board of the Stock Exchange, including Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, Titan Petrochemicals Group Limited ("**Titan**"), ITC Corporation Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, Hsin Chong Construction Group Ltd., Hop Hing Group Holdings Limited, SJM Holdings Limited, Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited), China Resources Cement Holdings Limited, Eagle Asset Management (CP) Limited acting as the manager of Champion Real Estate Investment Trust and Regal Portfolio Management Limited acting as the manager of Regal Real Estate Investment Trust. Moreover, he is the chairman and an independent non-executive director of Chuang's China Investments Limited as well as the vice chairman and an independent non-executive director of ITC Properties Group Limited.

Mr. Shek is also a member of the 5th Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference of the PRC, a director of The Hong Kong Mortgage Corporation Limited, the Vice-Chairman of the Independent Police Complaints Council in Hong Kong, a Member of the Court and the Council of The University of Hong Kong and a Member of the Court of The Hong Kong University of Science and Technology. He graduated from the University of Sydney, Australia with a Bachelor of Arts Degree and a Diploma in Education.

Independent Non-executive Directors (continued)

Mr. Shek has entered into a service contract with the Company with no fixed term. In accordance with the provisions of the Articles of Association, he will retire from office as director at the forthcoming AGM and is eligible for election thereat. If elected, he will be subject to retirement by rotation once every three years since then and will be eligible for re-election at future AGMs. Mr. Shek presently receives an annual director's fee of HK$250,000.

According to the announcements published by Titan ("**Titan Announcements**"), Titan is a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, on 9 July 2012 (Bermuda time), Saturn Petrochemical Holdings Limited ("**SPHL**") served on Titan a petition (the "**Petition**") at the Supreme Court of Bermuda ("**Court**") for an order, amongst other things, to wind up and to appoint a provisional liquidator against Titan. At the hearing on 23 July 2013 (Bermuda time), the Court struck out the petition filed by SPHL and KTL Camden Inc. ("**Camden**") was allowed to substitute as the petitioner ("**Camden Petition**") in place of SPHL and granted leave to amend the winding up petition. The Court has adjourned the hearing of the Camden Petition to 27 September 2013 (Bermuda time). As at the date of this Annual Report, there was no updated announcement in relation to the hearing of the Camden Petition on the website of Titan.

Mr. Shek has been an independent non-executive director of Titan since 27 February 2006. According to the 2011 annual report of Titan, it is a provider of oil logistic and marine services in the Asia Pacific region, in particular, in the PRC and, together with its subsidiaries, operates onshore and offshore storage facilities and a multi-functional ship-repair and shipbuilding yard. As disclosed in the Titan Announcements, the Petition is in relation to a notice to Titan from SPHL to redeem all of the outstanding convertible redeemable preferred shares issued by Titan and held by SPHL at a redeemable amount equal to the notional value of those shares (being HK$310.8 million) together with any accrued and unpaid dividends. In the Camden Petition, Camden claims that pursuant to a deed of guarantee issued by Titan in favour of Camden, Titan is liable to pay certain hiring charges plus interest thereon in the sum of approximately USD6,853,032 (up to 16 April 2013) owed to Camden by a subsidiary of Titan. Mr. Shek has confirmed that he is not in a position to indicate the outcome of the Camden Petition.

Save as disclosed above, Mr. Shek has not held any other directorships in listed public companies in the last three years and does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Shek does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or its associated corporation within the meaning of Part XV of the SFO.

Please also refer to the Note immediately below.

Note:

Messrs. Lam Kin Hong, Matthew, Cheng Shin How, Leow Juan Thong, Jason, Lucas Ignatius Loh Jen Yuh, Lam Bing Kwan and Shek Lai Him, Abraham will retire as Directors in accordance with the Articles of Association at the forthcoming AGM and being eligible, offer themselves for election/re-election thereat. 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 discloseabe pursuant to any of the requirements under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.

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

Principal Activities

During the Year, the Company acted as an investment holding company.

The Group's principal activities have not changed during the Year and consisted of property development for sale and property investment for rental purposes.

Results And Dividends

Details of the profit of the Group 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 consolidated financial statements and their accompanying notes on pages 71 to 156.

No interim dividend was paid or declared in respect of the Year (2012: Nil).

The board of Directors ("**Board**") has recommended the payment of a final dividend of HK$0.003 per ordinary share in respect of the Year (2012: HK$0.0028 per ordinary share) for the shareholders' approval at the forthcoming annual general meeting of the Company ("**AGM**").

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"):

Chew Fook Aun *(Chairman)*	
Lam Kin Ming *(Deputy Chairman)*	
Lam Kin Hong, Matthew ("**Mr. Matthew Lam**") *(Executive Deputy Chairman)*	
Lam Hau Yin, Lester *(Chief Executive Officer)*	
Cheng Shin How ("**Mr. S.H. Cheng**")	
Lau Shu Yan, Julius	
U Po Chu	
Cheung Sum, Sam	(resigned on 1 September 2012)
Lam Kin Ngok, Peter	(resigned on 1 November 2012)
Lui Siu Tsuen, Richard	(resigned on 1 November 2012)

Non-executive Directors ("NEDs"):

Leow Juan Thong, Jason ("**Mr. Jason Leow**")
Lucas Ignatius Loh Jen Yuh ("**Mr. Lucas Loh**")
(also alternate Director to Mr. Jason Leow)

Independent Non-executive Directors ("INEDs"):

Ku Moon Lun	
Lam Bing Kwan ("**Mr. B.K. Lam**")	
Law Kin Ho	
Mak Wing Sum, Alvin	(appointed with effect from 1 November 2012)
Shek Lai Him, Abraham ("**Mr. Abraham Shek**")	(appointed with effect from 19 December 2012)

Directors (continued)

In accordance with Article 99 of the Company's Articles of Association ("**Articles of Association**"), Mr. Abraham Shek (appointed an INED by the Board with effect from 19 December 2012) will retire at the forthcoming AGM and, being eligible, offers himself for election.

In accordance with Article 116 of the Articles of Association, Mr. Matthew Lam, Mr. S.H. Cheng, Mr. Jason Leow, Mr. Lucas Loh and Mr. B.K. Lam, (together with Mr. Abraham Shek, "**Retiring Directors**") will retire from office by rotation at the forthcoming AGM. Being eligible, they offer themselves for re-election.

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

All Retiring Directors have confirmed that there is no other information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders of the Company ("**Shareholders**").

Biographical Details of Directors

Brief biographical particulars of the current Directors are set out on pages 42 to 49 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

Directors' Service Contracts

No Director proposed for election/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 37(a) to the financial statements and the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this Report below, no Director had a material interest, either 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.

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 businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. Chew Fook Aun, Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Cheng Shin How, Mr. Cheung Sum, Sam (up to 31 August 2012 as he resigned as an ED with effect from 1 September 2012), Dr. Lam Kin Ngok, Peter (up to 31 October 2012 as he resigned as an ED with effect from 1 November 2012), Mr. Lui Siu Tsuen, Richard, (up to 31 October 2012 as he resigned as an ED with effect from 1 November 2012), Mr. Leow Juan Thong, Jason and Mr. Lucas Ignatius Loh Jen Yuh (together, "**Interested Directors**") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in the Mainland of China.

Directors' Interests in Competing Businesses (continued)

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.

Arrangement for Directors to Acquire Shares or Debentures

Other than the share option schemes adopted by the Company as disclosed in the sections headed "Share Option Schemes" and "Directors' Interests" of this Report below and in note 30 to the financial statements as well as the share option scheme adopted by eSun Holdings Limited, at no time during the Year was the Company or any of its holding companies and 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.

Share Option Schemes

2003 Share Option Scheme

The Company adopted a share option scheme on 21 August 2003 ("**2003 Share Option Scheme**"). The 2003 Share Option Scheme was terminated on 18 December 2012, notwithstanding that the share options which have been granted and remained outstanding as of that date shall continue to follow the provisions of the 2003 Share Option Scheme. Particulars of the 2003 Share Option Scheme and details of the grant of share options and a summary of the movements of the outstanding share options during the Year under 2003 Share Option Scheme are set out in note 30 to the financial statements.

2012 Share Option Scheme

The Company adopted a new share option scheme on 18 December 2012 ("**2012 Share Option Scheme**"). Particulars of the 2012 Share Option Scheme and details of the grant of share options and a summary of the movements of the outstanding share options during the Year under 2012 Share Option Scheme are set out in note 30 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 and 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 by the Directors:

Directors' Interests (continued)

(1) The Company

(A) Long positions in the ordinary shares of HK$0.10 each of the Company ("Shares") and underlying Shares

Name of Director	Capacity	Nature of Interests	Number of Shares	Number of underlying Shares	Total	Approximate % of Shares in issue
Chew Fook Aun	Beneficial Owner	Personal	Nil	80,479,564 *(Note 1)*	80,479,564	0.50%
Lam Hau Yin, Lester	Beneficial Owner	Personal	Nil	160,959,129 *(Note 2)*	160,959,129	1%
Lau Shu Yan, Julius	Beneficial Owner	Personal	12,917,658	48,287,738 *(Note 3)*	61,205,396	0.38%
Cheng Shin How	Beneficial Owner	Personal	Nil	32,191,825 *(Note 4)*	32,191,825	0.20%

Notes:

1. *A share option comprising a total of 80,479,564 underlying Shares was granted to Mr. Chew Fook Aun at an exercise price of HK$0.133 per Share on 12 June 2012 and is exercisable during the period from 12 June 2012 to 11 June 2020.*

2. *A share option comprising a total of 160,959,129 underlying Shares was granted to Mr. Lam Hau Yin, Lester at an exercise price of HK$0.228 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

3. *A share option comprising a total of 48,287,738 underlying Shares was granted to Mr. Lau Shu Yan, Julius at an exercise price of HK$0.228 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

4. *A share option comprising a total of 32,191,825 underlying Shares was granted to Mr. Cheng Shin How at an exercise price of HK$0.228 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

Directors' Interests (continued)

(1) The Company (continued)

(B) Long positions in the 9.125% senior notes due 2014 issued by the Company

Name of Director	Capacity	Nature of Interests	Principal Amount
Lau Shu Yan, Julius	Beneficial owner	Personal	US$300,000

(C) Long positions in the 6.875% senior notes due 2018 issued by the Company

Name of Director	Capacity	Nature of Interests	Principal Amount
Lam Kin Hong, Matthew	Owner of controlled corporation	Corporate *(Note)*	CNY23,600,000

Note: These notes are held by Tai Fu Holdings Limited the entire issued share capital of which is beneficially owned by Mr. Lam Kin Hong, Matthew and his spouse.

(2) Associated Corporation

eSun Holdings Limited ("eSun") — the ultimate holding company of the Company

Long positions in the ordinary shares of eSun of HK$0.50 each ("eSun Shares") and underlying eSun Shares

Name of Director	Capacity	Nature of Interests	Number of eSun Shares	Number of underlying eSun Shares	Total	Approximate % of eSun Shares in issue
Chew Fook Aun	Beneficial owner	Personal	Nil	6,216,060 *(Note 1)*	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	Personal	2,794,443	12,432,121 *(Note 2)*	15,226,564	1.22%

Notes:

1. *A share option comprising a total of 6,216,060 underlying eSun Shares was granted by eSun to Mr. Chew Fook Aun at an exercise price of HK$0.92 per eSun Share on 5 June 2012 and is exercisable during the period from 5 June 2012 to 4 June 2022.*

2. *A share option comprising a total of 12,432,121 underlying eSun Shares was granted by eSun to Mr. Lam Hau Yin, Lester at an exercise price of HK$1.612 per eSun Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.*

Save as disclosed above, as at 31 July 2013, none of the Directors and the chief executive of the Company was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, recorded in the Register of Directors and Chief Executive, notified under the Securities Code, or otherwise known by the Directors.

Substantial Shareholders' Interests

As at 31 July 2013, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded, other than a Director or the chief executive of the Company, in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

(A) Long Positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in issue
eSun Holdings Limited ("**eSun**")	Owner of controlled corporations	Corporate	7,960,375,422 *(Note 1)*	49.46%
Lai Sun Development Company Limited ("**LSD**")	Owner of controlled corporations	Corporate	7,960,375,422 *(Note 1)*	49.46%
Lai Sun Garment (International) Limited ("**LSG**")	Owner of controlled corporations	Corporate	7,960,375,422 *(Note 1)*	49.46%
Lam Kin Ngok, Peter ("**Dr. Peter Lam**")	Owner of controlled Corporations	Corporate	7,960,375,422 *(Note 2)*	49.46%
Merit Worth Limited ("**MWL**")	Beneficial owner and owner of controlled corporation	Corporate	7,960,375,422 *(Note 3)*	49.46%
CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**")	Owner of controlled corporation	Corporate	3,220,000,000 *(Note 4)*	20%
CapitaLand LF (Cayman) Holdings Co., Ltd ("**CapitaLand Cayman**")	Beneficial owner	Corporate	3,220,000,000	20%
CapitaLand Limited	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20%

Substantial Shareholders' Interests (continued)

(A) Long Positions in the Shares of the Company (continued)

Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in issue
CapitaLand Residential Limited ("**CapitaLand Residential**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20%
Temasek Holdings (Private) Limited ("**Temasek**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20%
Silver Glory Securities Limited ("**SGS**")	Beneficial owner	Corporate	3,889,038,698 *(Note 3)*	24.16%

Notes:

1. *These interests in the Company represented all the Shares beneficially owned by MWL (4,071,336,724 Shares or about 25.29% of the total issued Shares) and SGS (3,889,038,698 Shares or about 24.16% of the issued Shares), both being wholly-owned subsidiaries of eSun. eSun is owned as to approximately 39.93% by LSD which in turn is owned as to approximately 49.97% by LSG. As such, both LSD and LSG were deemed to be interested in the same 7,960,375,422 Shares of the Company held by eSun.*

2. *Dr. Peter Lam was deemed to be interested in the same 7,960,375,422 Shares of the Company held by eSun by virtue of his personal and deemed interests in approximately 40.05% of the issued share capital of LSG.*

3. *SGS is wholly owned by MWL which in turn is wholly owned by eSun. Therefore, MWL was deemed to be interested in the 3,889,038,698 Shares held by SGS and eSun was deemed to be interested in the 7,960,375,422 Shares held and deemed to be held by MWL.*

4. *These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which in turn is wholly owned by CapitaLand Residential while CapitaLand Residential is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 3,220,000,000 Shares of the Company held by CapitaLand Cayman by virtue of its approximate 39.60% interest in the issued share capital of CapitaLand Limited.*

Substantial Shareholders' Interests (continued)

(B) Long Positions in the Underlying Shares of the Company

Name	Capacity	Number of Underlying Shares	Approximate % of Shares in Issue
Lam Kin Ngok, Peter	Beneficial Owner	16,095,912 *(Note)*	0.10%

Note:

A share option comprising a total of 16,095,912 underlying Shares was granted to Dr. Lam Kin Ngok, Peter at an exercise price of HK$0.228 per Share on 18 January 2013 and is exercisable during the period from 18 January 2013 to 17 January 2023.

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 July 2013, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Controlling Shareholder's Interests in Significant Contracts

Save as disclosed in note 26 to the financial statements and the sections headed "Connected Transactions" and "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 by the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Connected Transactions

The Company had certain connected transactions (as defined by the Listing Rules) during the Year and up to the date of this Report, brief particulars of which are as follows:

1. Deed of Conditional Waiver

On 30 October 2012, the Company executed the deed of conditional waiver ("**Deed of Conditional Waiver**", as supplemented and amended by a supplemental deed dated 19 November 2012), in favour of LSG and LSD, pursuant to which the Company conditionally waives any claim, action, proceedings, damages or equitable remedy that it may be entitled to under the undertakings provided in the spin-off agreement between LSD and the Company, a deed of undertaking provided by LSD and the non-compete agreement among LSG, Dr. Peter Lam, Dr. Lam Kin Ming, the late Mr. Lim Por Yen and the Company, all dated 12 November 1997 (details of which have been disclosed in the listing document of the Company dated 18 November 1997) ("**Existing Undertakings**") in respect of the participation by any member of LSG and its subsidiaries ("**LSG Group**"), LSD and its subsidiaries ("**LSD Group**") , eSun Holdings Limited and its subsidiaries ("**eSun Group**") and Media Asia Group Holdings Limited and its subsidiaries ("**MAGHL Group**" and "**MAGHL**", respectively) in any bona fide offer or invitation of business opportunity(ies), is prohibited under the Existing Undertakings.

Connected Transactions (continued)

1. Deed of Conditional Waiver (continued)

Dr. Peter Lam is the controlling shareholder of LSG while LSG is the ultimate holding company of LSD. Hence, both LSG and LSD are associates of Dr. Peter Lam under the Listing Rules. Dr. Peter Lam was a Chairman and an executive director of the Company as at 30 October 2012 and hence a connected person of the Company, the execution of the Deed of Conditional Waiver constituted a connected transaction of the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Deed of Conditional Waiver was approved by the independent shareholders of the Company and eSun (the ultimate holding company of the Company) at the respective general meetings held on 18 December 2012.

Further details of the Deed of Conditional Waiver are set out in the Company's circular dated 1 December 2012.

2. Disposal of entire equity interest in Guangdong May Flower Cinema Limited

On 12 November 2012, the Company entered into a sale and purchase agreement with eSun, pursuant to which the Company would dispose of its entire equity interest in 廣東五月花電影城有限公司(Guangdong May Flower Cinema Limited) ("**May Flower**") (an indirect wholly-owned subsidiary of the Company) and the amount owed by May Flower to the Group ("**Disposal**"). The total consideration receivable by the Company is HK$13,600,000.

eSun is the ultimate holding company of the Company and hence a connected person of the Company. The Disposal constituted a connected transaction exempt from independent shareholders' approval requirement for the Company under the Listing Rules. There are condition precedents to the completion of the Disposal and the Disposal has not been completed as at the date of this Report. Upon completion of the Disposal under the agreement, May Flower will cease to be a subsidiary of the Company.

Further details of the Disposal are set out in the Company's announcement dated 12 November 2012.

3. Acquisition of shareholding and loan interests in Favor Move Limited

On 21 December 2012, Eternal Glamorous Limited ("**EGL**") and Goldthorpe Limited ("**Goldthorpe**") (an indirect wholly-owned subsidiary of the Company) entered into a sale and purchase agreement, pursuant to which on the same date, EGL had sold, and Goldthorpe had purchased, (i) 1 ordinary share of US$1.00 each in Favor Move Limited ("**Favor Move**"), representing the entire issued share capital of Favor Move and (ii) all the loans advanced by EGL to Favor Move ("**Acquisition**") at a total consideration of HK$120,209,000.

Favor Move is an investment holding company and its principal asset is its indirect interest in Hengqin Xingyi Wenchuang Tiandi Company Limited, a limited company validly existing and established under the laws of the PRC , which has a registered and paid up capital of RMB100,000,000.

3. Acquisition of shareholding and loan interests in Favor Move Limited (continued)

EGL is an indirect wholly-owned subsidiary of eSun and accordingly a connected person of the Company. The Acquisition constituted a connected transaction exempt from independent shareholders' approval requirement for the Company under the Listing Rules. Completion took place on 21 December 2012 and since then Favor Move became an indirect wholly-owned subsidiary of the Company and remained as an indirect non-wholly owned subsidiary of eSun via the Company.

Further details of the Acquisition are set out in the Company's announcement dated 21 December 2012.

4. Acquisition of interest in Farron Assets Limited

On 2 August 2013, All Benefit Limited ("**All Benefit**"), an indirect wholly-owned subsidiary of the Company and the holder of 77.5% of the issued share capital of Farron Assets Limited ("**Farron Assets**"), which indirectly holds Guangzhou May Flower Plaza, and Goldmark Pacific Limited ("**Goldmark**") entered into a sale and purchase agreement in relation to the sale by Goldmark, and the purchase by All Benefit, of 22.5% of the issued share capital of Farron Assets, together with all the loans advanced by Goldmark to Farron Assets for an aggregate consideration of HK$217,221,000 ("**Transaction**").

Goldmark was a substantial shareholder of Farron Assets before completion of the sale and purchase and accordingly a connected person of the Company at the relevant time. As one of the applicable percentage ratio in respect of the Transaction was more than 5% but less than 25% for the Company and eSun, the Transaction constituted a non-exempted connected transaction for the Company and eSun under the Listing Rules. The Transaction was subject to all applicable reporting, announcement and independent shareholders' approval requirements under Rule 14A.17 of the Listing Rules.

The Transaction was approved by the independent shareholders of each of the Company and eSun at the respective general meetings held on 17 September 2013. Completion took place on 23 September 2013 and since then Farron Asset became an indirect wholly-owned subsidiary of the Company and an indirect non-wholly-owned subsidiary of eSun via the Company.

Further details of the Transaction are set out in the Company's circular dated 30 August 2013.

5. Acquisition of land and subscription for shares and assignment of loan

On 25 September 2013, the Company announced that its indirect wholly-owned subsidiary, Winfield Concept Limited ("**Winfield Concept**"), succeeded in the bid of the land use rights of the land located at east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City, Guangdong Province of the People's Republic of China ("**PRC**" and "**Land**", respectively), with a net area of approximately 130,173 square meters and the Land is for creative cultural industry and commercial related uses.

The relevant land grant contract ("**Land Grant Contract**") has also been executed by Winfield Concept and The Land and Resource Bureau of Zhuhai ("**Zhuhai Land Bureau**"). Pursuant to the Land Grant Contract, Winfield Concept will establish a wholly-foreign-owned enterprise in the PRC ("**Project Company**") within three months after the date of successful bid of the Land for holding the Land and owning, undertaking and operating the Project (as defined below). After its establishment, the Project Company will enter into an amendment contract with Zhuhai Land Bureau for the change of the grantee of the land use rights of the Land from Winfield Concept to the Project Company.

Connected Transactions (continued)

5. Acquisition of land and subscription for shares and assignment of loan (continued)

The land premium for the Land is approximately RMB523,296,000 (equivalent to approximately HK$659,751,000). Pursuant to the Land Grant Contract, Winfield Concept has undertaken that the total amount of investment for the Project shall not be less than RMB3,000,000,000 (equivalent to approximately HK$3,782,280,000).

For the purposes of joint investment in and development of the cultural and creative industries and commercial related projects, subject to finalisation of the development proposal ("**Project**") by the Company and eSun as contemplated under a cooperation agreement dated 16 September 2011 entered into between the Company, eSun and the Hengqin New Area Administrative Committee, Lai Fung (Hengqin) Development Company Limited ("**LFHQ**"), an indirect wholly-owned subsidiary of the Company, Sunny Horizon Investments Limited ("**SHIL**"), an indirect wholly-owned subsidiary of eSun and Rosy Commerce Holdings Limited ("**Rosy Commerce**"), a direct wholly-owned subsidiary of LFHQ and an intermediate holding company of Winfield Concept, entered into a conditional subscription agreement on 25 September 2013 (the "**Subscription Agreement**").

On the date of the Subscription Agreement, Rosy Commerce has one ordinary share of par value of US$1.00 each ("**Ordinary Share**") issued to and fully paid up by LFHQ. Subject to and upon completion under the Subscription Agreement, (a) the issued share capital of Rosy Commerce will be increased by 99 Ordinary Shares to 100 Ordinary Shares, of which 79 Ordinary Shares and 20 Ordinary Shares will be allotted and issued to LFHQ and SHIL, respectively, at the par value of US$1.00 per share and Rosy Commerce will be owned as to 80% by LFHQ and 20% by SHIL; (b) SHIL will acquire and LFHQ will assign to SHIL the 20% of the loans owing to LFHQ by Rosy Commerce at its face value on a dollar for dollar basis such that the loans made by LFHQ and SHIL to Rosy Commerce will be on a pro rata basis to their shareholdings in Rosy Commerce; and (c) LFHQ, SHIL and Rosy Commerce will enter into a shareholders' agreement to regulate the relationship of the shareholders of Rosy Commerce inter se and the management and conduct of the business and affairs of Rosy Commerce and its subsidiaries from time to time.

As eSun is the ultimate holding company of the Company, SHIL, being an indirect wholly-owned subsidiary of eSun, is an associate of eSun and is therefore a connected person of the Company under the Listing Rules. As the applicable percentage ratios in respect of the transaction contemplated under the Subscription Agreement ("**Transaction**") is more than 5% but less than 25% for the Company, the Transaction constitutes a non-exempted connected transaction for the Company under the Listing Rules. The Transaction is subject to all applicable reporting, announcement and independent shareholders' approval requirements under Rule 14A.17 of the Listing Rules.

Further details of the Transaction are set out in an announcement dated 25 September 2013 jointly published by the Company and eSun.

Continuing Connected Transactions

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

1. Ascott Management Agreement

The Company announced on 5 May 2009 that on 5 May 2009, Shanghai Li Xing Real Estate Development Co., Ltd. ("**Li Xing**") (a 95%-owned subsidiary of the Company at the date of the announcement) and Ascott Property Management (Shanghai) Co., Ltd. ("**Ascott**") entered into a serviced residence management agreement ("**Ascott Management Agreement**") in relation to the management of the units of serviced apartments owned by the Group and situated in Huangpu District, Shanghai, the PRC ("**Serviced Residence**") for an initial term of 10 years commencing from the date when the official operations and leasing activity of the Serviced Residence commenced and renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Li Xing.

Pursuant to the Ascott Management Agreement,

(a) Ascott shall be entitled to receive, for each fiscal year during and throughout the term of the Ascott Management Agreement, a base management fee; and

(b) Ascott will provide (i) computer modular programs for use in connection with the management and operation of the Serviced Residence at a fee of RMB160 per unit per month, (ii) global marketing services and use of the intellectual property rights of the Ascott Group at an annual fee of RMB2,000,000 adjustable in accordance with the Singapore Consumer Price Index subject to a cap of RMB2,500,000 and (iii) other services including, but not limited to, educational and training programmes and facilities, centralised reservation services, cluster advertising and promotion services, and central purchasing and procurement services.

The Directors expect that the total fees payable by Li Xing to Ascott during the initial term of the Ascott Management Agreement will not exceed RMB19,000,000 per annum. For the Year, such fees paid or payable to Ascott amounted to HK$9,061,000.

Ascott is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**") and CapitaLand is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, Ascott is an associate (as defined under the Listing Rules) of CapitaLand and therefore is a connected person of the Company, and the transactions contemplated under the Ascott Management Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Continuing Connected Transactions (continued)

2. Cinema Management Agreement

The Company announced on 4 October 2010 that on 19 September 2005, May Flower entered into a management agreement with Media Idea International Limited ("**Media Idea**"), pursuant to which Media Idea agreed to manage the cinema located at 6th and 7th Floors, May Flower Plaza, No. 68 Zhongshanwu Road, Yuexiu District, Guangzhou, the PRC ("**Cinema**") for May Flower for a ten-year period from 1 September 2005 to 31 August 2015 (the "**Cinema Management Agreement**"). The Cinema Management Agreement provides for Media Idea to receive a fixed fee of RMB60,000 per month and a variable fee equivalent to 20% of the annual net profit of the Cinema.

Media Idea is a wholly-owned subsidiary of eSun. eSun became a substantial shareholder of the Company with effect from 30 September 2010 following the completion of a corporate restructuring exercise on the same day ("**Completion**"). Accordingly, eSun is a connected person of the Company with effect from the Completion. Further, Media Idea is an associate (as defined under the Listing Rules) of eSun and therefore is a connected person of the Company.

Although the transactions contemplated under the Cinema Management Agreement ("**Cinema Management Transactions**") did not constitute continuing connected transactions for the Company at the time the Cinema Management Agreement was entered into in September 2005, they have, with effect from the Completion, become continuing connected transactions for the Company pursuant to Rule 14A.41 of the Listing Rules.

For the Year, total fees paid or payable to Media Idea amounted to HK$891,000.

The Company announced on 12 November 2012 that it would dispose of all its entire equity interests in May Flower to eSun. Upon completion of the sale and purchase as disclosed in the announcement, May Flower will cease to be a subsidiary of the Company and accordingly the Cinema Management Transactions will cease to be continuing connected transactions of the Company. As at the date of this Report, the sale and purchase has not been completed.

3. Memorandum of Agreement

LSD became a subsidiary of LSG and the Company became a subsidiary of eSun due to the early adoption of Hong Kong Financial Reporting Standards ("**HKFRS**") 10 "Consolidated Financial Statements" of LSG and eSun during the year ended 31 July 2012, with the financial statements approved by the respective boards of LSG and eSun on 30 October 2012 (the "**Approval Date**"). As from the Approval Date, certain continuing transactions of the LSD Group and the Group have constituted continuing connected transactions of the LSG Group and eSun Group, respectively.

Dr. Peter Lam is a connected person of the Company on account of his previous directorship in the Company and his existing directorship in various subsidiaries of the Company. Transactions between the Group and the LSD Group (being an associate of Dr. Peter Lam as he is a controlling shareholder of LSG) constitute continuing connected transactions of the Company with effect from the Approval Date.

3. Memorandum of Agreement (continued)

On 24 May 2013, the Company, LSG, LSD, eSun and MAGHL entered into an agreement ("**Memorandum of Agreement**") to record the basis for governing the pre-existing continuing connected transactions and future continuing connected transactions with regard to the letting and/or licensing of premises within members of the Lai Sun Group, which includes the Group, LSG Group, LSD Group, eSun Group and MAGHL Group from time to time ("**Transactions**") after the date of the Memorandum of Agreement and up to 31 July 2014.

Details of the Memorandum of Agreement are set out in an announcement dated 24 May 2013 jointly published by the Company, LSG, LSD, eSun and MAGHL.

The Company had adopted a maximum aggregate annual value of (i) HK$6,100,000 and HK$6,600,000 for the respective financial years ended 31 July 2013 and ending 31 July 2014 in respect of Transactions with the LSG Group and the LSD Group, and (ii) HK$2,900,000 and HK$9,600,000 for the respective financial years ended 31 July 2013 and ending 31 July 2014 in respect of transactions with the eSun Group (including MAGHL Group but excluding the Group).

For the period from the Approval Date to 31 July 2013, rental and management fee income received or receivable from, and rental and management fee paid or payable to LSD Group amounted to HK$672,000 and HK$1,525,000, respectively.

For the year ended 31 July 2013, rental and management fee income received or receivable from eSun Group (including MAGHL Group but excluding the Group) amounted to HK$563,000.

4. Breakfast Agreement

The Company announced on 24 May 2013 that on 16 April 2010, Li Xing, Triple Pass Limited ("**Triple Pass**")/韵港餐飲(上海)有限公司 (Wan Kong Catering (Shanghai) Limited) ("**Wan Kong**") and Ascott entered into the catering services agreement in respect of the Serviced Residence ("**Breakfast Agreement**").

Under the Breakfast Agreement, Triple Pass/Wan Kong will serve breakfasts at a predetermined price per head to the occupants of the Service Residence for the duration of the agreement dated 16 April 2010 and entered into between Li Xing (as lessor) and Triple Pass/Wan Kong (as lessee) in relation to the lease of the restaurant located in the Service Residence ("**Lease Agreement**").

The Lease Agreement was for a fixed term of 3 years from 15 May 2010 to 14 May 2013 with an option exercisable by the lessee to renew for a further term of two years and three years.

Triple Pass and Wan Kong are both non-wholly-owned subsidiaries of LSD. The transactions contemplated under the Breakfast Agreement have become, with effect from the Approval Date, continuing connected transactions of the Company pursuant to Rule 14A.41 of the Listing Rules.

For the period from the Approval Date to 31 July 2013, total charges paid or payable to Triple Pass/Wan Kong amounted to HK$1,268,000.

Continuing Connected Transactions (continued)

The continuing connected transactions listed above have been reviewed by the INEDs who have confirmed that the transactions have been entered into:

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

(b) on normal commercial terms; and

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

Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. Ernst & Young included an additional paragraph to draw attention to the fact that i) the Cinema Management Transactions were under a pre-existing management agreement with Media Idea which became a connected person of the Group as defined under Rule 14A.11 of the Listing Rules on 30 September 2010, and no maximum aggregate annual value had been disclosed in any previous announcements of the Company; and ii) the continuing connected transactions contemplated under the Breakfast Agreement were under a pre-existing management agreement with the subsidiaries of LSD which became connected persons of the Group as defined under the Listing Rule 14A.11 of the Listing Rules on 30 October 2012, and no maximum aggregate annual value had been disclosed in any previous announcements of the Company.

Property, Plant and Equipment and Investment Properties

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

Properties Under Development

Details of the movements in the properties under development of the Group during the Year are set out in note 15 to the financial statements. Further details of the Group's properties under development are set out in the "Particulars of Major Properties" section of this Annual Report.

Fixed Rate Senior Notes

On 4 April 2007, the Group issued the 9.125% senior notes due 2014 ("**2007 Senior Notes**") with an aggregate principal amount of US$200,000,000. On 25 April 2013, the Group issued the 6.875% senior notes due 2018 ("**2013 Senior Notes**") with an aggregate principal amount of CNY1,800,000,000. Details for each of the 2007 Senior Notes and 2013 Senior Notes are set out in note 27 to the financial statements.

Share Capital

There was no movement in the Company's authorised and issued share capital during the year.

Reserves

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

As at 31 July 2013, the Company's reserves available for distribution amounted to HK$106,274,000 which comprised retained earnings and exchange fluctuation reserves.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$4,065,862,000 may be applied for paying distributions or dividends to members provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2013 are set out in note 19 to the financial statements.

Donations For Charitable and Other Purposes

During the Year, the Group made donations for charitable or other purposes totaling HK$1,087,000.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Summary of Financial Information

A summary of the results and 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 page 23.

Major Customers and Suppliers

During the Year, turnover or sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover. During the Year, the Group's purchases from its five largest suppliers accounted for approximately 55% of the Group's total purchases, while the largest supplier accounted for approximately 21% of the Group's total purchases for the Year.

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 for the Year.

Disclosure Pursuant to Paragraph 13.21 Of Chapter 13 of The Listing Rules

Pursuant to two loan facility agreements both dated 28 March 2013 (as amended and restated), the Company shall procure that Dr. Lam Kin Ngok, Peter, his family members and inter alias, LSG, LSD and eSun (collectively "**Lam Family Holders**") (taken together) shall at all times throughout the terms of the facilities remain (directly or indirectly) the beneficial owners of, or beneficially interested in, the total voting power of the capital stock having the power to vote for the election of directors, managers or other voting members of the governing body of the Company that is greater than that held by any other person that is not a Lam Family Holder.

As at 31 July 2013, the aggregate outstanding loan balances of these facilities amounted to approximately HK$1,766,663,000 with the last instalment repayment falling due in March 2016.

Purchase, Sale or Redemption of Listed Securities

During the Year, the Company did not redeem any of its Shares or its 2013 Senior Notes, which are listed and traded on the Stock Exchange or its 2007 Senior Notes listed and traded on Singapore Exchange Securities Trading Limited. In addition, the Company or any of its subsidiaries did not purchase or sell any of such Shares or Notes during the Year.

Public Float

Based on 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.

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 to 41 of this Annual Report.

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 three members, namely Messrs. Law Kin Ho, Lam Bing Kwan, both INEDs of the Company and Leow Juan Thong, Jason, a NED. 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. Having 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
Chairman

Hong Kong
9 October 2013

Taxation of Holders of Shares

(a) Hong Kong

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

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

(b) Cayman Islands

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

(c) Consultation with professional advisers

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

Key Dates

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

	For Financial Year 2012/2013
Annual results announcement	9 October 2013
Latest time and date for lodging transfer documents with the Hong Kong branch share registrars ("**Registrars**")to ascertain entitlement to attending and voting at the 2013 Annual General Meeting ("**AGM**")	4:30 p.m. on 19 November 2013
2013 AGM	22 November 2013
Dividend ex-entitlement for shares	3 December 2013
Closure of Hong Kong branch register of members	5 and 6 December 2013
Record date for entitlement to the proposed final dividend	6 December 2013
Latest time and date for lodging form of election for scrip dividend with the Registrars	4:30 p.m. on 3 January 2014
Payment of final dividend	17 January 2014

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

ERNST & YOUNG
安 永

To the shareholders of Lai Fung Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Lai Fung Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 156, 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, 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 disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
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	5	**1,894,938**	1,394,034
Cost of sales		**(897,317)**	(580,680)
Gross profit		**997,621**	813,354
Other income and gains	5	**158,361**	129,672
Selling and marketing expenses		**(69,188)**	(62,865)
Administrative expenses		**(306,707)**	(244,581)
Other operating expenses, net		**(7,334)**	(104,495)
Fair value gains on investment properties	16	**660,708**	965,674
PROFIT FROM OPERATING ACTIVITIES	7	**1,433,461**	1,496,759
Finance costs	6	**(197,338)**	(111,295)
Share of profits/(losses) of joint ventures		**107,066**	(11,327)
PROFIT BEFORE TAX		**1,343,189**	1,374,137
Tax	10	**(530,622)**	(494,358)
PROFIT FOR THE YEAR		**812,567**	879,779
ATTRIBUTABLE TO:			
Owners of the Company	11	**757,045**	812,758
Non-controlling interests		**55,522**	67,021
		812,567	879,779
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	13		
Basic		**HK$0.047**	HK$0.085
Diluted		**HK$0.047**	HK$0.085

Details of the dividend payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 July 2013

	Note	**2013 HK$'000**	2012 HK$'000
PROFIT FOR THE YEAR		**812,567**	879,779
OTHER COMPREHENSIVE INCOME/(EXPENSES) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS, NET OF TAX			
Reversal of impairment of investment properties under construction		**20,684**	2,580
Exchange differences arising on translation to presentation currency		**276,685**	121,385
Share of other comprehensive income of joint ventures		**9,330**	36,150
Net loss on cash flow hedges	24	**(59,761)**	—
		246,938	160,115
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,059,505**	1,039,894
ATTRIBUTABLE TO:			
Owners of the Company		**998,828**	966,226
Non-controlling interests		**60,677**	73,668
		1,059,505	1,039,894

Consolidated Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,491,574**	841,164
Prepaid land lease payments	17	**5,543**	5,600
Investment properties	16	**11,377,034**	10,289,369
Properties under development	15	**513,517**	925,588
Investments in joint ventures	20	**436,340**	319,861
Goodwill	18	**1,032**	3,400
Total non-current assets		**13,825,040**	12,384,982
CURRENT ASSETS			
Properties under development	15	**718,861**	500,587
Completed properties for sale		**1,094,541**	1,785,003
Debtors, deposits and prepayments	21	**171,326**	135,120
Prepaid tax		**46,859**	49,513
Pledged and restricted time deposits and bank balances	22	**2,057,388**	943,135
Cash and cash equivalents	22	**3,608,327**	1,695,551
Total current assets		**7,697,302**	5,108,909
CURRENT LIABILITIES			
Creditors and accruals	23	**668,657**	687,195
Deposits received and deferred income		**201,094**	355,974
Interest-bearing bank loans, secured	25	**617,470**	1,559,357
Tax payable		**490,502**	343,117
Fixed rate senior notes	27	**1,435,052**	—
Total current liabilities		**3,412,775**	2,945,643
NET CURRENT ASSETS		**4,284,527**	2,163,266
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,109,567**	14,548,248
NON-CURRENT LIABILITIES			
Long-term deposits received		**77,021**	68,045
Interest-bearing bank loans, secured	25	**1,774,856**	358,342
Advances from a former substantial shareholder	26	**58,621**	57,200
Fixed rate senior notes	27	**2,223,610**	1,427,253
Derivative financial instruments	24	**43,712**	—
Deferred tax liabilities	28	**1,819,897**	1,566,958
Total non-current liabilities		**5,997,717**	3,477,798
		12,111,850	11,070,450

Consolidated Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**1,609,591**	1,609,591
Share premium account		**4,065,862**	4,065,862
Asset revaluation reserve		**56,925**	36,448
Share option reserve		**30,188**	3,678
Hedge reserve	24	**(59,761)**	—
Exchange fluctuation reserve		**1,995,222**	1,714,155
Capital reserve		**25,974**	25,974
Retained earnings		**3,646,545**	2,937,334
Proposed final dividend	12	**48,288**	45,069
		11,418,834	10,438,111
Non-controlling interests		**693,016**	632,339
		12,111,850	11,070,450

Chew Fook Aun
Director

Lam Hau Yin, Lester
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2013

		Attributable to owners of the Company											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 August 2011		804,796	3,876,668	33,894	—	—	1,594,660	(5,445)	2,169,645	40,240	8,514,458	558,671	9,073,129
Profit for the year		—	—	—	—	—	—	—	812,758	—	812,758	67,021	879,779
Other comprehensive income for the year, net of tax:													
Reversal of impairment of investment properties under construction		—	—	2,554	—	—	—	—	—	—	2,554	26	2,580
Exchange differences arising on translation to presentation currency		—	—	—	—	—	114,764	—	—	—	114,764	6,621	121,385
Share of other comprehensive income of joint ventures		—	—	—	—	—	4,731	31,419	—	—	36,150	—	36,150
Total comprehensive income for the year, net of tax		—	—	2,554	—	—	119,495	31,419	812,758	—	966,226	73,668	1,039,894
Open offer	29	804,795	201,199	—	—	—	—	—	—	—	1,005,994	—	1,005,994
Open offer expenses	29	—	(12,005)	—	—	—	—	—	—	—	(12,005)	—	(12,005)
Equity-settled share option arrangements		—	—	—	3,678	—	—	—	—	—	3,678	—	3,678
Final 2011 dividend paid		—	—	—	—	—	—	—	—	(40,240)	(40,240)	—	(40,240)
Proposed final 2012 dividend	12	—	—	—	—	—	—	—	(45,069)	45,069	—	—	—
As at 31 July 2012 and 1 August 2012		1,609,591	4,065,862	36,448	3,678	—	1,714,155	25,974	2,937,334	45,069	10,438,111	632,339	11,070,450
Profit for the year		—	—	—	—	—	—	—	757,045	—	757,045	55,522	812,567
Other comprehensive income for the year, net of tax:													
Reversal of impairment of investment properties under construction		—	—	20,477	—	—	—	—	—	—	20,477	207	20,684
Exchange differences arising on translation to presentation currency		—	—	—	—	—	271,737	—	—	—	271,737	4,948	276,685
Share of other comprehensive income of joint ventures		—	—	—	—	—	9,330	—	—	—	9,330	—	9,330
Net loss on cash flow hedges	24	—	—	—	—	(59,761)	—	—	—	—	(59,761)	—	(59,761)
Total comprehensive income/(expenses) for the year, net of tax		—	—	20,477	—	(59,761)	281,067	—	757,045	—	998,828	60,677	1,059,505
Equity-settled share option arrangements		—	—	—	26,964	—	—	—	—	—	26,964	—	26,964
Release of reserve upon lapse of share options		—	—	—	(454)	—	—	—	454	—	—	—	—
Final 2012 dividend paid		—	—	—	—	—	—	—	—	(45,069)	(45,069)	—	(45,069)
Proposed final 2013 dividend	12	—	—	—	—	—	—	—	(48,288)	48,288	—	—	—
As at 31 July 2013		**1,609,591**	**4,065,862**	**56,925**	**30,188**	**(59,761)**	**1,995,222**	**25,974**	**3,646,545**	**48,288**	**11,418,834**	**693,016**	**12,111,850**

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		**1,343,189**	1,374,137
Adjustments for:			
Fair value gains on investment properties	16	**(660,708)**	(965,674)
Finance costs	6	**197,338**	111,295
Share of losses/(profits) of joint ventures		**(107,066)**	11,327
Interest income	5	**(25,579)**	(11,570)
Depreciation	7	**66,821**	59,445
Amortisation of prepaid land lease payments	7	**193**	191
Foreign exchange differences, net	7	**(42,075)**	(6,271)
Reversal of impairment of properties under development	7	**(6,974)**	(1,585)
Loss on disposal of items of property, plant and equipment	7	**37**	54,582
Equity-settled share option expense	30	**11,594**	3,678
Gain on repurchase of fixed rate senior notes	7	**—**	(589)
Impairment of goodwill	18	**2,368**	1,161
		779,138	630,127
Decrease in completed properties for sale		**642,960**	479,983
Increase in properties under development		**(264,159)**	(556,418)
Decrease/(increase) in debtors, deposits and prepayments		**(2,920)**	27,604
Decrease in creditors and accruals, and short term deposits received and deferred income		**(116,422)**	(244,924)
Increase/(decrease) in long term deposits received		**8,976**	(13,647)
Cash generated from operations		**1,047,573**	322,725
Mainland China taxes paid, net		**(186,649)**	(161,778)
Net cash flow from operating activities		**860,924**	160,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**25,579**	11,570
Acquisition of subsidiaries	32	**2,736**	—
Purchases of items of property, plant and equipment		**(76,307)**	(60,746)
Additions to investment properties		**(161,729)**	(192,757)
Repayment of loans from/(advances of loans to) joint ventures		**(63)**	55,339
Increase in pledged and restricted time deposits and bank balances		**(1,114,253)**	(230,679)
Decrease in non-pledged and non-restricted time deposits with original maturity of more than three months when acquired		**—**	4,242
Net cash flow used in investing activities		**(1,324,037)**	(413,031)

Consolidated Statement of Cash Flows

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans, net of direct costs		**1,881,303**	412,108
Repayment of bank loans		**(1,474,102)**	(95,410)
Net proceeds from open offer	29	**—**	993,989
Net proceeds from issue of fixed rate senior notes (the "2013 Notes")	27	**2,205,883**	—
Realised exchange gain from conversion of the 2013 Notes	27	**30,987**	—
Repurchase of fixed rate senior notes (the "2007 Notes")		**—**	(7,098)
Interest and bank financing charges paid		**(238,037)**	(207,746)
Dividend paid		**(45,069)**	(40,240)
Net cash flow from financing activities		**2,360,965**	1,055,603
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,897,852**	803,519
Cash and cash equivalents at beginning of year		**1,695,551**	883,058
Effect of foreign exchange rate changes, net		**14,924**	8,974
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,608,327**	1,695,551
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	22	**1,562,608**	391,155
Non-pledged and non-restricted time deposits	22	**2,045,719**	1,304,396
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**3,608,327**	1,695,551

Statement of Financial Position

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**6,863,146**	6,557,220
CURRENT ASSETS			
Deposits and prepayments	21	**35,157**	1,987
Restricted bank balance	22	**1,702,423**	—
Cash and cash equivalents	22	**1,694,886**	744,642
Total current assets		**3,432,466**	746,629
CURRENT LIABILITIES			
Creditors and accruals	23	**88,894**	49,785
Due to subsidiaries	19	**390**	47,064
Fixed rate senior notes	27	**1,435,052**	—
Total current liabilities		**1,524,336**	96,849
NET CURRENT ASSETS		**1,908,130**	649,780
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,771,276**	7,207,000
NON-CURRENT LIABILITIES			
Fixed rate senior notes	27	**2,223,610**	1,427,253
Interest-bearing bank loan, secured	25	**734,090**	—
Derivative financial instruments	24	**43,712**	—
Deferred tax liabilities	28	**17,710**	22,105
Total non-current liabilities		**3,019,122**	1,449,358
		5,752,154	5,757,642
EQUITY			
Issued capital	29	**1,609,591**	1,609,591
Reserves	31(b)	**4,094,275**	4,102,982
Proposed final dividend	12	**48,288**	45,069
		5,752,154	5,757,642

Chew Fook Aun
Director

Lam Hau Yin, Lester
Director

1. Corporate Information

Lai Fung Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands.

The principal place of business of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") have not changed during the year and consisted of property development for sale and property investment for rental purposes.

In the opinion of the directors, the holding company and ultimate holding company of the Company is eSun Holdings Limited ("eSun"), which was incorporated in Bermuda and is listed in Hong Kong, with effect from 11 June 2012 following the early adoption of HKFRS 10 "Consolidated Financial Statements".

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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction and derivative financial instruments, which have been measured at fair value as further explained in the accounting policy for investment properties and derivative financial instruments in note 2.4 to the financial statements. 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. 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.

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

2.2 Impact of Revised HKFRSs

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

HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income

The adoption of the revised HKFRS has had no material impact on the reported results or the financial position of the Group.

The Group had early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time in the financial statements for the year ended 31 July 2012.

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

The adoption of the above new and revised HKFRSs had no material impact on the reported results or the financial position of the Group for the year ended 31 July 2012.

2.3 Impact of Issued but not yet Effective HKFRSs

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

Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[2]
HKFRS 7 Amendments	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[3]
HKFRS 9 Amendments and HKFRS 7 Amendments	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (2011)	Employee Benefits[1]
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities[2]
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets[2]
HKAS 39 Amendments	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]

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 upon initial application of the above new and revised HKFRSs. The Group is not yet in a position to state whether they would have a significant impact on the Group's results or financial position.

2.4 Summary of Significant Accounting Policies

Subsidiaries

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

When the Company 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 the subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint arrangements

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

2.4 Summary of Significant Accounting Policies (continued)

Joint ventures (continued)

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

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

Business combinations and goodwill

Business combinations from 1 August 2009

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.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in income statement.

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 with the scope of HKAS39 is measured at fair value with changes in fair value either recognised in income statement 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 income statement as a gain on bargain purchase.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Business combinations from 1 August 2009 (continued)

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

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

Where goodwill 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.

Business combinations prior to 1 August 2009 but after 1 August 2004

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 August 2009:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities might be different at the date of each exchange transaction. Any adjustment to those fair values relating to previously held interests of the Group was a revaluation and was dealt with in the asset revaluation reserve initially and shall be accounted for as such. Any additional acquired share of interest did not affect previously recognised goodwill.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 August 2009 but after 1 August 2004 (continued)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets other than goodwill

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

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

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).

Property, plant and equipment and depreciation

Property, plant and equipment including owner-operated serviced apartments, other than investment properties and properties under development, 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.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

Leasehold buildings	Over the remaining lease terms of the land
Serviced apartments	Over the remaining lease terms of the land
Leasehold improvements	10% - 20%
Furniture, fixtures and equipment	20%
Motor vehicles	20% - 25%
Computers	20% - 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 period 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.

Investment properties

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

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

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

A transfer from investment property under construction to property under development shall be made when, and only when, there is a change in use, evidenced by commencement of development with a view to sale.

Properties under development

Properties under development represent properties being developed for sale and are stated at lower of cost and net realisable value. Cost comprises the prepaid land lease payments or cost of land together with any 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 development of these properties is completed, these properties are transferred to completed properties for sale.

If a property under development is intended to be redeveloped into an owner-managed property, it is transferred to construction in progress at carrying amount.

Completed properties for sale

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

If an item of completed property for sale becomes owner-managed, it is transferred to property, plant and equipment at carrying amount.

For a transfer from an item of completed property for sale to investment property that will be carried at fair value as its use has changed as evidenced by commencement of an operating lease, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in income statement.

2.4 Summary of Significant Accounting Policies (continued)

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 operating leases are charged to the income statement on the straight-line basis over the lease terms.

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

Investments and other financial assets

Initial recognition and measurement

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

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

The Group's financial assets include cash and bank balances, amounts due from joint ventures and trade and other receivables.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. 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 interests earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

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 integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are those 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 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 the market conditions.

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

When the fair value of unlisted equity investments cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) 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.

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 risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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.

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 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 either directly or 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 other expenses in 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 investments

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. 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 creditors and accruals, deposits received and interest-bearing bank loans, advances from a former substantial shareholder, fixed rate senior notes and derivative financial instruments.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

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.

2.4 Summary of Significant Accounting Policies (continued)

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 actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, 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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, cross currency swaps, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at fair value. Derivative is carried as an asset when the fair value is positive and as a liability when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges of the Group are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in the income statement as other expenses.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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 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, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies (continued)

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 as 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.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, 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 as 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 goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries 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 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 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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Mainland China land appreciation tax ("LAT")

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

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 have been ready for delivery to the purchasers pursuant to the sales agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as deposits received;

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

(c) service fee income is recognised when the relevant services have been 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)

Employee benefits

Share-based payments

The Company operates a share option scheme for the purposes as detailed in note 30 to the financial statements. 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 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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 service 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)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF 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 MPF Scheme. The assets of the MPF 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 MPF Scheme.

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

Borrowing costs

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

Dividend

Final dividend proposed by the directors is classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. When such dividend has been approved by the shareholders and declared, it is recognised as a liability.

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 retranslated at the functional currency rates of exchange prevailing as at the end of the reporting period. Differences arising on settlement or translation 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 profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain subsidiaries and joint ventures operating overseas/in Mainland China are currencies other than Hong Kong dollars. 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 such operation, the component of other comprehensive income relating to that particular operation is recognised in the income statement.

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

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:

(i) **Classification between investment properties and owner-occupied properties**

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

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

(ii) **When fair value of an investment property under construction can be reliably determined**

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

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

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(iii) Impairment of non-financial assets

The Group has to exercise judgement in determining whether a non-financial asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such an event affecting the asset value has not been in existence; (ii) 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 (iii) 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.

(iv) Income tax

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

As explained in note 28 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

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

(i) **Estimation of fair value of investment properties**

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

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

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

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

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that 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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(iv) Impairment of non-financial assets

The Group determines whether a non-financial asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the previous estimation.

(v) Fair value of derivative financial instruments

Where fair value of derivative financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement including considerations of inputs such as cash flow projections, the discount rate, adjustment factors to the stock price, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

4. Operating Segment Information

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

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

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

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

Segment assets exclude prepaid tax, pledged and restricted time deposits and bank balances, cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, tax payable, advances from a former substantial shareholder, fixed rate senior notes, deferred tax liabilities, derivative financial instruments and other unallocated corporate liabilities as these liabilities are managed on a group basis.

No further geographical segment information is presented as over 90% of the Group's revenue is derived from Mainland China.

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**1,372,194**	919,584	**522,744**	474,450	**1,894,938**	1,394,034
Other revenue	**1,960**	389	**110,950**	99,102	**112,910**	99,491
Total	**1,374,154**	919,973	**633,694**	573,552	**2,007,848**	1,493,525
Segment results	**509,833**	374,360	**962,057**	1,168,143	**1,471,890**	1,542,503
Unallocated gains					**45,451**	30,770
Unallocated expenses, net					**(83,880)**	(76,514)
Profit from operating activities					**1,433,461**	1,496,759
Finance costs					**(197,338)**	(111,295)
Share of profits/(losses) of joint ventures	**107,066**	(11,327)	**—**	—	**107,066**	(11,327)
Profit before tax					**1,343,189**	1,374,137
Tax					**(530,622)**	(494,358)
Profit for the year					**812,567**	879,779
Segment assets/liabilities:						
Segment assets	**2,375,951**	3,266,645	**12,840,651**	11,099,847	**15,216,602**	14,366,492
Investments in joint ventures	**436,340**	319,861	**—**	—	**436,340**	319,861
Unallocated assets					**5,869,400**	2,807,538
Total assets					**21,522,342**	17,493,891
Segment liabilities	**413,295**	597,188	**324,120**	366,323	**737,415**	963,511
Unallocated liabilities					**8,673,077**	5,459,930
Total liabilities					**9,410,492**	6,423,441

During the year, no single customer accounted for over 10% of the Group's total turnover (2012: Nil).

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:						
Depreciation	**2,075**	1,839	**56,678**	50,099	**58,753**	51,938
Corporate and other unallocated depreciation					**8,068**	7,507
					66,821	59,445
Capital expenditure	**6,260**	3,963	**146,212**	199,558	**152,472**	203,521
Corporate and other unallocated capital expenditure					**5,244**	1,465
					157,716	204,986
Fair value gains on investment properties	**—**	—	**660,708**	965,674	**660,708**	965,674
Reversal of impairment of properties under development/investment properties under construction*	**6,974**	1,585	**27,578**	3,441	**34,552**	5,026
Loss on disposal of items of property, plant and equipment	**4**	5	**33**	54,577	**37**	54,582

* Reversal of impairment of HK$6,974,000 (2012: HK$1,585,000) and HK$27,578,000 (2012: HK$3,441,000) were recognised in profit or loss and in other comprehensive income, respectively.

5. Turnover, Other Income and Gains

The Group's turnover represents proceeds from the sale of properties and rental income from investment properties and serviced apartments.

An analysis of the Group's turnover, other income and gains is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Turnover:		
Sale of properties	**1,372,194**	919,584
Rental income from investment properties and serviced apartments	**522,744**	474,450
	1,894,938	1,394,034
Other income and gains:		
Property management fee income	**99,397**	92,786
Interest income from bank deposits	**25,579**	11,570
Others	**33,385**	25,316
	158,361	129,672

6. Finance Costs

An analysis of the Group's finance costs is as follows:

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Interest on:			
Bank loans wholly repayable within five years		**90,521**	77,754
2007 Notes (as defined and disclosed in note 27)		**131,509**	131,620
2013 Notes (as defined and disclosed in note 27)		**37,467**	—
Amortisation of fixed rate senior notes:			
2007 Notes	27	**7,799**	7,090
2013 Notes	27	**1,678**	—
Bank financing charges and direct costs		**15,961**	1,369
		284,935	217,833
Less: Capitalised in properties under development	15	**(71,724)**	(75,993)
Capitalised in investment properties under construction	16	**(15,873)**	(30,545)
		(87,597)	(106,538)
Total finance costs		**197,338**	111,295

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 completed properties sold		**782,357**	474,804
Outgoings in respect of rental income		**114,960**	105,876
Total cost of sales		**897,317**	580,680
Depreciation #	14	**66,821**	59,445
Amortisation of prepaid land lease payments		**9,276**	10,038
Capitalised in properties under development	15	**(9,083)**	(9,847)
	17	**193**	191
Minimum lease payments under operating leases in respect of land and buildings		**9,620**	8,726
Capitalised in properties under development/ investment properties under construction		**(5,483)**	(6,195)
		4,137	2,531
Employee benefit expense (including directors' remuneration — note 8):			
Salaries, wages and benefits		**213,084**	196,325
Pension scheme contributions *		**688**	509
Equity-settled share option expenses	30	**26,964**	3,678
		240,736	200,512
Capitalised in properties under development/ investment properties under construction		**(75,108)**	(65,042)
		165,628	135,470
Auditors' remuneration:			
Auditors of the Company		**3,067**	2,721
Other auditors		**1,036**	947
		4,103	3,668
Foreign exchange differences, net **		**(42,075)**	(6,271)
Reversal of impairment of properties under development **	15	**(6,974)**	(1,585)
Loss on disposal of items of property, plant and equipment #		**37**	54,582
Gain on repurchase of fixed rate senior notes **	27	**—**	(589)

7. Profit from Operating Activities (continued)

\# The depreciation charge of HK$51,753,000 (2012: HK$46,332,000) for serviced apartments and related leasehold improvements and the loss on disposal of items of property, plant and equipment of HK$37,000 (2012: HK$54,582,000) are included in "Other operating expenses, net" on the face of the consolidated income statement.

* As at 31 July 2013, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2012: Nil).

** These items of expenses/(income) are included in "Other operating expenses, net" on the face of the consolidated income statement.

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules" and the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	**1,017**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**20,091**	18,173
Equity-settled share option expense	**13,714**	3,678
Pension scheme contributions	**114**	99
	33,919	21,950
	34,936	22,400
Capitalised in properties under development/ investment properties under construction	**(19,382)**	(11,042)
	15,554	11,358

During the year, three directors (2012: one) were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The share options vested on the date of grant and hence the fair value of such options were determined and recognised in the income statement on the date of grant and is included in the above directors' remuneration disclosures.

8. Directors' Remuneration (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2013 HK$'000	2012 HK$'000
Lam Bing Kwan	225	150
Ku Moon Lun	225	150
Law Kin Ho	225	150
Mak Wing Sum, Alvin (appointed on 1 November 2012)	188	—
Shek Lai Him, Abraham (appointed on 19 December 2012)	154	—
	1,017	450

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

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013					
Executive directors:					
Lam Kin Ngok, Peter (resigned on 1 November 2012)	—	500	—	—	500
Lam Kin Ming	—	1,140	—	—	1,140
Lam Kin Hong, Matthew	—	1,140	—	57	1,197
Lam Hau Yin, Lester	—	1,687	9,143	15	10,845
U Po Chu	—	4,351	—	—	4,351
Chew Fook Aun	—	3,704	—	15	3,719
Lau Shu Yan, Julius	—	1,125	2,743	11	3,879
Cheng Shin How	—	5,937	1,828	15	7,780
Cheung Sum, Sam (resigned on 1 September 2012)	—	507	—	1	508
Lui Siu Tsuen, Richard (resigned on 1 November 2012)	—	—	—	—	—
	—	20,091	13,714	114	33,919
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
Total	—	20,091	13,714	114	33,919

8. Directors' Remuneration (continued)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012					
Executive directors:					
Lam Kin Ngok, Peter	—	2,000	—	—	2,000
Lam Kin Ming	—	1,140	—	—	1,140
Lam Kin Hong, Matthew	—	1,140	—	57	1,197
Lam Hau Yin, Lester	—	1,655	—	13	1,668
U Po Chu	—	4,344	—	—	4,344
Chew Fook Aun (appointed on 5 June 2012)	—	467	3,678	3	4,148
Lau Shu Yan, Julius	—	—	—	—	—
Cheng Shin How	—	5,772	—	13	5,785
Tam Kin Man, Kraven (retired on 1 May 2012)	—	—	—	—	—
Cheung Sum, Sam (resigned on 1 September 2012)	—	1,655	—	13	1,668
Lui Siu Tsuen, Richard	—	—	—	—	—
	—	18,173	3,678	99	21,950
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
Total	—	18,173	3,678	99	21,950

There was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

9. Five Highest Paid Employees

The five highest paid employees during the year included five directors (2012: three), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two non-director highest paid employees for the year ended 31 July 2012 are as follows:

	Group 2012 HK$'000
Salaries, allowances and benefits in kind	4,446
Pension scheme contributions	—
	4,446
Capitalised in properties under development/ investment properties under construction	(2,251)
	2,195

The remuneration of the non-director highest paid employees fell within the band of HK$2,000,001 to HK$2,500,000 for the year ended 31 July 2012.

10. Tax

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2012: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	Note	Group 2013 HK$'000	 2012 HK$'000
Current — Mainland China			
Corporate income tax		**117,391**	75,265
LAT		**201,477**	151,406
		318,868	226,671
Deferred	28	**211,754**	267,687
Total tax charge for the year		**530,622**	494,358

10. TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Profit before tax	**1,343,189**	1,374,137
Tax at the statutory tax rate	**335,797**	343,534
Adjustments for tax rates of other jurisdictions	**15,123**	7,899
Provision for LAT	**201,477**	151,406
Tax effect of provision for LAT	**(50,369)**	(37,852)
Losses/(profits) attributable to joint ventures	**(26,767)**	2,832
Income not subject to tax	**(780)**	(598)
Expenses and losses not deductible for tax	**19,130**	24,201
Tax losses not recognised	**7,872**	2,936
Utilisation of previously unrecognised tax losses	**(825)**	—
Withholding tax at 5% on the distributable earnings of the subsidiaries established in Mainland China	**29,964**	—
Tax charge at the Group's effective tax rate	**530,622**	494,358

Tax indemnity

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

10. Tax (continued)

Tax indemnity (continued)

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Group as set out in the Company's prospectus dated 18 November 1997. During the year, no amounts were received or receivable by the Group under the aforesaid indemnities (2012: Nil).

11. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 July 2013 included a profit of HK$72,378,000 (2012: a loss of HK$55,020,000) which had been dealt with in the financial statements of the Company (note 31(b)).

12. Dividend

	2013 **HK$'000**	2012 HK$'000
Proposed final — HK$0.003 (2012: HK$0.0028) per ordinary share	**48,288**	45,069

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. Earnings per Share Attributable to Owners of the Company

The calculation of basic earnings per share amounts was based on the profit for the year attributable to owners of the Company of HK$757,045,000 (2012: HK$812,758,000), and the weighted average number of ordinary shares of 16,095,912,956 (2012: 9,562,656,988) in issue during the year.

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

13. Earnings per Share Attributable to Owners of the Company (continued)

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

	2013 HK$'000	2012 HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**757,045**	812,758

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**16,095,912,956**	9,562,656,988
Effect of dilution — weighted average number of ordinary shares:		
Share options	**22,464,900**	631,150
	16,118,377,856	9,563,288,138

14. Property, Plant and Equipment

Group

	Notes	Leasehold buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
As at 1 August 2011		108,916	840,694	245,345	28,621	15,357	6,195	—	1,245,128
Additions		—	—	7,942	4,920	2,209	805	—	15,876
Disposals		—	(76,464)	—	(2,264)	(296)	(172)	—	(79,196)
Exchange realignment		810	4,703	3,139	303	108	67	—	9,130
As at 31 July 2012 and 1 August 2012		109,726	768,933	256,426	31,580	17,378	6,895	—	1,190,938
Additions		—	7,046	32,507	8,870	711	1,220	—	50,354
Acquisition of subsidiaries	32	—	—	—	171	—	130	—	301
Disposals		—	—	—	(378)	—	(54)	—	(432)
Transfer from completed properties for sale		—	416,942	—	—	—	—	—	416,942
Transfer from properties under development	15	—	—	—	—	—	—	238,441	238,441
Exchange realignment		1,586	7,507	6,243	640	260	141	—	16,377
As at 31 July 2013		**111,312**	**1,200,428**	**295,176**	**40,883**	**18,349**	**8,332**	**238,441**	**1,912,921**
Accumulated depreciation:									
As at 1 August 2011		22,555	229,922	21,716	23,071	11,429	4,661	—	313,354
Depreciation provided during the year	7	2,696	18,196	33,297	2,642	1,933	681	—	59,445
Disposals		—	(22,174)	—	(2,022)	(266)	(152)	—	(24,614)
Exchange realignment		220	881	135	228	78	47	—	1,589
As at 31 July 2012 and 1 August 2012		25,471	226,825	55,148	23,919	13,174	5,237	—	349,774
Depreciation provided during the year	7	2,709	20,145	37,745	3,616	1,581	1,025	—	66,821
Acquisition of subsidiaries	32	—	—	—	24	—	13	—	37
Disposals		—	—	—	(345)	—	(50)	—	(395)
Exchange realignment		508	2,012	1,795	500	186	109	—	5,110
As at 31 July 2013		**28,688**	**248,982**	**94,688**	**27,714**	**14,941**	**6,334**	**—**	**421,347**
Net book value:									
As at 31 July 2013		**82,624**	**951,446**	**200,488**	**13,169**	**3,408**	**1,998**	**238,441**	**1,491,574**
As at 31 July 2012		84,255	542,108	201,278	7,661	4,204	1,658	—	841,164

14. Property, Plant and Equipment (continued)

The Group's leasehold building and serviced apartments with carrying amounts of HK$43,606,000 (2012: HK$44,319,000) and HK$951,446,000 (2012: HK$542,108,000), respectively, are situated in Mainland China and were held under medium term leases as at 31 July 2013. The remaining leasehold building with a carrying amount of HK$39,018,000 (2012: HK$39,936,000) is situated in Hong Kong and was held under a medium term lease.

As at 31 July 2013, a leasehold building and certain serviced apartments (including related leasehold improvements) with carrying amounts of HK$39,549,000 (2012: HK$40,556,000) and HK$727,105,000 (2012: HK$729,567,000), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(a) to the financial statements.

As at 31 July 2013, construction in progress with a carrying amount of HK$238,441,000 was pledged to a bank to secure a bank borrowing of the Group as further set out in note 25(b) to the financial statements. As at 31 July 2012, the aforementioned construction in progress was classified under properties under development with a carrying amount of HK$173,809,000 and was pledged to a bank to secure a bank borrowing of the Group as further set out in note 25(c) to the financial statements.

15. Properties under Development

		Group	
	Notes	**2013 HK$'000**	2012 HK$'000
Carrying amount as at 1 August		**1,426,175**	2,353,787
Finance costs capitalised	6	**71,724**	75,993
Additions		**270,219**	716,146
Transfer to completed properties for sale		**(335,803)**	(2,071,337)
Transfer to property, plant and equipment	14	**(238,441)**	—
Transfer from investment properties	16	**—**	310,914
Reversal of impairment	7	**6,974**	1,585
Exchange realignment		**31,530**	39,087
Carrying amount as at 31 July		**1,232,378**	1,426,175
Amount classified as current assets		**(718,861)**	(500,587)
Non-current portion		**513,517**	925,588

A reversal of impairment of HK$6,974,000 (2012: HK$1,585,000) was recognised in profit or loss for the year ended 31 July 2013. Such reversal of impairment represented the write-up of a property under development of the Group to its net realisable value.

15. Properties under Development (continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
Long term leases	**1,232,378**	1,252,366
Medium term leases	**—**	173,809
	1,232,378	1,426,175

As at 31 July 2013, certain properties under development with an aggregate carrying amount of HK$858,501,000 (2012: HK$549,007,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(c) to the financial statements.

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

		Group	
		2013	2012
	Note	**HK$'000**	HK$'000
Carrying amount as at 1 August		**544,976**	577,279
Amortised during the year	7	**(9,083)**	(9,847)
Transfer to completed properties for sale		**(35,160)**	(61,962)
Transfer from investment properties		**—**	36,870
Transfer to investment properties		**—**	(5,115)
Transfer to property, plant and equipment		**(164,876)**	—
Exchange realignment		**13,415**	7,751
Carrying amount as at 31 July		**349,272**	544,976

16. Investment Properties

	Group	
	2013	2012
	HK$'000	HK$'000
Completed investment properties	**8,883,100**	8,265,100
Investment properties under construction, at fair value	**1,223,000**	849,000
Investment properties under construction, at cost *	**1,270,934**	1,175,269
Total	**11,377,034**	10,289,369

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

16. Investment Properties (continued)

	Notes	Group 2013 HK$'000	Group 2012 HK$'000
Carrying amount as at 1 August		**10,289,369**	9,295,785
Finance costs capitalised	6	**15,873**	30,545
Additions		**107,362**	189,110
Transfer to properties under development	15	**—**	(310,914)
Transfer from completed properties for sale		**10,725**	—
Net gain from fair value adjustments		**660,708**	965,674
Reversal of impairment		**27,578**	3,441
Exchange realignment		**265,419**	115,728
Carrying amount as at 31 July		**11,377,034**	10,289,369

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

	Group 2013 HK$'000	Group 2012 HK$'000
Long term leases	**210,000**	177,700
Medium term leases	**11,167,034**	10,111,669
	11,377,034	10,289,369

As at the end of the reporting period, the completed investment properties and investment properties under construction stated at fair value were revalued by the Valuers, on an open market value, existing use basis. The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

A reversal of impairment of HK$27,578,000 (2012: HK$3,441,000) was recognised in other comprehensive income for the year ended 31 July 2013, which represented the write-up of a parcel of land in Shanghai, Mainland China, to its recoverable amount which was its value in use estimated using a discount rate of 6.15% (2012: 6.15%).

As at 31 July 2013, certain investment properties with an aggregate carrying amount of HK$8,096,000,000 (2012: HK$7,922,100,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(d) to the financial statements.

17. Prepaid Land Lease Payments

	Note	Group 2013 HK$'000	Group 2012 HK$'000
Carrying amount as at 1 August		**5,600**	5,717
Amortised during the year	7	**(193)**	(191)
Exchange realignment		**136**	74
Carrying amount as at 31 July		**5,543**	5,600

The Group's leasehold land is situated in Mainland China and was held under a medium term lease.

18. Goodwill

The amount of the goodwill capitalised as an asset in the consolidated statement of financial position, arising on the acquisition of a subsidiary, is as follows:

	Group 2013 HK$'000	Group 2012 HK$'000
Cost:		
As at 1 August and 31 July	**4,561**	4,561
Accumulated impairment:		
As at 1 August	**(1,161)**	—
Impairment during the year	**(2,368)**	(1,161)
As at 31 July	**(3,529)**	(1,161)
Carrying amount	**1,032**	3,400

19. Investments in Subsidiaries

	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted shares, at cost	**144,270**	144,270
Due from subsidiaries	**6,718,876**	6,412,950
	6,863,146	6,557,220

19. Investments in Subsidiaries (continued)

The amounts due from subsidiaries of HK$6,718,876,000 (2012: HK$6,412,950,000) were unsecured, interest-free and had no fixed terms of repayment, except for an aggregate amount of HK$997,914,000 (2012: HK$997,914,000) which bore interest at approximately 8.9% (2012: 9.2%) per annum.

The amounts due to subsidiaries of HK$390,000 (2012: HK$47,064,000) included in the Company's current liabilities were unsecured, interest-free and repayable on demand.

Details of the principal subsidiaries as at 31 July 2013 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Canvex Limited	Hong Kong	HK$2	—	100	Property investment
Eternal Medal Limited	Hong Kong	HK$1	—	100	Investment holding
Farron Assets Limited *	British Virgin Islands/ Hong Kong	US$1,000	—	77.5	Investment holding
Fore Bright Limited	Hong Kong	HK$1	—	100	Investment holding
Frank Light Development Limited	Hong Kong	HK$19,999,999	—	100	Investment holding
Gentle Code Limited	Hong Kong	HK$1	—	100	Investment holding
Gentle Holdings Limited	Hong Kong	HK$1	—	100	Investment holding
Goldthorpe Limited *	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Good Strategy Limited	British Virgin Islands/ PRC	US$1	—	100	Property investment
Grand Wealth Limited	Hong Kong	HK$2	—	100	Investment holding
Grosslink Investment Limited	Hong Kong	HK$2	—	77.5	Investment holding
Guangzhou Gentle Code Real Estate Company Limited @ *	PRC	US$22,830,000##	—	100	Property development and investment
Guangzhou Gentle Real Estate Company Limited @ *	PRC	US$17,080,000##	—	100	Property development and investment
Guangzhou Grand Wealth Properties Limited µ *	PRC	HK$280,000,000##	—	100	Property development and investment

19. Investments in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Guang Bird Property Development Limited ("Guangzhou Guang Bird") µ *	PRC	US$46,000,000##	—	100	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited µ *	PRC	RMB79,733,004##	—	100	Property development and investment
Guangzhou Jadepress Real Estate Company Limited @ *	PRC	US$19,150,000##	—	100	Property development and investment
Guangzhou Jieli Real Estate Company Limited @ *	PRC	HK$168,000,000##	—	77.5	Property investment
Hankey Development Limited	Hong Kong	HK$10,000	—	100	Investment holding
Jadepress Limited	Hong Kong	HK$1	—	100	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Lai Fung Company Limited	Hong Kong	HK$20	100	—	Investment holding
Manful Concept Limited	Hong Kong	HK$2	—	100	Investment holding
Nicebird Company Limited	Hong Kong	HK$2	—	100	Investment holding
Shanghai Hankey Real Estate Development Company Limited #	PRC	US$10,800,000##	—	97	Property investment
Shanghai HKP Property Management Limited # *	PRC	US$150,000##	—	100	Property management
Shanghai Hu Xin Real Estate Development Company Limited #	PRC	US$40,000,000##	—	95	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited # *	PRC	US$36,000,000##	—	95	Property investment

19. Investments in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Wa Yee Real Estate Development Company Limited # *	PRC	US$10,000,000##	70	25	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited #	PRC	US$12,000,000##	—	99	Property development and investment
South Hill Limited	Hong Kong	HK$1	—	100	Property investment
Sunlite Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Wide Angle Development Limited	Hong Kong	HK$2	—	100	Investment holding
Zhongshan Bao Li Properties Development Company Limited @ *	PRC	HK$200,000,000##	—	100	Property development and investment
廣州高樂物業管理有限公司 Ø *	PRC	RMB1,100,000##	—	100	Property management
上海麗港物業管理有限公司 Ø *	PRC	RMB500,000##	—	100	Property management
中山高樂物業管理有限公司 Ø *	PRC	RMB500,000##	—	100	Property management

* Subsidiaries whose financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

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

\# Registered as equity joint ventures under the laws of the PRC

\## The registered capital of these subsidiaries were fully paid up, except for Guangzhou Guang Bird of which the paid-up capital was US$33,000,000 as at 31 July 2013 (2012: US$33,000,000). Subsequent to the reporting date, the remaining registered capital of Guangzhou Guang Bird of US$13,000,000 has been fully paid up.

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

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

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

As at 31 July 2013, the entire equity interests in certain subsidiaries were pledged to secure fixed rate senior notes and certain bank borrowings of the Company on a pari passu basis (note 27 and note 25(g)).

As at 31 July 2013, certain subsidiaries had jointly and severally guaranteed the obligations of the Company in connection with the fixed rate senior notes and certain bank borrowings (note 27 and note 25(i)).

20. Investments in Joint Ventures

	Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets, other than goodwill	**201,171**	84,775
Due from joint ventures	**235,169**	235,086
	436,340	319,861

The amounts due from joint ventures were unsecured, interest-free and had no fixed terms of repayment.

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

Name	**Place of incorporation/ registration and operations**	**Class of shares held**	**Percentage of ownership interests attributable to the Group**	**Principal activities**
Beautiwin Limited	Hong Kong	Ordinary	50	Investment holding
Guangzhou Beautiwin Real Estate Development Company Limited ("Guangzhou Beautiwin")	PRC	— *	47.5	Property development and investment

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

The Company, through its wholly-owned subsidiaries, owns 50% equity interest in Beautiwin Limited, which in turn, owns 95% equity interest in Guangzhou Beautiwin. Accordingly, the Group effectively owns 50% and 47.5% equity interest in Beautiwin Limited and Guangzhou Beautiwin, respectively.

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

20. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	2013 HK$'000	2012 HK$'000
Assets and liabilities		
Current assets (including cash and cash equivalents of HK$41,770,000 (2012: HK$65,072,000))	**1,714,776**	652,224
Non-current assets	**851,361**	1,337,700
Total assets	**2,566,137**	1,989,924
Current liabilities	**(2,115,401)**	(1,559,654)
Non-current liabilities	**—**	(225,720)
Total liabilities	**(2,115,401)**	(1,785,374)
Current financial liabilities (excluding creditors and accruals)	**(470,013)**	(473,150)
Non-current financial liabilities (excluding creditors and accruals)	**—**	(225,720)

	2013 HK$'000	2012 HK$'000
Profit and total comprehensive income for the year		
Revenue (including interest income of HK$3,345,000 (2012: HK$1,664,000))	**871,103**	2,648
Cost of sales	**(324,537)**	—
Expenses	**(58,329)**	(26,491)
Tax charge	**(261,929)**	—
Profits/(losses) for the year	**226,308**	(23,843)
Other comprehensive income for the year, net of tax	**19,878**	9,992
Total comprehensive income/(expenses) for the year, net of tax	**246,186**	(13,851)
Less: Non-controlling interests	**(13,393)**	659
	232,793	(13,192)

20. Investments in Joint Ventures (continued)

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

	2013 HK$'000	2012 HK$'000
Net assets of the Beautiwin Group	**450,736**	204,550
Less: Non-controlling interests	**(48,393)**	(35,000)
	402,343	169,550
The Group's 50% interests in the Beautiwin Group	**201,171**	84,775
Amount due from the Beautiwin Group	**235,169**	235,086
Carrying amount of the Group's interests in the Beautiwin Group as recorded in the consolidated financial statements	**436,340**	319,861

21. Debtors, Deposits and Prepayments

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

The Group and the Company did not hold any collateral or other credit enhancements over these balances.

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade receivables, net				
Within one month	**57,697**	62,651	**—**	—
One to three months	**2,935**	3,214	**—**	—
	60,632	65,865	**—**	—
Other receivables, deposits and prepayments	**110,694**	69,255	**35,157**	1,987
Total	**171,326**	135,120	**35,157**	1,987

22. Cash and Cash Equivalents and Pledged and Restricted Time Deposits and Bank Balances

		Group		Company	
	Note	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash and bank balances		**3,324,504**	631,637	**2,263,698**	14,865
Less: Pledged and restricted bank balances					
Pledged for banking facilities *		**(6,023)**	(5,860)	**—**	—
Pledged for bank loans	25(f)	**(6,027)**	(123,662)	**—**	—
Restricted **		**(1,749,846)**	(110,960)	**(1,702,423)**	—
Non-pledged and non-restricted cash and bank balances		**1,562,608**	391,155	**561,275**	14,865
Time deposits		**2,341,211**	2,007,049	**1,133,611**	729,777
Less: Pledged time deposits					
Pledged for bank loans	25(f)	**—**	(73,714)	**—**	—
Restricted **		**(295,492)**	(628,939)	**—**	—
Non-pledged and non-restricted time deposits		**2,045,719**	1,304,396	**1,133,611**	729,777
Cash and cash equivalents		**3,608,327**	1,695,551	**1,694,886**	744,642

* The balances were pledged to banks in respect of mortgage loan facilities granted by the banks to the buyers of certain properties developed by the Group.

** In accordance with the relevant laws and regulations imposed by the government authorities concerned or the terms and conditions set out in the relevant bank loan agreements, proceeds from the pre-sale of certain properties are required to be deposited into designated bank accounts and restricted to be used in the relevant project construction. Such restriction will be uplifted upon repayment of the relevant bank loans or the attainment of the relevant ownership certificates issued by the authorities. As at 31 July 2013, the balance was nil (2012: HK$338,465,000, including time deposits of HK$272,540,000).

In accordance with the relevant laws and regulations imposed by the government authorities concerned, estimated resettlement costs of certain sites for development are required to be deposited into designated bank accounts. Such deposits are restricted to be used for the resettlement and such restriction will be uplifted upon completion of the resettlement. As at 31 July 2013, the balance amounted to HK$34,536,000 (2012: HK$33,567,000).

In accordance with the relevant clauses of certain bank loan facilities, proceeds from the drawdown of bank loans are required to be deposited into designated bank accounts and restricted to be used for settlement of construction costs of the relevant projects. As at 31 July 2013, the balance amounted to HK$308,379,000 (2012: HK$367,867,000), including time deposits of HK$295,492,000 (2012: HK$356,399,000).

As at 31 July 2013, an amount of HK$1,702,423,000 (equivalent to approximately US$218,259,000) (2012: Nil) of the Company's bank balance was deposited into a trust account for the purpose of settling future interest and principal of the 2007 Notes (as defined and disclosed in note 27) as and when they are due from settlement. The Company cannot recover any of the trust property until the remaining interest and principal outstanding from the 2007 Notes has been settled in full.

22. Cash and Cash Equivalents and Pledged and Restricted Time Deposits and Bank Balances (continued)

As at the end of the reporting period, time deposits and cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$2,313,742,000 (2012: HK$1,543,609,000). The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control promulgated by the government authorities concerned.

23. Creditors and Accruals

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade payables				
Within one month	**31,489**	40,101	**—**	—
One to three months	**1,110**	3,676	**—**	—
Over three months	**2,012**	895	**—**	—
	34,611	44,672	**—**	—
Accruals and other payables	**634,046**	642,523	**88,894**	49,785
Total	**668,657**	687,195	**88,894**	49,785

Trade payables of the Group were interest-free and were due for settlement pursuant to the terms of the relevant agreements. The balance included an amount of HK$17,572,000 (2012: Nil) due to a fellow subsidiary of the Company which is unsecured, interest free and repayable on demand.

24. Derivative Financial Instruments

	Group and Company	
	2013 **HK$'000**	2012 HK$'000
Financial liabilities — Cross currency swap agreements (the "CCS")	**43,712**	—

The carrying amounts of the CCS are the same as their fair values.

Cross Currency Swaps — cash flow hedge

On 25 April 2013, the Group entered into the CCS with financial institutions with an aggregate nominal amount of RMB1,800,000,000 for the purpose of hedging the foreign currency risk arising from the 2013 Notes as detailed in note 27 to the financial statements.

Pursuant to the terms of the CCS, the Company receives interest payments semi-annually at a fixed rate of 6.875% per annum on the aggregate notional amount of RMB1,800,000,000 during the period from 25 April 2013 to 25 April 2018 right before each Interest Payment Date of the 2013 Notes (as defined in note 27), and makes interest payments semi-annually at a fixed rate of 6.135% per annum on the aggregate notional amount of approximately US$291,616,000 (being the US$ equivalent amount of RMB1,800,000,000, translated at a contracted exchange rate of US$1 to RMB6.1725) during the period from 25 April 2013 to 25 April 2018 right before each Interest Payment Date. Right before 25 April 2018, the Group will receive the aggregate notional amount of RMB1,800,000,000 and will pay the aggregate notional amount of US$291,616,000.

The CCS are designated as hedging instruments in respect of the Group's 2013 Notes and the CCS balances vary with the levels of the 2013 Notes and changes in foreign exchange rates.

The terms of the CCS match with the terms of the 2013 Notes. The cash flow hedges of the 2013 Notes were assessed to be highly effective and the net loss of HK$59,761,000 (2012: Nil) on the cash flow hedges are included in the hedge reserve as follows:

	2013 **HK$'000**	2012 HK$'000
Total fair value losses included in the hedge reserve	**43,712**	—
Transferred from the hedge reserve to the consolidated income statement	**16,049**	—
Net loss on cash flow hedges	**59,761**	—

25. Interest-Bearing Bank Loans, Secured

Group

	2013 Effective interest rate (%)	**2013 HK$'000**	2012 Effective interest rate (%)	2012 HK$'000
Secured bank loans:				
Current	**2.75 - 8.30**	**617,470**	1.25 - 7.07	1,559,357
Non-current	**2.75 - 8.30**	**1,774,856**	2.75 - 7.07	358,342
		2,392,326		1,917,699
Maturity profile:				
Within one year		**617,470**		1,559,357
In the second year		**329,018**		207,063
In the third to fifth years, inclusive		**1,445,838**		151,279
		2,392,326		1,917,699

Company

	2013 Effective interest rate (%)	**2013 HK$'000**	2012 Effective interest rate (%)	2012 HK$'000
Secured bank loan:				
Non-current	**4.86**	**734,090**	—	—
Maturity profile:				
Within one year		**—**		—
In the second year		**244,697**		—
In the third to fifth years, inclusive		**489,393**		—
		734,090		—

HK Interpretation 5 "*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*" requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("repayment on demand clause") shall be classified in total by the borrower as current in the statement of financial position. Certain term loans of the Group in the amount of HK$123,535,000 (2012: HK$67,651,000) include a repayment on demand clause under the relevant loan agreements, among which HK$23,121,000 (2012: HK$67,651,000) that is repayable after one year from the end of the reporting period has been classified as a current liability. For the purpose of the above analysis, such loans are included within current secured bank loans and analysed into bank loans repayable within one year.

25. Interest-Bearing Bank Loans, Secured (continued)

On 28 March 2013, the Company (i) as borrower and, inter alias, the banks named therein as lenders entered into an offshore facility agreement in relation to facilities of HK$2,500,000,000 (the "Offshore Facility"); and (ii) as guarantor and, inter alias, certain subsidiaries of the Company as borrowers and banks named therein as lenders entered into an onshore facility agreement in relation to facilities of approximately HK$1,050,000,000 equivalent (the "Onshore Facility").

The proceeds of the Offshore Facility will be used for financing investments in property related project and/or repayment of borrowings of the Group. As at 31 July 2013, HK$750,000,000 was drawn and outstanding under the Offshore Facility. The entire Onshore Facility has been drawn and was outstanding as at 31 July 2013. The proceeds of the Onshore Facility were fully applied for refinancing of bank loans of certain subsidiaries of the Company.

Bank loans of the Group as at the end of the reporting period were secured by:

(a) mortgages over a leasehold building and certain serviced apartments (including related leasehold improvements) of the Group with carrying amounts of HK$39,549,000 (2012: HK$40,556,000) and HK$727,105,000 (2012: HK$729,567,000) (note 14), respectively;

(b) mortgage over a construction in progress of the Group with a carrying amount of HK$238,441,000 (2012: Nil) (note 14);

(c) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$858,501,000 (2012: HK$549,007,000) (note 15);

(d) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$8,096,000,000 (2012: HK$7,922,100,000) (note 16);

(e) mortgages over certain completed properties for sale of the Group with an aggregate carrying amount of nil (2012: HK$1,107,600,000);

(f) charges over time deposits and bank balances of the Group with an aggregate carrying amount of HK$6,027,000 (2012: HK$197,376,000) (note 22);

(g) charges over the entire equity interests in certain subsidiaries of the Company (note 19) shared on a pari passu basis with the holders of fixed rate senior notes;

(h) corporate guarantees provided by the Company (note 33(a)); and

(i) corporate guarantees provided by certain subsidiaries of the Company.

26. Advances from a Former Substantial Shareholder

The executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the advances would be made within one year from the end of the reporting period. The advances were unsecured and interest-free.

27. Fixed Rate Senior Notes

US$200,000,000 9.125% Senior Notes due 2014

On 4 April 2007, the Company issued US$200,000,000 (equivalent to approximately HK$1,560,000,000) of 9.125% fixed rate senior notes (the "2007 Notes"), which will mature on 4 April 2014 for bullet repayment. The 2007 Notes bear interest from 4 April 2007 and are payable semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 October 2007. The 2007 Notes are listed on the Singapore Exchange Securities Trading Limited.

At any time, the Company may at its option redeem the 2007 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2007 Notes, plus accrued and unpaid interest, if any, to the redemption date, and the greater of (1) 1% of the principal amount of the Notes and (2) the excess of (A) the present value at such redemption date of 100% of the principal amount of the 2007 Notes, plus all required remaining scheduled interest payments due on the Notes through 4 April 2014 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the semi-annual equivalent yield in maturity of the comparable United States Treasury security, plus 100 basis points, over (B) the principal amount of the 2007 Notes on such redemption date.

No 2007 Notes were repurchased during the year. During the year ended 31 July 2012, the Company repurchased certain 2007 Notes with an aggregate principal amount of US$1,000,000 (equivalent to approximately HK$7,800,000) at a discount and a gain of HK$589,000 was recognised in the consolidated income statement (note 7). Up to 31 July 2013, the 2007 Notes with an aggregate principal amount of US$15,253,000 (equivalent to approximately HK$118,973,000) were repurchased. Such repurchased 2007 Notes were derecognised from the liabilities under "Fixed rate senior notes" in the statement of financial position.

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

On 25 April 2013, the Company issued RMB1,800,000,000 (equivalent to approximately HK$2,243,270,000) of 6.875% fixed rate senior notes (the "2013 Notes"), which will mature on 25 April 2018 for bullet repayment. The 2013 Notes bear interest from 25 April 2013 and are payable semi-annually in arrears on 25 April and 25 October of each year, commencing on 25 October 2013 (each, an "Interest Payment Date"). The 2013 Notes are listed on the Stock Exchange.

The 2013 Notes were issued for refinancing of existing debt and for general corporate purposes. The net proceeds of the 2013 Notes after deducting issue expenses amounted to approximately HK$2,205,883,000.

No 2013 Notes were repurchased during the year.

27. Fixed Rate Senior Notes (continued)

The 2007 Notes are guaranteed by certain subsidiaries of the Company as subsidiary guarantors on a joint and several basis, subject to certain limitations.

As detailed in note 25 to the financial statements, the Company entered into an agreement in respect of the Offshore Facility on 28 March 2013. In connection with the Company's entry into the Offshore Facility, the Company, the Offshore Facility agent and the 2007 Notes trustee, amongst others, entered into an intercreditor agreement dated 28 March 2013 (the "Intercreditor Agreement") which entitles (i) the holders of the 2007 Notes, (ii) the lenders under the Offshore Facility and (iii) holders of other permitted pari passu secured indebtedness, to the benefit of a lien on a package of securities shared on a pari passu basis. As such, the Offshore Facility is guaranteed on a joint and several basis by the same entities acting as subsidiary guarantors under the 2007 Notes. In addition, the shares in certain subsidiaries of the Company and a debt service reserve account (collectively, the "Collateral") have been charged to secure amounts outstanding under the Offshore Facility (and on a pari passu basis with the 2007 Notes).

Upon issue of the 2013 Notes on 25 April 2013, the 2013 Notes trustee acceded to the Intercreditor Agreement, pursuant to which (i) the Collateral is shared pari passu among the holders of the 2007 Notes and the 2013 Notes, the lenders under the Offshore Facility and future permitted pari passu secured indebtedness, if any; and (ii) the 2013 Notes, together with the 2007 Notes and the Offshore Facility, are guaranteed by certain subsidiaries of the Company as subsidiary guarantors on a joint and several basis, subject to certain limitations.

The senior notes recognised in the statement of financial position are calculated as follows:

	Group and Company	
	2013	2012
	HK$'000	HK$'000
2007 Notes		
Carrying amount as at 1 August	**1,427,253**	1,427,850
Repurchase of the 2007 Notes	**—**	(7,800)
Release of unamortised issue expenses on repurchase of the 2007 Notes	**—**	113
Amortisation of the 2007 Notes (note 6)	**7,799**	7,090
Carrying amount as at 31 July	**1,435,052**	1,427,253
Portion classified as non-current	**—**	(1,427,253)
Current portion	**1,435,052**	—
Fair value of the 2007 Notes as at 31 July *	**1,474,718**	1,481,433

27. Fixed Rate Senior Notes (continued)

	Group and Company	
	2013	2012
	HK$'000	HK$'000
2013 Notes		
Carrying amount as at 1 August	**—**	—
Newly issued 2013 Notes	**2,243,270**	—
Issue expenses	**(37,387)**	—
Amortisation of the 2013 Notes (note 6)	**1,678**	—
Exchange realignment	**16,049**	—
Carrying amount as at 31 July	**2,223,610**	—
Portion classified as non-current	**(2,223,610)**	—
Current portion	**—**	—
Fair value of the 2013 Notes as at 31 July *	**2,031,354**	—

* The fair values were determined by reference to the closing prices of the 2007 Notes and the 2013 Notes published by a leading global financial market data provider as at that date.

The effective interest rates of the 2007 Notes and the 2013 Notes are 9.74% and 7.28% per annum, respectively.

In connection with the 2013 Notes, the Company entered into the CCS (as defined in note 24) with financial institutions, which have effectively converted the 2013 Notes into fixed rate US$ denominated loans. Taking into account the CCS, the effective interest rate of the 2013 Notes is 6.53% per annum. Upon initial exchange of RMB and USD notional amounts under the CCS on 26 April 2013, a realised exchange gain of HK$30,987,000 was recognised in the consolidated income statement. Details of the CCS are set out in note 24 to the financial statements.

28. Deferred Tax

The movements in deferred tax liabilities during the year are as follows:

Group

	Depreciation allowance in excess of related depreciation and development costs HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
As at 1 August 2011	251,595	205,122	785,586	41,000	—	1,283,303
Deferred tax charged/(credited) to the income statement during the year (note 10)	83,968	(34,409)	241,418	—	(23,290)	267,687
Deferred tax charged to the asset revaluation reserve during the year	—	861	—	—	—	861
Exchange realignment	3,003	2,721	9,323	—	60	15,107
As at 31 July 2012 and 1 August 2012	338,566	174,295	1,036,327	41,000	(23,230)	1,566,958
Deferred tax charged/(credited) to the income statement during the year (note 10)	43,649	(46,559)	165,177	29,964	19,523	211,754
Deferred tax charged to the asset revaluation reserve during the year	—	6,894	—	—	—	6,894
Deferred tax utilised during the year	—	—	—	(5,964)	—	(5,964)
Exchange realignment	8,999	3,762	27,792	—	(298)	40,255
As at 31 July 2013	**391,214**	**138,392**	**1,229,296**	**65,000**	**(4,005)**	**1,819,897**

As at 31 July 2013, the Group had tax losses arising in Mainland China of HK$39,932,000 (2012: HK$11,744,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

28. Deferred Tax (continued)

Company

	Withholding tax HK$'000
As at 1 August 2011, 31 July 2012 and 1 August 2012	22,105
Deferred tax utilised during the year	(4,395)
As at 31 July 2013	**17,710**

29. Share Capital

Shares

	2013 **HK$'000**	2012 HK$'000
Authorised: 20,000,000,000 (2012: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid: 16,095,912,956 (2012: 16,095,912,956) ordinary shares of HK$0.10 each	**1,609,591**	1,609,591

The movements in authorised and issued share capital of the Company during the year were as follows:

	Number of authorised shares	**Number of issued shares**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
As at 1 August 2011	12,000,000,000	8,047,956,478	804,796	3,876,668	4,681,464
Increase in authorised shares (Note (a))	8,000,000,000	—	—	—	—
Open offer (Note (b))	—	8,047,956,478	804,795	201,199	1,005,994
Open offer expenses (Note (b))	—	—	—	(12,005)	(12,005)
As at 31 July 2012, 1 August 2012 and 31 July 2013	**20,000,000,000**	**16,095,912,956**	**1,609,591**	**4,065,862**	**5,675,453**

Note:

(a) Pursuant to an ordinary resolution passed by the shareholders of the Company on 11 May 2012, the authorised ordinary share capital of the Company was increased from HK$1,200,000,000 divided into 12,000,000,000 shares with a par value of HK$0.10 each to HK$2,000,000,000 divided into 20,000,000,000 shares by the creation of an additional 8,000,000,000 shares.

(b) During the year ended 31 July 2012, an open offer was made in the proportion of 1 offer share of HK$0.10 each for every 1 ordinary share of HK$0.10 each held by the members on the register of members on 18 May 2012 at a subscription price of HK$0.125 per offer share. As a result of the open offer, 8,047,956,478 additional ordinary shares of HK$0.10 each were issued and the net proceeds of HK$993,989,000, after deduction of the related expenses of HK$12,005,000, were received during the year ended 31 July 2012.

29. Share Capital (continued)

Share options

Details of the Company's share option scheme are included in note 30 to the financial statements.

30. Share Option Schemes

2003 Share Option Scheme

On 21 August 2003, the Company adopted a share option scheme (the " 2003 Share Option Scheme") for the purpose of providing incentives and rewards to Eligible Participants (as defined in the scheme) who contribute to the success of the Group's operations. Eligible Participants of the 2003 Share Option Scheme include the directors and any employees of the Group. Unless otherwise cancelled or amended, the 2003 Share Option Scheme will remain in force for 10 years from that date. The 2003 Share Option Scheme was terminated upon the adoption of the 2012 Share Option Scheme (as defined below) on 18 December 2012.

The maximum number of share options permitted to be granted under the 2003 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as approved in accordance with the 2003 Share Option Scheme. The maximum number of shares issuable under share options to each Eligible Participant in the 2003 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of the Company, save that such period shall not be longer than 8 years from the date of grant of the share options.

The exercise price of the share options is determined by the directors of the Company, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet 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 shareholders' meetings of the Company.

30. Share Option Schemes (continued)

2012 Share Option Scheme

On 18 December 2012 (the "Adoption Date"), the Company adopted a new share option scheme (the "2012 Share Option Scheme") and terminated the 2003 Share Option Scheme. Subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the previous scheme. The purpose of the 2012 Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-caliber Eligible Participants in line with the performance goals of the Relevant Companies (as defined in the scheme). Eligible Participants include but are not limited to the directors and any employees of the Group. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will remain in force for 10 years from the Adoption Date.

The maximum number of shares which may be issued upon the exercise of all options to be granted under the 2012 Share Option Scheme (i) shall not exceed 10% of the shares of the Company in issue on the Adoption Date; (ii) shall not exceed 30% of the shares of the Company in issue from time to time; and (iii) to each Eligible Participant and within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of the limits set out in (i) and (iii) is subject to the approval of shareholders of the Company and the shareholders of eSun (so long as the Company is a subsidiary of eSun under the Listing Rules) in the respective general meetings.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of each of the Company and eSun (so long as the Company is a subsidiary of eSun under the Listing Rules). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to the approval of shareholders of the Company and the shareholders of eSun (so long as the Company is a subsidiary of eSun under the Listing Rules) in the respective general meetings.

The offer of a grant of share options may be accepted within 30 days from the date of grant, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors of the Company, save that such period shall not be longer than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, which shall be at least the highest of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant.

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

30. Share Option Schemes (continued)

The movement of share options under the 2003 Share Option Scheme and the 2012 Share Option Scheme during the year is as follows:

Name or category of participants	Date of grant of share options*	As at 1 August 2012	Granted during the year	Lapsed during the year	As at 31 July 2013	Exercise period of share options	Exercise price of share options ** (per share)
		Number of underlying shares comprised in share options					
Director							
Chew Fook Aun	12/6/2012	80,479,564	—	—	80,479,564	12/6/2012-11/6/2020	HK$0.133
Lam Hau Yin, Lester	18/1/2013	—	160,959,129	—	160,959,129	18/1/2013-17/1/2023	HK$0.228
Lau Shu Yan, Julius	18/1/2013	—	48,287,738	—	48,287,738	18/1/2013-17/1/2023	HK$0.228
Cheng Shin How	18/1/2013	—	32,191,825	—	32,191,825	18/1/2013-17/1/2023	HK$0.228
		80,479,564	241,438,692	—	321,918,256		
Other Eligible Participants (in aggregate)							
Batch 1	18/1/2013	—	217,287,738***	(8,000,000)	209,287,738	18/1/2013-17/1/2023	HK$0.228
Batch 2	26/7/2013	—	16,000,000	—	16,000,000	26/7/2013-25/7/2023	HK$0.190
		—	233,287,738	(8,000,000)	225,287,738		
		80,479,564	474,726,430	(8,000,000)	547,205,994		

* The share options vested on the date of grant.

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

*** Dr. Lam Kin Ngok, Peter, a substantial shareholder of the Company was granted a share option to subscribe for a total of 16,095,912 shares of the Company on 18 January 2013.

The closing prices of the Company's shares immediately before the dates of grant of share options, i.e. as at 18 January 2013 and 26 July 2013, granted during the year were HK$0.227 and HK$0.192, respectively. The fair values of the share options granted during the year were HK$26,964,000 (HK$0.0568 each on average) (2012: HK$3,678,000, HK$0.0457 each), of which the Group recognised a share option expense of HK$26,964,000 (2012: HK$3,678,000) (note 7) and HK$11,594,000 (2012: HK$3,678,000) (before and after capitalisation to properties under development/investment properties under construction, respectively) for the year ended 31 July 2013.

30. SHARE OPTION SCHEMES (CONTINUED)

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

Date of grant	26 July 2013	18 January 2013	12 June 2012
Dividend yield (%)	1.795	1.759	3.62
Expected volatility (%)	55.355	55.355	49.349
Historical volatility (%)	55.355	55.355	49.349
Risk-free interest rate (%)	1.012	1.012	0.922
Expected life of options (years)	10	10	8
Closing share price (HK$ per share)	0.190	0.228	0.133

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

As at 31 July 2013, a total of 547,205,994 underlying shares comprised in share options were outstanding, of which 80,479,564 underlying shares relate to a share option granted under the 2003 Share Option Scheme and 466,726,430 underlying shares relate to share options granted under the 2012 Share Option Scheme.

Other than the grant and lapse of the above share options, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2003 Share Option Scheme and 2012 Share Option Scheme during the year. As at the date of approval of these financial statements (the "Report Date"), (i) a maximum number of 80,479,564 shares are available for issue in relation to the underlying shares comprised in the subsisting option granted under the 2003 Share Option Scheme (terminated during the year) and remained outstanding as at 31 July 2013 and the Report Date, representing 0.5% of the Company's shares in issue as at the Report Date; and (ii) further options to subscribe for a maximum of 1,142,864,865 shares in the Company could be granted under the 2012 Share Option Scheme, together with the underlying shares comprised in the share options granted under the 2012 Share Option Scheme during the year and remained outstanding as at 31 July 2013 and the Report Date, a total number of 1,609,591,295 shares are available for issue under the 2012 Share Option Scheme, representing 10% of the Company's shares in issue as at the Report Date.

31. 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 75 of the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Hedge reserve HK$'000	Total HK$'000
As at 1 August 2011		3,876,668	—	(9,558)	143,089	—	4,010,199
Loss for the year	11	—	—	—	(55,020)	—	(55,020)
Open offer	29	201,199	—	—	—	—	201,199
Open offer expenses	29	(12,005)	—	—	—	—	(12,005)
Equity-settled share option arrangements		—	3,678	—	—	—	3,678
Proposed final 2012 dividend	12	—	—	—	(45,069)	—	(45,069)
As at 31 July 2012 and 1 August 2012		4,065,862	3,678	(9,558)	43,000	—	4,102,982
Profit for the year	11	—	—	—	72,378	—	72,378
Equity-settled share option arrangements		—	26,964	—	—	—	26,964
Release of reserve upon lapse of share options		—	(454)	—	454	—	—
Net loss on cash flow hedges	24	—	—	—	—	(59,761)	(59,761)
Proposed final 2013 dividend	12	—	—	—	(48,288)	—	(48,288)
As at 31 July 2013		**4,065,862**	**30,188**	**(9,558)**	**67,544**	**(59,761)**	**4,094,275**

32. Acquisition of Subsidiaries

Pursuant to a sale and purchase agreement dated 21 December 2012, Goldthorpe Limited, an indirect wholly-owned subsidiary of the Company purchased from Eternal Glamorous Limited ("EGL"), an indirect wholly-owned subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in EGL, the entire issued share capital of Favor Move Limited ("Favor Move") and all the rights attached thereto, together with the shareholder's loan advanced to Favor Move at a cash consideration of HK$120,209,000. The Group entered into the transaction with an intention to take control of the corporate vehicles established in respect of the potential project in Hengqin, Zhuhai City, Guangdong Province of the PRC. Further details of this transaction are set out in an announcement of the Company dated 21 December 2012. Completion of this transaction took place simultaneously with the execution of the sale and purchase agreement on 21 December 2012.

The costs of the assets and liabilities of Favor Move as at the date of acquisition were as follows:

	Note	HK$'000
Property, plant and equipment	14	264
Debtors, deposits and prepayments		274
Cash and cash equivalents		122,945
Creditors and accruals		(3,274)
Amount due to a shareholder		(129,340)
Net liabilities		(9,131)
Shareholder's loan acquired		129,340
Satisfied by cash		120,209

An analysis of the cash flows in respect of the acquisition of Favor Move was as follows:

	HK$'000
Cash consideration	(120,209)
Cash and cash equivalents acquired	122,945
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,736

33. Contingent Liabilities

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

	Company	
	2013	2012
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**1,056,005**	1,127,892

As at 31 July 2013, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$1,056,005,000 (2012: HK$1,083,802,000).

(b) The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2013, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$114,944,000.

34. Operating Lease Arrangements

(a) As lessor

Certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2012: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2013, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**385,137**	377,894
In the second to fifth years, inclusive	**670,241**	665,793
After five years	**257,048**	330,968
	1,312,426	1,374,655

34. Operating Lease Arrangements (continued)

(b) As lessee

The Group leased certain office properties under operating lease arrangements with lease terms up to two years (2012: two years).

As at 31 July 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**441**	967
In the second to fifth years, inclusive	**47**	387
	488	1,354

35. Commitments

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
Construction and compensation costs	**449,680**	51,424
Authorised, but not contracted for:		
Construction and resettlement costs	**421,241**	618,835

As at the end of the reporting period, the Company had no significant commitments.

36. Pledge of Assets

Details of the Group's bank loans, which were secured by certain assets of the Group, are included in note 25 to the financial statements.

37. Related Party Transactions

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

(a) Transactions with related parties

		Group	
	Notes	**2013 HK$'000**	2012 HK$'000
Management and other service fees paid or payable to a related company	(i), (xi)	**9,061**	8,296
Advertising and promotion fees paid or payable to related companies	(ii)	**1,348**	1,339
Management fee paid or payable to a related company	(iii), (xi)	**891**	884
Rental and management fee expenses paid or payable to related companies	(iv), (xi)	**2,233**	405
Rental and management fee income received or receivable from related companies	(v), (xi)	**889**	144
Rental and management fee income received or receivable from related companies	(vi), (xi)	**563**	11
Charges paid or payable to a related company relating to the serving of food and beverages to the occupants of the serviced apartments	(vii), (xi)	**1,642**	221
Consideration for acquisition of a company paid to a related company	(viii)	**120,209**	—
Underwriting commission paid to a related company	(ix)	**—**	7,931
Consideration for subscription of offer shares received from a related company	(ix)	**—**	545,220
Consideration for subscription of offer shares received from a related company	(x)	**—**	201,250
Consideration for subscription of offer shares received from a director	(x)	**—**	807

37. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The related company is a subsidiary of CapitaLand Limited and the Company is an associate of CapitaLand Limited. The related company provides management and other services on the serviced apartment operation of the Group. The terms of the management and other service fees were determined based on the agreement entered into between the Group and the related company.

(ii) The related companies are subsidiaries of eSun where the Company does not hold, directly or indirectly, any equity interest in the related companies. The Company became an associate of eSun with effect from 30 September 2010 following the completion of a corporate restructuring exercise on the same day. In addition, eSun became the ultimate holding company of the Company with effect from 11 June 2012 following eSun's early adoption of HKFRS 10 "Consolidated Financial Statements" ("HKFRS 10") during the year ended 31 July 2012.

The terms of the advertising and promotion fees were determined based on the agreements entered into between the Group and the related companies. The related party transactions also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

(iii) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. The related company provides management services in relation to a cinema complex of the Group. The terms of the management fee were determined based on the agreement entered into between the Group and the related company.

(iv) The related companies are LSD and a subsidiary of LSD. eSun, an associate of LSD, became the ultimate holding company of the Company with effect from 11 June 2012 and since then, the Company became an associate of LSD. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.

(v) The related companies are subsidiaries of LSD. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.

(vi) The related companies are subsidiaries of eSun where the Company does not hold, directly or indirectly, any equity interest in the related companies. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.

(vii) The related company is a subsidiary of LSD. The terms of the food and beverages charges were determined based on the agreement entered into between the Group and the related company.

(viii) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. Pursuant to a sale and purchase agreement entered into on 21 December 2012, the Company purchased from the related company the entire issued share capital of Favor Move and all the rights attached thereto, together with the shareholder's loan advanced to Favor Move, at a total consideration of HK$120,209,000. Further details of this transaction are set out in note 32 to the financial statements. The related party transaction also constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

37. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes (continued):

(ix) The related company is eSun. As further detailed in note 29 to the financial statements, an open offer was made by the Company during the year ended 31 July 2012. eSun had fully taken up its proportionate entitlement under the open offer to subscribe for 3,265,688,037 offer shares at a subscription price of HK$0.125 per share. In addition, pursuant to an underwriting agreement, the open offer was fully underwritten by eSun with an underwriting commission. Based on the acceptance results of the open offer, eSun has procured one of its subsidiaries to subscribe for 1,096,075,348 offer shares at a subscription price of HK$0.125 per share pursuant to its underwriting obligations under the underwriting agreement. The related party transactions also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

(x) The related company is CapitaLand Limited and the director is Mr. Lau Shu Yan, Julius ("Mr. Lau"). Both CapitaLand Limited and Mr. Lau had fully taken up their proportionate entitlements under the open offer to subscribe for 1,610,000,000 and 6,458,829 offer shares, respectively, at a subscription price of HK$0.125 per share during the year ended 31 July 2012. The related party transactions also constituted connected transactions as defined in Chapter 14A of the Listing Rules.

(xi) The related party transactions included in (i) of HK$9,061,000 (2012: HK$8,296,000), (iii) of HK$891,000 (2012: HK$884,000), (iv) of HK$1,525,000 (2012: Nil), (v) of HK$672,000 (2012: Nil), (vi) of HK$563,000 (2012: HK$11,000) and (vii) of HK$1,268,000 (2012: Nil) also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. Details of these continuing connected transactions, which were subject to the reporting requirements set out in Chapter 14A of the Listing Rules, have been disclosed on pages 61 to 64 of the Report of the Directors.

(b) Outstanding balances with related parties

Details of the advances from a former substantial shareholder of the Company are included in note 26 to the financial statements.

(c) Compensation of key management personnel of the Group

	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**21,108**	18,623
Pension scheme contributions	**114**	99
Equity-settled share option expense	**13,714**	3,678
Total	**34,936**	22,400

Further details of directors' emoluments are included in note 8 to the financial statements.

38. Financial Instruments by Category

Financial assets

The Group's and the Company's financial assets as at 31 July 2013 and 2012 were categorised as loans and receivables.

Financial liabilities

Group

	Financial liabilities at fair value through profit or loss HK$'000	**Financial liabilities at amortised cost** HK$'000	**Total** HK$'000
2013			
Creditors and accruals	**—**	**578,109**	**578,109**
Deposits received	**—**	**19,129**	**19,129**
Interest-bearing bank loans, secured	**—**	**2,392,326**	**2,392,326**
Advances from a former substantial shareholder	**—**	**58,621**	**58,621**
Fixed rate senior notes	**—**	**3,658,662**	**3,658,662**
Derivative financial instruments	**43,712**	**—**	**43,712**
	43,712	**6,706,847**	**6,750,559**
2012			
Creditors and accruals	—	596,284	596,284
Deposits received	—	17,722	17,722
Interest-bearing bank loans, secured	—	1,917,699	1,917,699
Advances from a former substantial shareholder	—	57,200	57,200
Fixed rate senior notes	—	1,427,253	1,427,253
	—	4,016,158	4,016,158

38. Financial Instruments by Category (continued)

Financial liabilities (continued)

Company

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
2013			
Creditors and accruals	**—**	**88,894**	**88,894**
Due to subsidiaries	**—**	**390**	**390**
Interest-bearing bank loan, secured	**—**	**734,090**	**734,090**
Fixed rate senior notes	**—**	**3,658,662**	**3,658,662**
Derivative financial instruments	**43,712**	**—**	**43,712**
	43,712	**4,482,036**	**4,525,748**
2012			
Creditors and accruals	—	49,785	49,785
Due to subsidiaries	—	47,064	47,064
Fixed rate senior notes	—	1,427,253	1,427,253
	—	1,524,102	1,524,102

39. Fair Values and Fair Value Hierarchy

The fair values of short-term financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of other financial assets and liabilities (excluding fixed rate senior notes) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions as inputs.

Except for the fixed rate senior notes with fair value disclosed in note 27, the directors of the Company consider that the carrying amount of all financial assets and financial liabilities of the Group and of the Company approximated to their respective fair values as at the end of the reporting period.

39. Fair Values and Fair Value Hierarchy (continued)

Fair value hierarchy

The following table present the carrying value of financial instruments measured at fair value at the end of the reporting period across three levels of the fair value hierarchy. The levels are defined as follows:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilites

Level 2: fair value 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 value measured based on valuation techniques for which any input which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 July 2013 and 31 July 2012, neither the Group nor the Company had financial assets or financial liabilities measured at fair value except for the derivative financial instruments of the Group and of the Company, which were measured at fair value in level 2.

The derivative financial instruments, i.e. cross currency swaps, are measured using a valuation technique similar to swap models, which incorporates various data obtained from observable markets with present value calculations.

40. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise pledged and restricted time deposits and bank balances and cash and cash equivalents. Management will, based on the Group's projected cash flow requirements, determine the types and the levels of these financial assets with a view to maintaining an appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial assets. The Group's principal financial liabilities are bank loans and fixed rate senior 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 purposes. 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 foreign currency risk, interest rate risk, liquidity risk and credit risk. Management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts relatively conservative strategies on its risk management. During the year, the Group entered into cross currency swap agreements to manage the foreign currency risk arising from the Group's fixed rate senior notes. The Group does not hold or issue derivative financial instruments for trading purposes.

40. Financial Risk Management Objectives and Policies (continued)

The policies are summarised as follows:

(a) Foreign currency risk

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

The Group entered into CCS in respect of the 2013 Notes to minimise the foreign currency exposures as detailed in note 24 to the financial statements. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the post-tax profit and equity (due to changes in the fair value of monetary assets and liabilities) of the Group and of the Company.

		Group		Company	
	Change in exchange rate	**Impact on post-tax profit** HK$'000	**Impact on equity*** HK$'000	**Impact on post-tax profit** HK$'000	**Impact on equity** HK$'000
2013					
If US$/HK$ weakens against RMB	**5%**	**36,399**	**35,652**	**22,111**	**22,111**
If US$/HK$ strengthens against RMB	**5%**	**(32,928)**	**(32,252)**	**(20,006)**	**(20,006)**
2012					
If US$/HK$ weakens against RMB	5%	16,110	15,290	500	500
If US$/HK$ strengthens against RMB	5%	(14,571)	(13,829)	(454)	(454)

* excluding amounts attributable to non-controlling interests

40. Financial Risk Management Objectives and Policies (continued)

(b) Interest rate risk

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by the changes of market interest rates.

The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amounts capitalised to properties under development and investment properties under construction) and the equity of the Group and of the Company.

		Group		Company	
	Change in interest rate	Impact on post-tax profit HK$'000	Impact on equity* HK$'000	Impact on post-tax profit HK$'000	Impact on equity HK$'000
2013					
	+0.25%	**(2,488)**	**(2,332)**	**—**	**—**
	-0.25%	**2,488**	**2,332**	**—**	**—**
2012					
	+0.25%	(2,460)	(2,298)	—	—
	-0.25%	2,436	2,275	—	—

* excluding amounts attributable to non-controlling interests

(c) Liquidity risk

The Group monitors its risk of a shortage of funds by regularly reviewing its cash flow forecast. The cash flow forecast considers the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements.

40. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

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

Group

	Less than 12 months HK$'000	**1 to 5 years** HK$'000	**Total** HK$'000
2013			
Creditors and accruals	**578,109**	**—**	**578,109**
Deposits received	**19,129**	**—**	**19,129**
Interest-bearing bank loans, secured	**719,829**	**1,948,893**	**2,668,722**
Advances from a former substantial shareholder	**—**	**58,621**	**58,621**
Fixed rate senior notes	**1,685,113**	**2,839,642**	**4,524,755**
Inflows of derivative financial instruments	**(155,328)**	**(2,839,642)**	**(2,994,970)**
Outflows of derivative financial instruments	**139,547**	**2,795,968**	**2,935,515**
	2,986,399	**4,803,482**	**7,789,881**
2012			
Creditors and accruals	596,284	—	596,284
Deposits received	17,722	—	17,722
Interest-bearing bank loans, secured	1,626,527	386,449	2,012,976
Advances from a former substantial shareholder	—	57,200	57,200
Fixed rate senior notes	131,494	1,529,785	1,661,279
	2,372,027	1,973,434	4,345,461

As detailed in note 25 to the financial statements, certain term loans in the amount of HK$123,535,000 (2012: HK$67,651,000) are included in the current portion of the interest-bearing bank loans. The relevant loan agreements of these term loans include a repayment on demand clause which gives the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the said amount is classified as "less than 12 months". Notwithstanding the repayment on demand clause, the directors believe that the loans will not be called in its entirety within 12 months, and consider that the loans will be repaid in accordance with the maturity date as set out in the loan agreements. In accordance with the terms of the term loans, the maturity profile of the loans as at 31 July 2013 was spread with, based on the contractual undiscounted payments, HK$105,498,000 (2012: HK$4,800,000) and HK$23,358,000 (2012: HK$70,077,000) repayable less than 12 months and in 1 to 5 years, respectively.

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 33(b) to the financial statements. The earliest period in which the guarantee could be called is less than 12 months.

(c) Liquidity risk (continued)

Company

	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
2013			
Creditors and accruals	**88,894**	**—**	**88,894**
Due to subsidiaries	**390**	**—**	**390**
Interest-bearing bank loan, secured	**36,423**	**792,244**	**828,667**
Fixed rate senior notes	**1,685,113**	**2,839,642**	**4,524,755**
Inflows of derivative financial instruments	**(155,328)**	**(2,839,642)**	**(2,994,970)**
Outflows of derivative financial instruments	**139,547**	**2,795,968**	**2,935,515**
	1,795,039	**3,588,212**	**5,383,251**
2012			
Creditors and accruals	49,785	—	49,785
Due to subsidiaries	47,064	—	47,064
Fixed rate senior notes	131,494	1,529,785	1,661,279
	228,343	1,529,785	1,758,128

(d) Credit risk

The Group maintains various credit policies for different business operations as described in note 21. 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 Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

40. Financial Risk Management Objectives and Policies (continued)

(e) Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group mainly consists of fixed rate senior notes, bank and other borrowings, and equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on recommendations of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintaining of appropriate types and levels of debts.

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by net assets attributable to the owners of the Company. Net debt includes interest-bearing bank loans, advances from a former substantial shareholder and fixed rate senior notes, less pledged and restricted time deposits and bank balances and cash and cash equivalents. The gearing ratio as at the end of the reporting period is as follows:

Group

	2013 **HK$'000**	2012 HK$'000
Interest-bearing bank loans, secured	**2,392,326**	1,917,699
Advances from a former substantial shareholder	**58,621**	57,200
Fixed rate senior notes	**3,658,662**	1,427,253
Less: Pledged and restricted time deposits and bank balances	**(2,057,388)**	(943,135)
Cash and cash equivalents	**(3,608,327)**	(1,695,551)
Net debt	**443,894**	763,466
Net assets attributable to owners of the Company	**11,418,834**	10,438,111
Gearing ratio	**4%**	7%

41. Events after the Reporting Period

(i) On 2 August 2013, All Benefit Limited ("All Benefit"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Goldmark Pacific Limited ("Goldmark"), to acquire Goldmark's interest in 22.5% of the issued share capital of Farron Assets Limited ("Farron Assets"), which indirectly holds Guangzhou May Flower Plaza, together with the shareholder's loan advanced to Farron Assets, at an aggregate consideration of HK$217,221,000. Goldmark was then a substantial shareholder of Farron Assets. The transaction was completed on 23 September 2013. Farron Assets was a direct 77.5%-owned subsidiary of All Benefit right before the completion of transaction and became a direct wholly-owned subsidiary of All Benefit upon completion of the transaction. Further details of this transaction are set out in an announcement and a circular of the Company dated 2 August 2013 and 30 August 2013, respectively.

(ii) On 7 August 2013, Sunlite Investment Limited ("Sunlite"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Skyhorse Assets Limited ("Skyhorse"), an independent third party, to acquire Skyhorse's beneficial interest in 5% of the registered capital of Shanghai Lixing Real Estate Development Company Limited ("Shanghai Lixing") and to repay the outstanding loan advanced by Skyhorse to Sunlite, at an aggregate consideration of HK$157,502,000. Shanghai Lixing is a PRC company that holds Shanghai Hong Kong Plaza. The transaction was completed on 7 August 2013. Shanghai Lixing was a direct 95%-owned subsidiary of Sunlite right before the completion of transaction and became a direct wholly-owned subsidiary of Sunlite upon completion of the transaction. Further details of this transaction are set out in an announcement of the Company dated 7 August 2013.

(iii) On 24 September 2013, Winfield Concept Limited ("Winfield Concept"), an indirect wholly-owned subsidiary of the Company, succeeded in the bid of the land use rights of a land located at east side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City, Guangdong Province of the PRC, (the "Land") with a total site area of approximately 130,173 square meters and a maximum plot ratio of 2 times and the Land is for creative cultural industry and commercial related uses. The relevant land grant contract (the "Land Grant Contract") was subsequently entered into between Winfield Concept and The Land and Resources Bureau of Zhuhai ("Zhuhai Land Bureau"). Pursuant to the Land Grant Contract, Winfield Concept will establish a wholly-foreign-owned enterprise in the PRC (the "Project Company") within three months after the date of successful bid of the Land for holding the Land and owning, undertaking and operating the Project (as defined in (iv) below). After its establishment, the Project Company will enter into an amendment contract with Zhuhai Land Bureau for the change of the grantee of the land use rights of the Land from Winfield Concept to the Project Company.

The land premium for the Land is approximately RMB523,296,000 (equivalent to approximately HK$659,751,000), of which a deposit in the amount of RMB262,000,000 (equivalent to approximately HK$330,319,000) has been paid by Winfield Concept before the bid was awarded. Pursuant to the Land Grant Contract, Winfield Concept has undertaken that the total amount of investment for the Project shall not be less than RMB3,000,000,000 (equivalent to approximately HK$3,782,280,000).

41. Events after the Reporting Period (continued)

(iv) For the purposes of joint investment in and development of the cultural and creative industries and commercial related projects, subject to finalisation of the development proposal (the "Project") by the Company and eSun as contemplated under a cooperation agreement dated 16 September 2011 entered into between the Company, eSun and the Hengqin New Area Administrative Committee, Lai Fung (Hengqin) Development Company Limited ("LFHQ"), an indirect wholly-owned subsidiary of the Company, Sunny Horizon Investments Limited ("SHIL"), an indirect wholly-owned subsidiary of eSun and Rosy Commerce Holdings Limited ("Rosy Commerce"), a direct wholly-owned subsidiary of LFHQ and an intermediate holding company of Winfield Concept, entered into a conditional subscription agreement on 25 September 2013 (the "Subscription Agreement"). On the date of the Subscription Agreement, Rosy Commerce has one ordinary share of par value of US$1.00 each ("Ordinary Share") issued to and fully paid up by LFHQ. Subject to and upon completion under the Subscription Agreement, (a) the issued share capital of Rosy Commerce will be increased by 99 Ordinary Shares to 100 Ordinary Shares, of which 79 Ordinary Shares and 20 Ordinary Shares will be allotted and issued to LFHQ and SHIL, respectively at the par value of US$1.00 per share and Rosy Commerce will be owned as to 80% by LFHQ and 20% by SHIL; (b) SHIL will acquire and LFHQ will assign to SHIL the 20% of the loans owing to LFHQ by Rosy Commerce at its face value on a dollar for dollar basis such that the loans made by LFHQ and SHIL to Rosy Commerce will be on a pro rata basis to their shareholdings in Rosy Commerce; and (c) LFHQ, SHIL and Rosy Commerce will enter into a shareholders' agreement to regulate the relationship of the shareholders of Rosy Commerce inter se and the management and conduct of the business and affairs of Rosy Commerce and its subsidiaries from time to time (collectively, the "Transactions").

The completion of the Transactions is subject to, inter alias, the approval from the independent shareholders of the Company and the approval from the shareholders of eSun.

Further details of the transactions (iii) and (iv) are set out in an announcement of the Company dated 25 September 2013.

42. 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 Fung Holdings Limited ("**Company**") will be held at Gloucester Room II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 22 November 2013 at 9:30 a.m. for the following purposes:

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

2. To declare a final dividend;

3. To elect a retiring director of the Company ("**Director**") and re-elect another five Directors and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration;

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

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

    (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 Repurchase for this purpose, subject to and in accordance with all applicable laws 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 to be purchased 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 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."

(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 or Open Offer (each 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 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" or "Open Offer" 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 and/or the Hong Kong Branch 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 applicable requirements of any recognised regulatory body or any stock exchange)."

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. 5(A) and 5(B) 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 shares in the 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 of this Resolution."

By Order of the Board
Lai Fung Holdings Limited
Yim Lai Wa
Company Secretary

Hong Kong, 24 October 2013

Registered Office:
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Principal Place of Business in Hong Kong:
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 (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more shares of HK$0.10 each in the share capital of the Company ("**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) 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 branch share registrars in Hong Kong, 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 proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or any of its adjourned meeting should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.

The contact phone number of the Registrars is (852) 2980 1333.

(3) 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 no later than 4:30 p.m. on Tuesday, 19 November 2013 for registration.

(4) Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it was 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, then one of such holders so present whose name stands first in the Register of Members or Hong Kong Branch Register of Members of the Company ("**Register of Members**") in respect of such Shares shall alone be entitled to vote in respect thereof.

(5) The proposed final dividend of HK$0.003 per Share as recommended by the Board is subject to the approval of the Members at the AGM. The record date for the proposed final dividend is at the close of business on Friday, 6 December 2013. For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Thursday, 5 December 2013 and Friday, 6 December 2013, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Registrars for registration no later than 4:30 p.m. on Wednesday, 4 December 2013.

(6) Concerning agenda item 3 of this Notice,

(i) in accordance with Article 99 of the Articles of Association, Mr. Shek Lai Him, Abraham (appointed by the Board as an independent non-executive Director on 19 December 2012) will retire at the AGM and, being eligible, offer himself for election;

(ii) in accordance with Article 116 of the Articles of Association, Messrs. Lam Kin Hong, Matthew, Cheng Shin How, Leow Juan Thong, Jason, Lucas Ignatius Loh Jen Yuh and Lam Bing Kwan will retire as directors from office by rotation at the AGM and, being eligible, offer themselves for re-election; and

(iii) in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), the particulars of the aforesaid Directors are set out in the "Biographical Details of Directors" of the Annual Report of the Company for the Year.

(7) Concerning agenda item 4 of this Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of Members at the 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 the Year 2014 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of 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) A circular containing details regarding Ordinary Resolutions No. 5(A) to 5(C) will be sent to Members together with the Annual Report of the Company for the Year.

(9) In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be decided by way of a 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 the Stock Exchange.

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.

Having considered their own situations, Members should decide on their own whether or not they would attend the AGM under any bad weather condition and if they do so, they are advised to exercise care and caution.