eSun Holdings Limited
豐德麗控股有限公司

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)
(Stock Code 股份代號: 571)

ANNUAL REPORT

Year ended 31 July 2013
二零一三年七月三十一日止年度報告

"… we are
accelerating our pace
of growth …."

"… 我們正在加快增長步伐 …"

Cover Photo
Guangzhou STARR Xin Hotel — a serviced apartment of the Company's subsidiary Lai Fung Holdings Limited located at Guangzhou, Mainland China

封面圖片
本公司附屬公司麗豐控股有限公司位於中國廣州之酒店式服務公寓 — 廣州寰星酒店

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CORPORATE INFORMATION

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

U Po Chu
Andrew Y. Yan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Chew Fook Aun
Lui Siu Tsuen, Richard

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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

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

COMPANY SECRETARY

Chung Yim Hung Eliza

SHARE REGISTRARS AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

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

SHARES INFORMATION

Place of Listing

The Main Board of The Stock Exchange of Hong Kong Limited

Stock Code

571

Board Lot

2,000 shares

WEBSITE

www.esun.com

INVESTOR RELATIONS

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

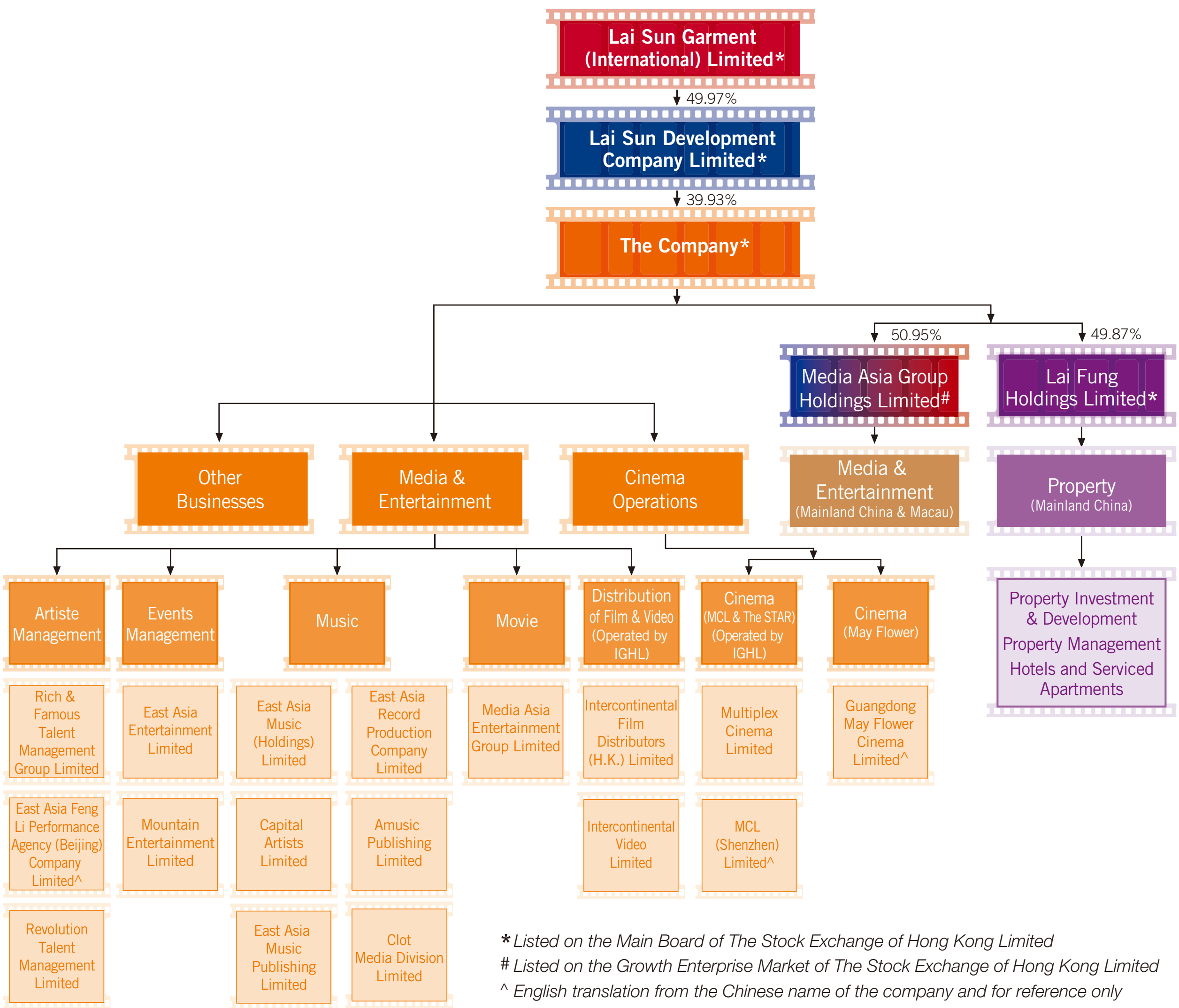
CORPORATE PROFILE

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

Since 9 June 2011, Media Asia Group Holdings Limited ("**MAGHL**", formerly known as "Rojam Entertainment Holdings Limited") has become a subsidiary of the Company. MAGHL is a GEM Board listed company in Hong Kong (Stock Code: 8075). The Company currently holds about 50.95% of the issued shares in MAGHL which has diversified to engage in entertainment businesses including music, film, artiste management, television drama and entertainment consultancy services, and which primarily focuses on Mainland China and Macau markets.

In addition, the Company's 49.87%-owned subsidiary Lai Fung Holdings Limited is a Main Board listed company in Hong Kong (Stock Code: 1125), which is engaged in property development for sale and property investment for rental purposes in Mainland China.

In August 2013, the Company acquired an 85% interest in Intercontinental Group Holdings Limited ("**IGHL**", formerly known as "Kadokawa Intercontinental Group Holdings Limited") which has become a subsidiary of the Company. IGHL is one of the leading film and video distribution companies in Hong Kong, it releases around 30 films every year and distributes a variety of video products. IGHL is also one of the leading multiplex cinema operators in Hong Kong, it owns and operates a total of 7 cinemas in Hong Kong and Mainland China, and has a 30% joint venture interest in The Grand Cinema at the Elements, MTR Kowloon Station.



* 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
^ English translation from the Chinese name of the company and for reference only

Corporate Structure as at 9 October 2013

CHAIRMAN'S STATEMENT

Low Chee Keong
Chairman

"....we will continue to develop and strengthen in a prudent and sustainable manner."

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

OVERVIEW OF FINAL RESULTS

During the year under review, the fundamental business of the Group delivered an encouraging set of results underpinned by a steady improvement across all businesses and the full year effect of consolidating Lai Fung Holdings Limited ("**Lai Fung**").

For the year ended 31 July 2013, the Group recorded a turnover of HK$2,631.7 million (2012: HK$702.2 million) and a gross profit of HK$780.7 million (2012: HK$254.9 million), representing an increase of approximately 274.8% and 206.3%, respectively over last year. The substantial increase was driven by the full year effect of consolidation of Lai Fung Group.

Net loss attributable to owners of the Company was approximately HK$17.2 million (2012: net profit of HK$1,161.6 million). Basic loss per share was HK$0.014 (2012: basic earnings per share: HK$0.934). The significant decrease in net profit is due to the absence of gain on bargain purchase of a subsidiary amounting to HK$1,350.4 million which arose from completion of Lai Fung's open offer in respect of financial year ended 31 July 2012. Excluding the effect of property revaluations and the gain on bargain purchase of a subsidiary for the year ended 31 July 2012, net loss attributable to owners of the Company for the year was approximately HK$249.1 million (2012: HK$375.3 million). Basic loss per share excluding the effect of property revaluations was HK$0.200 (2012: HK$0.302).

Equity attributable to owners of the Company as at 31 July 2013 amounted to HK$8,306.9 million, up from HK$7,997.9 million as at 31 July 2012. Net asset value per share attributable to owners of the Company increased to HK$6.7 per share as at 31 July 2013 from HK$6.4 per share as at 31 July 2012.

FINAL DIVIDEND

The board of directors of the Company ("**Board**") does not recommend the payment of a dividend for the year ended 31 July 2013 (2012: Nil).

BUSINESS REVIEW

Media and Entertainment/Film Production and Distribution/Cinema Operations

Encouraging performance across the board had delivered a much improved turnover and resulted in a reduced loss, and the fair value loss on a forward contract for the previous year ended 31 July 2012 did not recur in the current year upon completion of the issuance of the Second Completion Convertible Notes during the last year. Our releases of 2 self-produced/co-invested films, namely *Blind Detective* and *American Dreams in China* received critical acclaim. Staying ahead, we have further improved our roster of artistes to gain leverage for our platform to maximise commercial value and appeal towards all our talents. We had produced and promoted numerous concerts and live performances by prominent local and internationally renowned artistes, including our self-developed and self-produced musical *Awakening* which surpassed 100 shows throughout major cities in Mainland China and Southeast Asia.

With the new acquisition of Intercontinental Group Holdings Limited ("**IGHL**", formerly known as "Kadokawa Intercontinental Group Holdings Limited") which was completed shortly after the year end, IGHL being one of the leading multiplex cinema operators and film distributors in Hong Kong, has added immediate presence for us in Hong Kong and complements our cinema operations in Mainland China. The added cinema operations will provide a complementary distribution channel for our film production and distribution business, as well as providing additional venues for our live events and recorded programs. IGHL's established ties with major studios in Hollywood, Mainland China, Korea and Japan would also bolster the Group's film and video distribution business in Hong Kong and Macau.

We are planning to add more cinemas to operate in Hong Kong and Mainland China, particularly in Mainland China and we intend to leverage on IGHL Group's expertise and experience to assist in the execution of the expansion plan for cinemas in Hong Kong and Mainland China.

CHAIRMAN'S STATEMENT

Mainland China Property Development and Investment

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

Aside from the operational performance, the year marked an important year for Lai Fung 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 ("**GFA**") by end of 2015 as set out in the annual report of Lai Fung last year is progressing as planned. This will further enhance Lai Fung's 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 Lai Fung Group to further expand in Mainland China through leveraging its sister companies' expertise and financial strength thus enabling Lai Fung 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 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 Lai Fung 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 Lai Fung 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 Lai Fung Group on a level playing field to enable it to expand with all available options. With the achievement of the consent solicitation, Lai Fung proceeded to consolidate its interests with the buyout of the 5% and 22.5% minorities in Shanghai Hong Kong Plaza and Guangzhou May Flower Plaza, respectively, which were completed in August 2013 and September 2013, respectively after the year end.

During the year, we have increased our shareholding in Lai Fung from 47.87% to 49.46% and further increased to 49.87% after the year ended 31 July 2013, demonstrating our confidence in the sector and Lai Fung.

OUTLOOK

Media and Entertainment/Film Production and Distribution/Cinema Operations

Entertainment consumption in Mainland China is undergoing unprecedented growth and the Group stands ready to build on its solid foundation to fully seize the opportunities.

Per our strategy stated last year, we have made significant progress in Hong Kong and Mainland China on a number of fronts:

– acquired IGHL - one of the leading cinema networks and film distributors in Hong Kong;

– expanded film distribution and marketing teams in Mainland China; released 2 self-produced/co-invested films, namely *Blind Detective* and *American Dreams in China* with critical acclaim and a slate of films in the pipeline for distribution in the year to come;

– strengthened its collaboration with top-notch television producers and directors; and we are looking to increase investments in other types of television programmes such as variety shows and reality series;

– expanding artiste roster complementing our media and entertainment businesses as well as collaborations with high profile Asian artistes such as top Korean music groups;

– positioning to take advantage of the long awaited pay model for digital music in Mainland China with our music library as international music labels coming to a mutually acceptable licensing model with major Chinese music portals; and

– maintained our leading position in Chinese live entertainment and expanding our focus on concerts to other types of live entertainment.

CHAIRMAN'S STATEMENT


Guangzhou May Flower Plaza


Guangzhou West Point


Shanghai May Flower Plaza — Residential Blocks

We are convinced that our integrated media platform comprising film, television, music, talent and event management presents the most balanced and synergistic approach to becoming a Chinese entertainment powerhouse. We will continue to look for suitable investment opportunities that have synergies with our existing core businesses in Hong Kong and overseas.

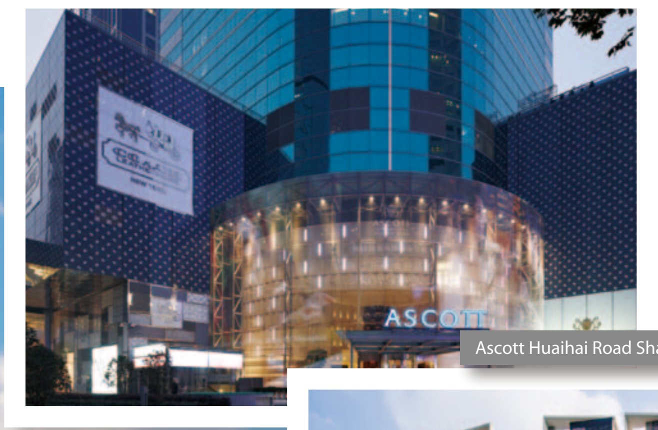
Mainland China Property Development and Investment

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. Lai Fung 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.

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

As at 31 July 2013, Lai Fung Group has a landbank of 9.1 million square feet. The Lai Fung Group's strong cash and bank 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 Lai Fung full confidence and the means to review opportunities more actively. However, Lai Fung will continue its prudent and flexible approach in growing the landbank and managing its financial position.

CHAIRMAN'S STATEMENT



Ascott Huaihai Road Shanghai

STARR Hotel Shanghai

Guangzhou Dolce Vita — Residential Blocks

Creative Culture City, Hengqin, Mainland China

On 26 September 2013, the Group announced that Lai Fung had been awarded Phase I of the Creative Culture City project in Hengqin. Phase I has a total GFA of 2.8 million square feet and Lai Fung Group will, subject to its independent shareholders' approval, finalise the development plan for Phase I with the Company having a 20% interest in this site. This site will further increase the Lai Fung Group's landbank and development portfolio.

SHAREHOLDERS AND STAFF

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

I am delighted to welcome Mr. Lam Hau Yin, Lester who has joined the Board as an Executive Director with effect from 1 November 2012. I would also like to thank Mr. Sam Cheung for his valuable contributions to the Company during his tenure.

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

Low Chee Keong
Chairman

Hong Kong
9 October 2013

FINANCIAL SUMMARY AND HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000 (Restated)
TURNOVER	**2,631,699**	702,151	316,285	459,020	359,455
PROFIT BEFORE TAX	**502,883**	1,102,672	518,327	844,044	179,719
Income tax	**(305,820)**	(16,661)	(112)	(1,267)	(154)
PROFIT FOR THE YEAR/PERIOD	**197,063**	1,086,011	518,215	842,777	179,565
Attributable to:					
Owners of the Company	**(17,208)**	1,161,588	524,538	853,278	199,080
Non-controlling interests	**214,271**	(75,577)	(6,323)	(10,501)	(19,515)
	197,063	1,086,011	518,215	842,777	179,565

Note: During the year ended 31 July 2012, the comparative figures have been restated as a result of the last year's adoption of Amendments of HKAS 12 Income Tax - Deferred Tax: Recovery of Underlying Assets which has been applied retrospectively.

FINANCIAL SUMMARY AND HIGHLIGHTS

Assets, Liabilities and Non-Controlling Interests

	31 July 2013 HK$'000	31 July 2012 HK$'000	31 July 2011 HK$'000	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)
Property, plant and equipment	**2,736,990**	2,051,020	77,639	80,032	84,761
Property under development	**495,504**	1,253,651	–	–	–
Investment properties	**11,867,497**	10,786,016	–	–	–
Film rights	**47,225**	47,317	54,614	60,624	72,568
Film products	**101,223**	74,235	77,277	86,765	68,538
Music catalogs	**20,665**	31,999	48,287	92,530	115,249
Goodwill	**10,435**	10,182	–	–	–
Other intangible assets	**64,018**	71,467	–	–	–
Investments in joint ventures	**1,092,289**	1,115,588	74,303	1,037,169	1,044,869
Investments in associates	**17,856**	6,035	4,467,382	4,345,306	3,598,804
Available-for-sale investments	**158,491**	166,209	78,969	77,946	90,338
Long term deposits, prepayments and other receivables	**89,147**	78,211	88,764	99,747	102,362
Forward contract	**–**	–	8,336	–	–
Deferred tax assets	**–**	–	–	329	423
Current assets	**10,304,361**	8,026,791	2,670,195	1,497,134	1,817,388
TOTAL ASSETS	**27,005,701**	23,718,721	7,645,766	7,377,582	6,995,300
Current liabilities	**(3,907,528)**	(3,212,071)	(349,704)	(700,188)	(613,619)
Long term deposits received, put option, finance lease payables, bank and other borrowings, derivative financial instruments, convertible notes and fixed rate senior notes	**(4,414,137)**	(2,300,535)	(320,270)	(161,635)	(118,524)
Deferred tax liabilities	**(2,367,086)**	(2,339,330)	(61)	–	–
TOTAL LIABILITIES	**(10,688,751)**	(7,851,936)	(670,035)	(861,823)	(732,143)
NON-CONTROLLING INTERESTS	**(8,010,030)**	(7,868,885)	(138,245)	(317,000)	(326,229)
Equity attributable to owners of the Company	**8,306,920**	7,997,900	6,837,486	6,198,759	5,936,928

Note: During the year ended 31 July 2012, the comparative figures have been restated as a result of the last year's adoption of Amendments of HKAS 12 Income Tax - Deferred Tax: Recovery of Underlying Assets which has been applied retrospectively.

FINANCIAL SUMMARY AND HIGHLIGHTS

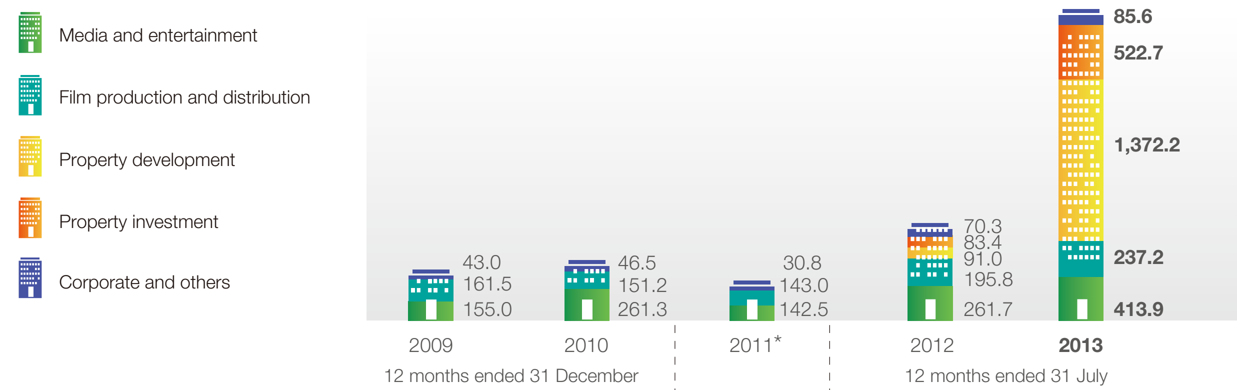
FINANCIAL HIGHLIGHTS

		Year ended 31 July 2013	Year ended 31 July 2012	**%**
Turnover	(HK$'M)	**2,631.7**	702.2	275%
Gross profit	(HK$'M)	**780.7**	254.9	206%
Gross profit margin	(%)	**29.67%**	36.30%	
Operating profit	(HK$'M)	**751.8**	1,041.0	-28%
Operating profit margin	(%)	**28.57%**	148.25%	
Profit/(loss) attributable to owners of the Company	(HK$'M)			
– excluding the effect of property revaluations		**(249.1)**	(375.3)	34%
– including the effect of property revaluations		**(17.2)**	1,161.6	-101%
Net profit margin	(%)			
– excluding the effect of property revaluations		**-9.5%**	-53.4%	
– including the effect of property revaluations		**-0.7%**	165.4%	
Basic earnings/(loss) per share	(HK$)			
– excluding the effect of property revaluations		**(0.200)**	(0.302)	34%
– including the effect of property revaluations		**(0.014)**	0.934	-101%
Equity attributable to owners of the Company	(HK$'M)	**8,306.9**	7,997.9	4%
Net cash	(HK$'M)	**361.3**	372.4	-3%
Net asset value per share	(HK$)	**6.68**	6.43	4%
Share price as at 31 July	(HK$)	**1.15**	1	15%
Price earnings ratio	(times)			
– excluding the effect of property revaluations		**N/A**	N/A	
– including the effect of property revaluations		**N/A**	1.07	
Market capitalisation as at 31 July	(HK$'M)	**1,429.7**	1,243.2	15%
Return on shareholders' equity	(%)			
– excluding the effect of property revaluations		**-3%**	-5%	
– including the effect of property revaluations		**-0.21%**	14.52%	
Gearing – net debt to equity	(%)	**N/A**	N/A	
Interest cover	(times)			
– excluding the effect of property revaluations		**N/A**	N/A	
– including the effect of property revaluations		**N/A**	60.06	
Current ratio	(times)	**2.64**	2.50	
Discount to net asset value	(%)	**83%**	84%	

FINANCIAL SUMMARY AND HIGHLIGHTS

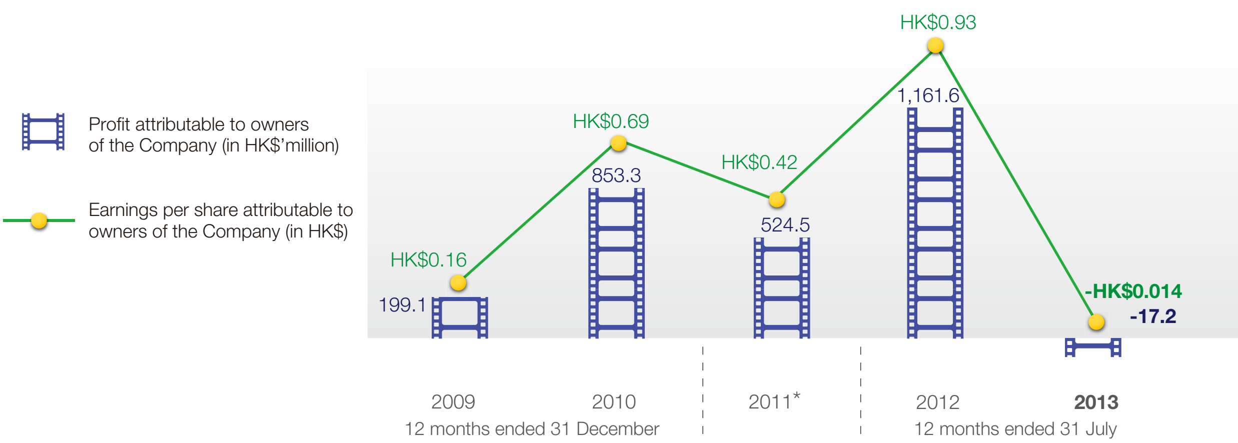
Turnover by Segment

in HK$'million



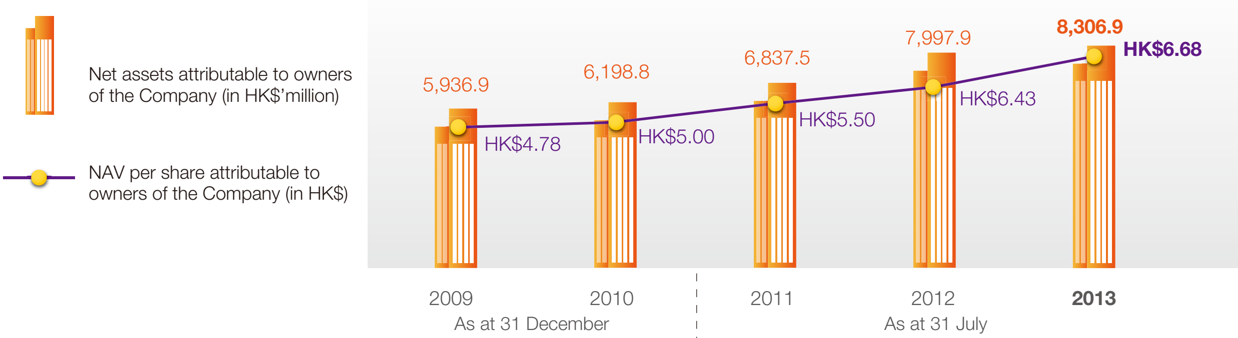
* *From 1 January 2011 to 31 July 2011*

Profit Attributable to Owners of the Company



* *From 1 January 2011 to 31 July 2011*

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



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year under review, the fundamental business delivered an encouraging set of results underpinned by a steady improvement across all businesses and the full year effect of consolidating Lai Fung.

For the year under review, the Group recorded a turnover of HK$ 2,631.7 million (2012: HK$702.2 million). Gross profit was HK$780.7 million (2012: HK$254.9 million), representing an increase of approximately 274.8% and 206.3%, respectively over last year. The substantial increase was driven by the full year effect of consolidation of Lai Fung Group.

Profit from operating activities was HK$751.8 million (2012: HK$1,041.0 million). The significant decrease in net profit is due to the absence of gain on bargain purchase of a subsidiary amounting to HK$1,350.4 million which arose from completion of Lai Fung's open offer in respect of financial year ended 31 July 2012. As a result, the Group recorded a loss attributable to owners of the Company of HK$17.2 million (2012: net profit HK$1,161.6 million).

MEDIA AND ENTERTAINMENT

During the year under review, this segment recorded a turnover of HK$413.9 million (2012: HK$261.6 million).

Live Entertainment

During the year under review, the Group organised and invested in 116 (2012: 152) shows by popular local, Asian and internationally renowned artistes, including Super Junior, G-Dragon, Jennifer Lopez, Andrea Bocelli, David Foster, Han Hong, Grasshopper, Softhard, Tat Ming Pair and Justin Lo in Hong Kong and Mainland China.

Music Production, Distribution and Publishing

During the year under review, the Group released 75 albums, including titles by Super Junior, Sally Yeh, Big Four, Mark Lui, Grasshopper x Softhard, Tat Ming Pair, Justin Lo, Denise Ho and Ellen Loo. Some of these albums have won the IFPI Hong Kong Top Sales Music Awards 2012.

Television Drama, Content Production and Distribution

The Group has made investments, via content directors, producers and artistes from Mainland China, to produce renowned television dramas and content. 60 episodes of television dramas were produced for the year under review (2012: 168 episodes). The Group will continue its production and distribution expansion strategy through mergers and acquisitions.

Artiste Management

With the joining of Ms. Sandy Lamb in 2013, the Group attracted a lot of popular celebrities to join such as Ekin Cheng and Grasshopper. Our artiste management team will continue to expand its profile and provide new entertainment projects in different parts of the region. The Group had more than 70 artistes under its management.

FILM PRODUCTION AND DISTRIBUTION

During the year under review, the Group recorded a turnover of HK$237.2 million (2012: HK$195.8 million).

The increase in turnover was due to the fact that the contribution from the new releases was higher than the contribution from the blockbuster titles released last year. During the year under review, the Group principally completed the photography of 7 films with 8 other films in the production pipeline or under development. Most of them are expected to be released by 2014.

Subsequent to the year end, the Group acquired an 85% interest in IGHL, which has become a subsidiary of the Company. IGHL is one of the leading film and video distribution companies in Hong Kong, it releases around 30 films every year and distributes a variety of video products. It is also one of the leading multiplex cinema operators and film distributors in Hong Kong and has added immediate scale for us in Hong Kong and complements our cinema operations in Mainland China. The added cinema operations will provide a complementary distribution channel for our film production and distribution business, as well as providing additional venues for our live events and recorded programs. IGHL's established ties with major studios in Hollywood, Mainland China, Korea and Japan would also bolster the Group's film and video distribution business in Hong Kong and Macau.

PROPERTY INVESTMENT

The following details are extracted from Lai Fung's annual reports for the two years ended 31 July 2012 and 31 July 2013.

Rental Income

For the year ended 31 July 2013, Lai Fung 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 the fourth quarter of 2013 and the second quarter of 2014, respectively.

PROPERTY DEVELOPMENT

The following details are extracted from Lai Fung's annual reports for the two years ended 31 July 2012 and 31 July 2013.

Recognised Sales

For the year ended 31 July 2013, Lai Fung 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.

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 Lai Fung 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 was HK$867.2 million and approximately 512,969 square feet of GFA were recognised.*

Contracted Sales

As at 31 July 2013, Lai Fung 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 Lai Fung 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 was HK$1,328.8 million and approximately 698,018 square feet of GFA were sold.*

Guangzhou Guan Lu Road Project

Discussions are progressing smoothly between the Lai Fung 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 Lai Fung Group refused to pay a former landlord compensation amounting to HK$6 million, sufficient compensation was included in the land premium paid by the Lai Fung Group in the auction for the land dating back to 2007. Due to impending litigation, it would be inappropriate for Lai Fung to comment further on specifics at present.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2013, cash and bank balances held by the Group amounted to HK$6,890.1 million (2012: HK$4,164.1 million) of which over 63% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and 37% was denominated in Renminbi ("**RMB**"). Cash held by the Group excluding cash held by Media Asia Group Holdings Limited ("**MAGHL**") together with its subsidiaries and Lai Fung Group as at 31 July 2013 was HK$810.0 million (2012: HK$818.8 million). As HKD are pegged to USD, the Group considers that the corresponding exposure to exchange rate risk is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As at 31 July 2013, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$6,528.8 million. The borrowings of the Group, which comprises the Company, MAGHL and Lai Fung, are as follows:

Company

As at 31 July 2013, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals was HK$63.0 million for the said unsecured other borrowings as at 31 July 2013. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2013.

MAGHL

As at 31 July 2013, MAGHL had unsecured and unguaranteed First Completion Convertible Notes with an aggregate principal amount of approximately HK$346.4 million, comprising approximately HK$138.1 million and HK$208.3 million issued to the Group and other subscribers, respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the First Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2014 at the principal amount outstanding. As at 31 July 2013, MAGHL has unsecured and unguaranteed Second Completion Convertible Notes with an aggregate principal amount of approximately HK$224.9 million, comprising approximately HK$153.2 million and approximately HK$71.7 million issued to the Group and other subscribers respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2015 at the principal amount outstanding. For accounting purposes, after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the First Completion Convertible Notes and the Second Completion Convertible Notes after adjusting for (i) accrued interest and (ii) intra-group elimination was HK$251.2 million as at 31 July 2013.

Lai Fung

As at 31 July 2013, Lai Fung Group had total borrowings in the amount of HK$6,109.6 million comprising bank loans of HK$2,392.3 million, fixed rate senior notes of HK$3,658.7 million and other borrowing of HK$58.6 million. The maturity profile of Lai Fung 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. Included in the fixed rate senior notes liability of Lai Fung, a carrying amount of HK$8.0 million is held by a subsidiary of the Company.

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

Apart from the fixed rate senior notes, Lai Fung Group's other borrowings of HK$2,450.9 million were 49% denominated in RMB, 30% in HKD and 21% in USD.

Lai Fung 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**"), Lai Fung Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the RMB Notes have been effectively converted into USD denominated loans.

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

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$8,096.0 million, constructions in progress with a total carrying amount of HK$239.9 million, properties under development with a total carrying amount of approximately HK$1,205.0 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,751.8 million, a property with carrying amount of approximately HK$97.5 million and time deposits and bank balances of approximately HK$6.0 million.

In addition, as at 31 July 2013, a revolving term loan facility in the amount of HK$60.0 million was granted by a bank to the Group. The said loan facility is subject to an annual review by the bank for renewal and is secured by a pledge of the Group's land and buildings with a carrying amount of HK$51.6 million as at 31 July 2013. Such bank loan facility had not been utilised by the Group as at 31 July 2013. As at 31 July 2013, an unsecured revolving loan facility in the amount of HK$20.0 million was granted by another bank to the Group. The said unsecured loan facility is subject to an annual review by the bank for renewal and such bank loan facility had not been utilised by the Group as at 31 July 2013.

As at 31 July 2013, the consolidated net assets attributable to the owners of the Company amounted to HK$8,306.9 million (2012: HK$7,997.9 million). As regards gearing, the Group has a consolidated net cash position amounted to HK$361.3 million (cash and bank balances of HK$6,890.1 million less total borrowings of HK$6,528.8 million) as at 31 July 2013.

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2013 are set out in Note 51 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2013, the Group employed a total of around 1,620 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.

PARTICULARS OF MAJOR PROPERTIES

Completed Properties Held for Rental

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	46.99% *(Note 1)*	The property is held for a term of 50 years commencing on 16 September 1992	220,103	169,476	389,579	165
May Flower Plaza	Sujiaxiang, Zhabei District	46.99%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	150,506	–	150,506	–
Northgate Plaza I	99 Tian Mu Road West, Zhabei District	47.98%	The property is held for a term of 50 years commencing on 15 June 1993	92,281	62,481	154,762	49
Regents Park	88 Huichuan Road, Changning District	46.99%	The property is held for a term of 70 years commencing on 4 May 1996	38,559	–	38,559	–
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	38.33% *(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	128,174	39,279	167,453	52
West Point	Zhongshan Qi Road, Liwan District	49.46%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	85,427	–	85,427	–
Zhongshan							
Palm Spring	Caihong Planning Area, West District	49.46%	The property is held for a term expiring on 30 March 2075	5,862	–	5,862	–
			Subtotal of completed properties held for rental *(Note 3)*:	**720,912**	**271,236**	**992,148**	**266**

Notes:

1. *Subsequent to the year end, Lai Fung Group bought the remaining 5% minority interest in this property on 7 August 2013.*

2. *Subsequent to the year end, Lai Fung Group bought the remaining 22.5% minority interest in this property on 23 September 2013.*

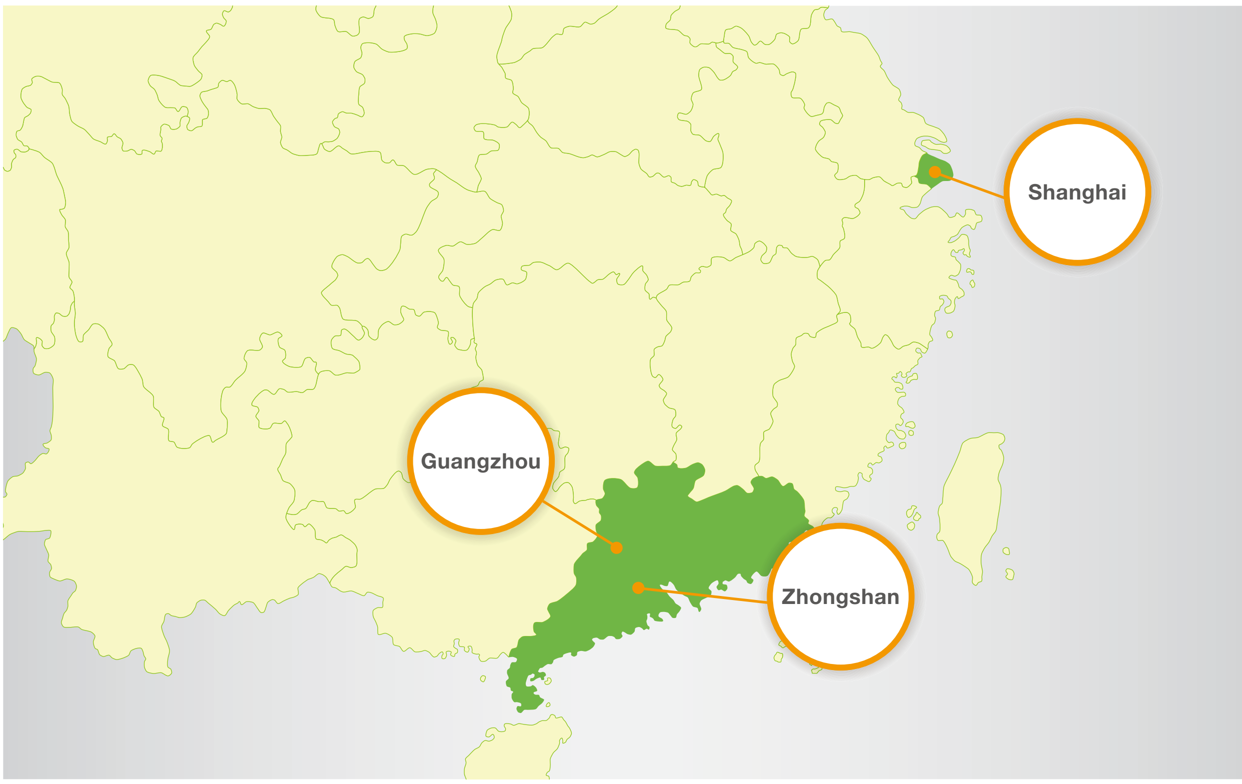
3. *Completed and rental generating properties*

PARTICULARS OF MAJOR 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	46.99% *(Note)* 49.46%	The property is held for a term of 50 years commencing on 16 September 1992	297	65,952 104,736	–
STARR Resort Residence Zhongshan	Caihong Planning Area, West District, Zhongshan	49.46%	The property is held for a term expiring on 23 October 2073	90	48,746	–
Subtotal of hotel properties and serviced apartments:					**219,434**	**–**

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



PARTICULARS OF MAJOR PROPERTIES

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)					No. of car-parking spaces attributable to the Group
						Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Guangzhou											
King's Park	Donghua Dong Road, Yuexiu District	49.46%	Construction work completed	Q2 2013 (Note 2)	35,123	1,560	–	–	46,413	47,973	29
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	23.49%	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)	12,644	–	–	748,274	760,918	378
Paramount Centre	Da Sha Tou Road, Yuexiu District	49.46%	Construction work in progress	Q2 2014	23,788	2,646	–	37,081	–	39,727	23
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	49.46%	Construction work in progress	Q2 2015	212,587	27,972	265,965	–	158,326	452,263	176
Haizhu Plaza	Chang Di Main Road, Yuexiu District	49.46%	Resettlement in progress	2017-2018 (Note 1)	90,708	142,541	150,346 (Note 8)	–	–	292,887	277
Guan Lu Road Project	Guan Lu Road, Yuexiu District	49.46%	Development under planning	(Note 3)	26,178	959	–	–	44,960	45,919	28
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	49.46%	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)	452,454	–	202,307	2,011,440	2,666,201	1,699
Shanghai											
STARR Hotel Shanghai (Note 6)	Sujiaxiang, Zhabei District	46.99%	Construction work completed	Q4 2013	215,503 (Note 5)	–	–	67,589	–	67,589	–
Northgate Plaza II	Tian Mu Road West, Zhabei District	48.97%	Development under planning	2017-2018 (Note 4)	44,293	30,538	96,727	–	–	127,265	88
Subtotal of properties under development (Note 9):						**671,314**	**513,038**	**306,977**	**3,009,413**	**4,500,742**	**2,698**

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. *All properties under construction (including investment properties under construction and construction in progress)*

PARTICULARS OF MAJOR PROPERTIES

Completed Properties Held for Sale

Property Name	Location	Group interest	Approximate Attributable Gross Floor Area (square feet)					No. of car-parking spaces attributable to the Group
			Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan								
Palm Spring	Caihong Planning Area, Western District	49.46%	86.953 *(Note 1)*	–	–	169,968	256,921	–
Shanghai								
May Flower Plaza	Sujiaxiang, Zhabei District	46.99%	–	–	9,164	78,997	88,161	215
Regents Park, Phase II	88 Huichuan Road, Changning District	46.99%	–	–	–	–	–	191
Guangzhou								
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	23.49%	–	–	–	9,610	9,610	–
Eastern Place	787 Dongfeng East Road, Yuexiu District	49.46%	–	–	–	441	441	1
West Point	Zhongshan Qi Road, Liwan District	49.46%	–	–	–	–	–	70
Subtotal of completed properties held for sale *(Note 2)*:			**86,953**	**–**	**9,164**	**259,016**	**355,133**	**477**

Notes:

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

CORPORATE GOVERNANCE REPORT

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

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

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

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

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

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

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

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

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

(2.2) Composition of the Board

The Board currently comprises ten members, of whom four are EDs, two are NEDs and the remaining four 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 of the Listing Rules 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 ("EDs")
Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Chew Fook Aun
Lam Hau Yin, Lester (appointed with effect from 1 November 2012)
Lam Kin Ngok, Peter
Cheung Sum, Sam (resigned on 1 September 2012)

Non-executive Directors ("NEDs")
U Po Chu
Andrew Y. Yan

Independent Non-executive Directors ("INEDs")
Low Chee Keong *(Chairman)*
Lo Kwok Kwei, David
Ng Lai Man, Carmen
Alfred Donald Yap

The brief biographical particulars of the existing Directors are set out in the section headed "*Biographical Details of Directors*" of this Annual Report on pages 36 to 40.

Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**"), an ED, is the son of Madam U Po Chu, a NED, and the father of Mr. Lam Hau Yin, Lester, an ED. 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. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

(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**").

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 CG Code's requirement 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				
Mr. Lui Siu Tsuen, Richard	✓	✓	✓	✓
Mr. Chew Fook Aun	✓	✓	✓	✓
Mr. Lam Hau Yin, Lester *(Note)*	✓	✓	✓	–
Dr. Lam Kin Ngok, Peter	✓	✓	✓	–
Non-executive Directors				
Madam U Po Chu	✓	✓	✓	–
Mr. Andrew Y. Yan	✓	✓	✓	✓
Independent Non-executive Directors				
Mr. Low Chee Keong	✓	✓	✓	✓
Mr. Lo Kwok Kwei, David	✓	✓	✓	✓
Dr. Ng Lai Man, Carmen	✓	✓	✓	✓
Mr. Alfred Donald Yap	✓	✓	✓	✓

Note: Mr. Lam was appointed an ED with effect from 1 November 2012.

(4) BOARD COMMITTEES

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

(4.1) Remuneration Committee

On 16 September 2005, the Board established a Remuneration Committee which currently comprises five members, including three INEDs, namely Mr. Low Chee Keong (Chairman), Mr. Alfred Donald Yap and Dr. Ng Lai Man, Carmen, Mr. Lui Siu Tsuen, Richard (the Chief Executive Officer and an ED) and Mr. Chew Fook Aun (an ED, appointed as a member of the Remuneration Committee with effect from 1 November 2012).

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

CORPORATE GOVERNANCE REPORT

(a) Duties of the Remuneration Committee

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

(b) Work Performed by the Remuneration Committee

The Remuneration Committee held two meetings during the Year to deliberate on matters relating to the payment of discretionary bonuses to and review of the remuneration packages of certain EDs, consider the grant of share options to certain EDs and discuss other remuneration-related matters.

(4.2) Audit Committee

On 29 April 1999, the Board established an Audit Committee which currently comprises three INEDs, namely Dr. Ng Lai Man, Carmen (Chairwoman), Mr. Alfred Donald Yap and Mr. Low Chee Keong.

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.

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

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

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

On 8 October 2013, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditors. It also reviewed this Corporate Governance Report and an internal control review report 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.

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

(6) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing NEDs (including 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 Mr. Lam Hau Yin, Lester, an ED with effect from 1 November 2012.

(8) BOARD DIVERSITY POLICY

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

The Company recognises the benefits of Board diversity and endeavours to ensure that 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 (in terms of gender, skills and experience) 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.

The Company considers that the current composition of the Board, two out of its ten members being women, is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills.

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(10) INDEPENDENT AUDITORS' REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**") for the Year amounted to HK$9,162,000 and HK$4,409,000, respectively. An analysis of such fees is set out below. The non-audit services mainly consisted of certain agreed-upon procedures, tax advisory and other reporting services.

	Audit service HK$'000	**Non-audit service** HK$'000
The Group (excluding Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGHL**") and their respective subsidiaries)	4,115	1,443
MAGHL and its subsidiaries	1,980	557
Lai Fung and its subsidiaries	3,067	2,409
Total	**9,162**	**4,409**

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING THE 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.

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

(12) INDEPENDENT AUDITORS' REPORTING RESPONSIBILITY

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

(13) ATTENDANCE RECORD AT MEETINGS

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

Meetings held during the Year

	Number of Meetings Attended/Number of Meetings Held					
Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Independent Board Committee Meeting (Note 1)	Annual General Meeting	Special General Meeting
Executive Directors						
Mr. Lui Siu Tsuen, Richard	6/6	–	2/2	–	1/1	1/1
Mr. Chew Fook Aun	6/6	–	2/2	–	1/1	1/1
Mr. Lam Hau Yin, Lester (Note 2)	4/5	–	–	–	1/1	1/1
Dr. Lam Kin Ngok, Peter	6/6	–	–	–	0/1	0/1
Mr. Cheung Sum, Sam (Note 3)	–	–	–	–	–	–
Non-executive Directors						
Madam U Po Chu	5/6	–	–	–	0/1	0/1
Mr. Andrew Y. Yan	4/6	–	–	–	0/1	0/1
Independent Non-executive Directors						
Mr. Low Chee Keong	6/6	2/2	2/2	1/1	1/1	1/1
Mr. Lo Kwok Kwei, David (Note 4)	6/6	1/1	–	1/1	1/1	1/1
Dr. Ng Lai Man, Carmen	6/6	2/2	2/2	1/1	1/1	1/1
Mr. Alfred Donald Yap	5/6	2/2	1/2	1/1	1/1	1/1

Notes:

1. *An Independent Board Committee comprising all the INEDs (namely, Dr. Ng Lai Man, Carmen (Chairwoman) and Messrs. Low Chee Keong, Alfred Donald Yap and Lo Kwok Kwei, David) was established in November 2012 for the purpose of advising the Shareholders with regard to a connected transaction of the Company, details of which were set out in the Company's circular dated 1 December 2012.*

2. *Mr. Lam was appointed an ED with effect from 1 November 2012.*

3. *Mr. Cheung resigned as an ED on 1 September 2012.*

4. *Mr. Lo participated in part of an Audit Committee Meeting held during the Year for reviewing the continuing connected transactions of the Company.*

(14) INTERNAL CONTROLS

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

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

(15) COMPANY SECRETARY

The Company Secretary is an employee of the Company appointed by the Board. During the Year, the Company Secretary has complied with the relevant professional 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.esun.com;

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

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

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

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

(16.2) Details of the Last General Meeting

The last general meeting of the Company, being the SGM held on Tuesday, 17 September 2013 at 11:00 a.m., was held at Harbour View Room I, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong. At the SGM, Shareholders approved, confirmed and ratified the sale and purchase agreement dated 2 August 2013 entered into between All Benefit Limited ("**All Benefit**", an indirect wholly-owned subsidiary of Lai Fung and an indirect non-wholly-owned subsidiary of the Company) and Goldmark Pacific Limited ("**Goldmark**") in respect of the purchase by All Benefit of 225 ordinary shares of US$1.00 each in the share capital of Farron Assets Limited (representing 22.5% of its existing issued share capital) from Goldmark and the transactions contemplated thereunder ("**Transaction**"); and to authorise the Directors to implement the Transaction. Further details of the SGM were contained in the Company's circular dated 30 August 2013 published on both the websites of the Company and the Stock Exchange.

For further details on the result of the last SGM, please refer to the poll result announcement dated 17 September 2013 published on both the websites of the Company and the Stock Exchange.

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for Shareholders to Convene a SGM

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

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

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

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

(17.2) Procedures for Putting Forward Proposals at a General Meeting

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

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office stated in paragraph (17.1) above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six (6) 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 (6) 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.esun.com.

(17.4) Procedures for Directing Shareholders' Enquiries to the Board

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

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

Fax: (852) 2743 8459
E-mail: lscomsec@laisun.com

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

(18) INVESTOR RELATIONS

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

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

Month	Event	Organiser	Location
August 2012	UBS Hong Kong/China Property Conference 2012	UBS	Hong Kong
September 2012	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
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

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

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

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

Mr. Lui Siu Tsuen, Richard, aged 57, was appointed the Chief Executive Officer of the Company in January 2011 and is presently a member of both the Executive Committee and the Remuneration Committee of the Company. He joined the Company in April 2010 as the chief operating officer of its Media and Entertainment Division and became an Executive Director with effect from July 2010. Mr. Lui is also an Executive Director of MAGHL and he was an Executive Director of LSG, LSD and Lai Fung respectively from 1 January 2011 to 31 October 2012.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited and 21 Holdings Limited, both listed on the Stock Exchange. Prior to joining the Company, Mr. Lui had held senior executive positions in a few Hong Kong and overseas listed companies.

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

The Company has entered into a service contract with Mr. Lui with no fixed term, but such contract is determinable by the Company or him by giving the other party not less than 3 months' notice or payment in lieu thereof. In accordance with the provisions of the Bye-laws of the Company ("**Bye-laws**"), he will be subject to retirement as a Director by rotation once every three years if re-elected at the forthcoming annual general meeting ("**AGM**") and will also be eligible for re-election at future AGMs. Mr. Lui currently receives a basic salary and allowance from the Group of about HK$2.8 million per annum and other allowances (where applicable), and such remuneration and discretionary bonus to be determined by the board of Directors of the Company ("**Board**") from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions. In addition, he is also entitled to receive from MAGHL a director's fee of HK$120,000 per annum and other allowances (where applicable), and may also receive such remuneration and discretionary bonus to be determined by the board of MAGHL from time to time with reference to the performance of MAGHL, his duties and responsibilities and time allocated to MAGHL as well as the prevailing market conditions.

Save as his directorships disclosed above, Mr. Lui does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. On 18 January 2013, the Company granted a share option comprising 3,729,636 underlying shares of the Company to Mr. Lui at the exercise price of HK$1.612 per share of the Company (subject to adjustments) with an exercise period from 18 January 2013 to 17 January 2023 pursuant to its share option scheme. Save as aforesaid, as at the date of this Annual Report, Mr. Lui does not have any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Future Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**").

For the purpose of Mr. Lui's re-election as a Director at the forthcoming AGM in accordance with code provision A.4.2 of the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), there are no other matters which need to be brought to the attention of the shareholders of the Company ("**Shareholders**"), and there is no information that needs to be disclosed pursuant to the requirements of the provisions of Rule 13.51(2) of the Listing Rules in connection with the said re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Chew Fook Aun, aged 51, was appointed an Executive Director on 5 June 2012. He is presently a member of both the Executive Committee and Remuneration Committee of the Company. He is a Deputy Chairman and an Executive Director of LSG, the Deputy Chairman and an Executive Director of LSD as well as the Chairman and an Executive Director of Lai Fung.

Mr. Chew has over 25 years of experience in accounting, auditing and finance in the United Kingdom and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the United Kingdom with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the HKICPA and The Institute of Chartered Accountants in England and Wales. He was 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.

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

Mr. Lam Hau Yin, Lester, aged 32, was appointed an Executive Director on 1 November 2012 and is currently a member of the Executive Committee of the Company. He is also an Executive Director of both LSG and LSD, as well as an Executive Director and the Chief Executive Officer of Lai Fung. Further, Mr. Lam is also an Alternate Director to Madam U Po Chu in her capacity as an Executive Director of LSG.

Mr. Lam holds a Bachelor of Science in Business Administration degree from the Northeastern University, Boston, 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.

Mr. Lam is a son of Dr. Lam Kin Ngok, Peter (an Executive Director) and a grandson of Madam U Po Chu (a Non-executive Director).

Dr. Lam Kin Ngok, Peter, aged 56, has been an Executive Director since October 1996 and is presently a member of the Executive Committee of the Company. He is also the Deputy Chairman and an Executive Director of LSG, the Chairman and an Executive Director of LSD and MAGHL, and an Executive Director of Crocodile Garments Limited (a company listed and traded on the Main Board of the Stock Exchange). Dr. Lam was the Chairman and an Executive Director of Lai Fung from 25 November 1993 to 31 October 2012. He has extensive experience in the property development and investments, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts.

Currently, Dr. Lam is the chairman of the Hong Kong Tourism Board and an ex officio member of the Hong Kong Trade Development Council. He is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the vice chairman of the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese. In addition, Dr. Lam is the chairman of Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, honorary chairman of Hong Kong Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a member of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited and a member of Aviation Development Advisory Committee. On 7 October 2013, Dr. Lam was appointed a non-official member of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland for a term of two years from 7 October 2013 to 6 October 2015.

Dr. Lam is the son of Madam U Po Chu (a Non-executive Director) and the father of Mr. Lam Hau Yin, Lester (an Executive Director).

BIOGRAPHICAL DETAILS OF DIRECTORS

Dr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, he will be subject to retirement as a 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. Dr. Lam currently receives an annual remuneration of HK$11 million from the Group (including Lai Fung) with reference to the performance of the Group, his duties and responsibilities and time allocated to the Group as well as the prevailing market conditions. In addition, he is also entitled to receive from MAGHL a director's fee of HK$120,000 per annum; and such remuneration and discretionary bonus to be determined by the board of MAGHL from time to time with reference to the performance of MAGHL, his duties and responsibilities and time allocated to MAGHL, as well as the prevailing market conditions.

Save as disclosed above, Dr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Dr. Lam was interested or deemed to be interested, within the meaning of Part XV of the SFO, in a total of 499,198,629 shares (representing 40.15% of the issued share capital) of the Company and was also deemed to be interested in 8,027,276,422 shares (representing 49.87% of the issued share capital) of Lai Fung, 7,389,018,709 shares and 23,782,979,894 underlying shares (representing in aggregate 236.58% of the issued share capital) of MAGHL, and a principal amount of USD1,025,000 of the 9.125% senior notes issued by Lai Fung. On 18 January 2013, Dr. Lam was granted by the Company a share option comprising 1,243,212 underlying shares of the Company at the exercise price of HK$1.612 per share of the Company (subject to adjustments) and by Lai Fung a share option comprising 16,095,912 underlying shares of Lai Fung at the exercise price of HK$0.228 per share of Lai Fung (subject to adjustments), both with an exercise period from 18 January 2013 to 17 January 2023 pursuant to their respective share option schemes. Save as aforesaid, Dr. Lam does not have any interest or short position in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of Dr. Lam's re-election as a Director at the forthcoming AGM in accordance with code provision A.4.2 of the CG Code, there are no other matters which need to be brought to the attention of the Shareholders, and there is no information that needs to be disclosed pursuant to the requirements of the provisions of Rule 13.51(2) of the Listing Rules in connection with the said re-election.

NON-EXECUTIVE DIRECTORS

Madam U Po Chu, aged 88, is a Non-executive Director of the Company and was first appointed to the Board in October 1996. She is also an Executive Director of LSG (re-designated from a Non-executive Director with effect from 27 November 2012), a Non-executive Director of LSD and an Executive Director of Lai Fung.

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

Madam U does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, she will be subject to retirement as a 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. Madam U currently does not receive any salary from the Company but receives an annual remuneration of about HK$4.4 million from Lai Fung with reference to the performance of Lai Fung, her duties and responsibilities and time allocated to Lai Fung, as well as the prevailing market conditions.

Apart from the aforesaid, Madam U does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Madam U did not hold any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

BIOGRAPHICAL DETAILS OF DIRECTORS

For the purpose of Madam U's re-election as a Director at the forthcoming AGM in accordance with code provision A.4.2 of the CG Code, there are no other matters which need to be brought to the attention of the Shareholders, and there is no information that needs to be disclosed pursuant to the requirements of the provisions of Rule 13.51(2) of the Listing Rules in connection with the said re-election.

Mr. Andrew Y. Yan, aged 56, was appointed a Non-executive Director of the Company on 1 September 2011. He joined SAIF Partners in 2001 and is currently its founding managing partner. He holds a Master's degree in International Political Economy from the Princeton University in the United States and a Bachelor's degree in Engineering from the Nanjing Aeronautic Institute (presently the Nanjing University of Aeronautics and Astronautics) in Mainland China.

Mr. Yan is currently a non-executive director of China Huiyuan Juice Group Limited, Digital China Holdings Limited and Guodian Technology & Environment Group Corporation Limited; and an independent non-executive director of China Resources Land Limited, Fosun International Limited and China Mengniu Dairy Company Limited. The issued shares of all aforesaid companies are listed on the Stock Exchange.

He is also currently an independent non-executive director of China Petroleum & Chemical Corporation (listed on the Stock Exchange, Shanghai Stock Exchange, London Stock Exchange and New York Stock Exchange ("**NYSE**")). Further, Mr. Yan is a director of Acorn International, Inc. (listed on the NYSE) and ATA Inc. (listed on the NASDAQ Global Market) as well as an independent director of Giant Interactive Group, Inc. (listed on the NYSE).

In addition, from January 2003 to 1 August 2013, Mr. Yan was a non-executive director of MOBI Development Co., Ltd; and from October 2006 to 14 June 2013, he was a director of Eternal Asia Supply Chain Management Ltd (listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange). He was also a non-executive director (from October 2006 to 3 April 2013) and the chairman (from May 2012 to 3 April 2013) of NVC Lighting Holding Limited respectively; and a director of Global Education & Technology Group Limited (from March 2007 to 20 December 2011 when its shares were withdrawn from listing on the NASDAQ Global Market on 20 December 2011).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Low Chee Keong, aged 53, has been the Chairman and an Independent Non-executive Director of the Company ("**INED**") since June 2010 and is currently a member of the Audit Committee and the Chairman of the Remuneration Committee of the Company. Mr. Low first joined the Board in August 1999 as an INED, was re-designated as a Non-executive Director in June 2010, and was further re-designated as an INED on 1 September 2011. Serving as a member of the Remuneration Committee since October 2009, he was the Chairman of the Remuneration Committee from October 2009 to late March 2011 and re-assumed the Remuneration Committee chairmanship on 1 September 2011.

Mr. Low graduated from the Chartered Institute of Marketing in the United Kingdom in 1986. He has over 15 years' experience in the property development and maintenance industry in Singapore.

Mr. Lo Kwok Kwei, David, aged 53, joined the Board as a Non-executive Director of the Company in March 2009 and has been re-designated from a Non-executive Director to an INED with effect from 1 September 2011. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984 and has been a member of The Law Society of Hong Kong since 1987. He has been practicing as a solicitor in Hong Kong for about 25 years and is a partner of a law firm David Lo & Partners. In addition, he is an independent non-executive director of Man Yue International Holdings Limited and ENM Holdings Limited, which are both listed on the Main Board of the Stock Exchange.

Dr. Ng Lai Man, Carmen, aged 49, was appointed an INED in March 2009 and is presently the chairwoman of the Audit Committee and a member of the Remuneration Committee of the Company. She has over 20 years of experience in professional accounting services and corporate finance in Hong Kong, Mainland China, Singapore, the United States, Canada and Europe.

BIOGRAPHICAL DETAILS OF DIRECTORS

Dr. Ng is a practising certified public accountant in Hong Kong and is currently a director of Cosmos CPA Limited in Hong Kong. She is a fellow member of the HKICPA and The Association of Certified Chartered Accountants in the United Kingdom, and an associate member of The Institute of Chartered Accountants in England and Wales. She received her Doctor of Business Administration from The Hong Kong Polytechnic University, Degree of Juris Doctor from The Chinese University of Hong Kong, Master of Laws in Corporate and Financial Laws from The University of Hong Kong, Master of Business Administration from The Chinese University of Hong Kong, Master of Professional Accounting from The Hong Kong Polytechnic University as well as Master of Science in Global Finance jointly offered by Leonard N. Stern Business School of New York University and The Hong Kong University of Science & Technology. In addition, Dr. Ng is an independent non-executive director of Goldin Properties Holdings Limited, Cheong Ming Investments Limited and 1010 Printing Group Limited, which are listed on the Main Board of the Stock Exchange.

Mr. Alfred Donald Yap, J.P., aged 74, is an INED and a member of both the Audit Committee and the Remuneration Committee of the Company. He was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of K. C. Ho & Fong, Solicitors and Notaries. He was a former president of both The Law Society of Hong Kong and The Law Association for Asia and the Pacific (LAWASIA). He was also a former Hong Kong Affairs Adviser appointed by the Chinese Government. Mr. Yap is an independent non-executive director of Hung Hing Printing Group Limited and Wong's International (Holdings) Limited, which are both listed on the Main Board of the Stock Exchange.

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

PRINCIPAL ACTIVITIES

During the Year, the Company acted as an investment holding company. The principal activities of its subsidiaries included the development and operation of and investment in media, entertainment, music production and distribution, the investment in and production and distribution of television programs, film and video format products, the provision of advertising agency services, the sale of cosmetic products as well as property development for sale and property investment for rental purposes.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the state of affairs of the Company and the Group as at 31 July 2013 are set out in the Financial Statements and their accompanying notes on pages 64 to 188.

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

DIRECTORS

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

Executive Directors ("EDs")

Lui Siu Tsuen, Richard *(Chief Executive Officer)*	
Chew Fook Aun	
Lam Hau Yin, Lester	(appointed on 1 November 2012)
Lam Kin Ngok, Peter	
Cheung Sum, Sam	(resigned on 1 September 2012)

Non-executive Directors ("NEDs")

U Po Chu
Andrew Y. Yan

Independent Non-executive Directors ("INEDs")

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

Mr. Lam Hau Yin, Lester ("**Mr. Lester Lam**") was appointed an ED by the Board on 1 November 2012. Pursuant to Bye-law 86(2) of the Bye-laws of the Company ("**Bye-laws**") and code provision A.4.2 of the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively), all directors of listed companies appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Accordingly, Mr. Lester Lam retired and was elected by the shareholders of the Company ("**Shareholders**") as an ED at the special general meeting of the Company held on 18 December 2012.

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

REPORT OF THE DIRECTORS

Due to the change in financial year end date stated above, the Company held its 2012 AGM in August 2012 and is expected to hold its 2013 and 2014 AGMs in November 2013 and November 2014, respectively.

Pursuant to code provision A.4.2 of the CG Code, every director should be subject to retirement by rotation at least once every three years. Since Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**"), Mr. Lui Siu Tsuen, Richard ("**Mr. Richard Lui**") and Madam U Po Chu ("**Madam U**") were last re-elected Directors at the AGM held in May 2011 and are due to retire by rotation at the AGM to be held in 2014, they would have held office for more than three years by the time the Company holds its 2014 AGM in November 2014. As a good corporate governance practice and in strict compliance with the above code provision of the CG Code, Dr. Peter Lam, Mr. Richard Lui and Madam U have agreed to retire voluntarily at the 2013 AGM and, being eligible, offer themselves for re-election.

Details of the aforesaid Directors proposed for re-election required to be disclosed under Rule 13.51(2) of the Listing Rules are set out in the "*Biographical Details of Directors*" of this Annual Report and "*Directors' Interests*" section of this Report respectively. All the aforesaid 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 36 to 40 of this Annual Report. Directors' other particulars are contained elsewhere in this Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 5 to the Financial Statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 5 to the Financial Statements and the sections headed "*Continuing Connected Transactions*" and "*Connected Transactions*" of this Report, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined by the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

On 4 August 2011, SAIF Partners IV LP acquired 125,000,000 shares of HK$0.50 each in the share capital of the Company ("**Shares**"), representing approximately 10.05% of the then issued share capital of the Company and became a substantial shareholder of the Company. SAIF Partners IV LP has been indirectly controlled by Mr. Yan and therefore, Mr. Yan is deemed to be interested in the said Shares under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**"). Mr. Yan was subsequently appointed a NED on 1 September 2011.

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

The Gross Fee paid to the SAIF Manager for the Year amounted to approximately HK$1,413,000, and the Company expects the amount of the Gross Fee payable to the SAIF Manager for the financial year ending 31 July 2014 to be no more than HK$2,000,000.

2. Letting and/or licensing of premises – Memorandum of Agreement of the Lai Sun Group

Lai Sun Development Company Limited ("**LSD**") became a subsidiary of Lai Sun Garment (International) Limited ("**LSG**") and Lai Fung Holdings Limited ("**Lai Fung**") became a subsidiary of the Company due to the early adoption of Hong Kong Financial Reporting Standards ("**HKFRS**") 10 "*Consolidated Financial Statements*" by LSG and the Company during the year ended 31 July 2012, with the financial statements approved by the respective boards of LSG and the Company on 30 October 2012. As from the date of approval of the financial statements, certain continuing transactions of the LSD Group and the Lai Fung Group have constituted CCTs of the LSG Group and the Group respectively.

2.1 The Company

LSD is a controlling shareholder and hence a connected person of the Company. Accordingly, continuing transactions between the LSD Group and the Group constitute CCTs of the Company. Since Media Asia Group Holdings Limited ("**MAGHL**") and Lai Fung are consolidated as subsidiaries of the Company, continuing transactions of the MAGHL Group and the Lai Fung Group with the LSD Group also constitute CCTs of the Company.

2.2 MAGHL

LSG and LSD are associates of Dr. Peter Lam as he is a controlling shareholder of LSG. Dr. Peter Lam is the chairman and an executive director of MAGHL, and hence a connected person of MAGHL. Accordingly, continuing transactions between the MAGHL Group and the LSD Group constitute CCTs of MAGHL.

REPORT OF THE DIRECTORS

2.3 Lai Fung

Dr. Peter Lam is a connected person of Lai Fung on account of his previous directorship in Lai Fung and his existing directorship in various subsidiaries of Lai Fung. Continuing transactions between the Lai Fung Group and the LSD Group (being an associate of Dr. Peter Lam as he is a controlling shareholder of LSG) constitute CCTs of Lai Fung.

It was disclosed in an announcement dated 24 May 2013 issued jointly by members of the Lai Sun Group, i.e. the Company, LSG, LSD, Lai Fung and MAGHL, that on 24 May 2013 ("**Joint Announcement**"), LSG, LSD, Lai Fung, MAGHL and the Company entered into an agreement to record the basis for governing the pre-existing CCTs and future CCTs with regard to the letting and/or licensing of premises (together "**Transactions**" and "**Memorandum of Agreement**", respectively). Each of the Company, Lai Fung and MAGHL had respectively adopted a maximum aggregate annual value ("**Annual Cap**") for such Transactions that might subsist from time to time in respect of each of the financial years ended 31 July 2013 and ending 31 July 2014.

The Memorandum of Agreement provides that all Transactions shall comply with the following requirements:

(i) each relevant Transaction shall be governed by a written agreement on normal commercial terms;

(ii) the rental or fees payable and/or receivable shall be fixed by reference to the prevailing market or comparable rental or fees, including property management fees;

(iii) LSG may in accordance with the requirements of the Listing Rules, determine for itself such Annual Cap payable and/or receivable by the LSG Group for all Transactions which may constitute CCTs of LSG for the financial years ended 31 July 2013 and ending 31 July 2014, respectively;

(iv) LSD may in accordance with the requirements of the Listing Rules, determine for itself such Annual Cap payable and/or receivable by the LSD Group for all Transactions with the LSG Group which may constitute CCTs of LSD for the financial years ended 31 July 2013 and ending 31 July 2014, respectively;

(v) the Company may in accordance with the requirements of the Listing Rules, determine for itself such Annual Cap payable and/or receivable by the Group for all Transactions with the LSG Group and the LSD Group which may constitute CCTs of the Company for the financial years ended 31 July 2013 and ending 31 July 2014, respectively;

(vi) Lai Fung may in accordance with the requirements of the Listing Rules, determine for itself such Annual Cap payable and/or receivable by the Lai Fung Group for all Transactions with each of (1) the LSG Group and the LSD Group and/or (2) the Group (excluding the Lai Fung Group) which may constitute CCTs of Lai Fung for the financial years ended 31 July 2013 and ending 31 July 2014, respectively; and

(vii) MAGHL may in accordance with the requirements of the Listing Rules on the Growth Enterprise Market, determine for itself such Annual Cap payable and/or receivable by the MAGHL Group for all Transactions with each of (1) the LSG Group and the LSD Group and/or (2) the Group (excluding the MAGHL Group) which may constitute CCTs of MAGHL for the financial years ended 31 July 2013 and ending 31 July 2014, respectively.

In this connection:

(a) the Company has adopted an Annual Cap of HK$9,300,000 and HK$10,300,000 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;

(b) Lai Fung has adopted an Annual Cap 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 Group (excluding the Lai Fung Group); and

(c) MAGHL has adopted an Annual Cap of HK$2,000,000 for the financial year ending 31 July 2014 in respect of Transactions with the LSG Group and the LSD Group.

LSG and LSD had not adopted any Annual Cap for the Transactions as at the date of the Joint Announcement. Any such Annual Caps, if adopted, will be announced.

Each of LSG, LSD, the Company, Lai Fung and MAGHL will comply with the requirement of annual review under the Listing Rules and will comply with the applicable requirements of the Listing Rules if any Annual Caps (if adopted) is exceeded or, when the Memorandum of Agreement is renewed or, when there is a material change to its terms. The Memorandum of Agreement, if not renewed, will expire on 31 July 2014.

3. Pre-existing agreements of Lai Fung

The Company and Lai Fung jointly announced on 24 May 2013 that two pre-existing agreements entered into by Lai Fung in 2009 and 2010 respectively had subsequently become CCTs of the Company from 30 October 2012 under Rule 14A.41 of the Listing Rules; as Lai Fung had been consolidated as a subsidiary of the Company from 11 June 2012 due to the adoption of HKFRS 10 by the Company during the year ended 31 July 2012 already explained in the first paragraph under item 2 of this section above.

3 (a) Ascott Management Agreement

On 5 May 2009, Shanghai Li Xing Real Estate Development Co., Ltd. ("**Li Xing**", a company established in Mainland China and a 95%-owned subsidiary of Lai Fung) and Ascott Property Management (Shanghai) Co., Ltd. ("**Ascott**", a company established in Mainland China and a wholly-owned subsidiary of CapitaLand Limited (a company established in Singapore, a substantial shareholder and therefore a connected person of Lai Fung under the Listing Rules) entered into an agreement ("**Ascott Management Agreement**") in relation to Ascott's provision of management services to Li Xing for certain units of a serviced apartment tower owned by the Lai Fung Group and situated at 282 Huaihaizhong Road, Huangpu District, Shanghai, Mainland China ("**Serviced Residence**"). Transactions contemplated under the Ascott Management Agreement constitute CCTs of Lai Fung and, from 30 October 2012, CCTs of the Company. The Ascott Management Agreement covers an initial term of 10 years from 1 May 2010 and is renewable for two successive terms of five years at the option of Ascott and subject to the agreement of Li Xing. Further details of the said agreement can be found in Lai Fung's announcement dated 5 May 2009.

At the time of entering into the said agreement, the board of directors of Lai Fung expected that the total fees payable by Li Xing to Ascott during the initial term of the agreement would not exceed RMB19 million per annum. For the Year, total fees paid or payable to Ascott amounted to RMB7,322,000 (approximately HK$9,061,000).

REPORT OF THE DIRECTORS

3 (b) Breakfast Agreement

On 16 April 2010, Li Xing, Triple Pass Limited ("**Triple Pass**", a company incorporated in Hong Kong and a non-wholly-owned subsidiary of LSD)/韵港餐飲(上海)有限公司 (Wan Kong Catering (Shanghai) Limited, a company established under the laws of Mainland China and a wholly-owned subsidiary of Triple Pass) and Ascott entered into an agreement ("**Breakfast Agreement**"), as supplemented and amended by the supplemental agreements dated 6 July 2011 and 7 December 2012 regarding the provision of catering services for a term of 3 years from 15 May 2010 to 14 May 2013 with an option to renew for a further term of 2 years and 3 years. The Breakfast Agreement basically relates to the provision of breakfast to the occupants of the Serviced Residence. The option was subsequently exercised to extend the catering services up to 31 August 2013. Total fees paid or payable to Triple Pass/Wan Kong Catering (Shanghai) Limited from 30 October 2012 to 31 July 2013 amounted to HK$1,268,000.

As LSD is a controlling shareholder and therefore a connected person of the Company under the Listing Rules, the transactions contemplated under the Breakfast Agreement have constituted CCTs of the Company pursuant to the Listing Rules from 30 October 2012.

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

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

(b) on normal commercial terms; and

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

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

(i) have received the approval of the Company's Board;

(ii) have been entered into in accordance with the relevant agreement governing the transactions; and

(iii) have not exceeded the maximum aggregate annual value (if any) disclosed in previous announcements.

In addition, Ernst & Young have included an additional paragraph in their letter regarding the fact that (a) the transactions under the Breakfast Agreement were agreed under a pre-existing management agreement which subsequently became CCTs of the Group on 30 October 2012, and (b) no maximum aggregate annual value had been disclosed in any previous announcement of the Company.

CONNECTED TRANSACTIONS

The Company had the following connected transactions during the Year and up to the date of approval of this Report:

1. Deed of Conditional Waiver

On 19 November 2012, the Company announced that Lai Fung had on 30 October 2012 executed a deed of conditional waiver in favour of LSG and LSD ("**Deed of Conditional Waiver**", as supplemented and amended by a supplemental deed dated 19 November 2012), pursuant to which Lai Fung conditionally waives any claims, actions, proceedings, damages or equitable remedy that it may be entitled to under the undertakings provided in the spin-off agreement between LSD and Lai Fung, 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 Lai Fung, all dated 12 November 1997 ("**Existing Undertakings**", details of which had been disclosed in the listing document of Lai Fung dated 18 November 1997) in respect of the participation by any member of the **Affiliated Groups**, i.e. the LSG Group, the LSD Group, the Company and its subsidiaries (other than the MAGHL Group and the Lai Fung Group), and the MAGHL Group in any bona fide offer or invitation of business opportunity(ies), the pursuance of which by any member of its Affiliated Group may otherwise be prohibited under the Existing Undertakings ("**Restricted Opportunity(ies)**"). Further details of such restrictions are summarised under the "*Background*" in the 19 November 2012 announcement.

LSD is a controlling shareholder of the Company and LSG is the ultimate holding company and an associate of LSD. LSG and LSD are, therefore, connected persons of the Company under the Listing Rules. The execution of the Deed of Conditional Waiver constitutes a connected transaction of Lai Fung.

Due to the early adoption by the Company of "*HKFRS 10: Consolidated Financial Statement*" for the financial year ended 31 July 2012 as explained in the CCTs section above, Lai Fung has been accounted for and consolidated in the consolidated financial statements of the Company as a subsidiary. Accordingly, the execution of the Deed of Conditional Waiver also constituted a connected transaction of the Company.

The Deed of Conditional Waiver was approved by the independent shareholders of both Lai Fung and the Company at the respective general meetings of Lai Fung and the Company held on 18 December 2012 as required under Chapter 14A of the Listing Rules.

2. Acquisition of Interest in Guangzhou May Flower Plaza

The Company and Lai Fung jointly announced on 2 August 2013 that on the same date, All Benefit Limited, an indirect wholly-owned subsidiary of Lai Fung and the holder of 77.5% of the issued share capital of Farron Assets Limited, and Goldmark Pacific Limited ("**Goldmark**") entered into a sale and purchase agreement ("**Sale and Purchase Agreement**") in relation to the sale by Goldmark, and the purchase by All Benefit Limited, of 22.5% of the issued share capital of Farron Assets Limited not already owned by Lai Fung, together with the shareholder's loan advanced to Farron Assets Limited for an aggregate consideration of HK$217,221,000. Farron Assets Limited indirectly holds the entire beneficial interest in Guangzhou May Flower Plaza which is a 13-storey complex situated at Yuexiu District, Guangzhou, Mainland China. Further details of the Sale and Purchase Agreement are set out in the Company's circular dated 30 August 2013.

Lai Fung has been a non-wholly-owned subsidiary of the Company. At the date of entering into of the Sale and Purchase Agreement, Goldmark was a substantial shareholder of Farron Assets Limited, which was a subsidiary of Lai Fung and the Company, and therefore a connected person of Lai Fung and the Company under the Listing Rules. In addition, the transactions contemplated under the Sale and Purchase Agreement constituted discloseable transactions and non-exempted connected transactions for Lai Fung and the Company under the Listing Rules.

The Sale and Purchase Agreement was approved by the independent shareholders of both Lai Fung and the Company at the respective general meetings of Lai Fung and the Company held on 17 September 2013 as required under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

EDs including Dr. Peter Lam, Mr. Richard Lui, Mr. Chew Fook Aun ("**Mr. FA Chew**"), Mr. Lester Lam (from 1 November 2012 when he was appointed an ED) and Mr. Cheung Sum, Sam (up to 31 August 2012 when he resigned as an ED thereafter), and Madam U, a NED, held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong and/or Mainland China. Mr. Yan, a NED, controlled certain investment funds which also made investment in companies engaged in the businesses of media and entertainment.

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 the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

SHARE OPTION SCHEMES

(1) The Company

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

As at 31 July 2013 and the date of approval of these Financial Statements, the Company might grant further options under the Scheme to subscribe for a maximum of 91,870,551 Shares (representing about 7.39% of the issued Shares); and the Company had 32,450,665 underlying Shares comprised in options outstanding under the Scheme, which represented approximately 2.61% of the Shares in issue as at those dates.

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

Category/Name of participants	Date of grant *(Note 1)*	Number of underlying Shares comprised in share options As at 1 August 2012	Granted during the year	Lapsed during the year	As at 31 July 2013	Exercise Period (dd/mm/yyyy)	Exercise price per Share *(Note 2)* HK$
Directors							
Chew Fook Aun	05/06/2012	6,216,060	–	–	6,216,060	05/06/2012 - 04/06/2022	0.92
Lam Hau Yin, Lester	18/01/2013	–	12,432,121	–	12,432,121	18/01/2013 - 17/01/2023	1.612
Lam Kin Ngok, Peter	18/01/2013	–	1,243,212	–	1,243,212	18/01/2013 - 17/01/2023	1.612
Lui Siu Tsuen, Richard	18/01/2013	–	3,729,636	–	3,729,636	18/01/2013 - 17/01/2023	1.612
Total		**6,216,060**	**17,404,969**	**–**	**23,621,029**		
Other employees							
In aggregate	18/01/2013	–	8,429,636	(400,000)	8,029,636	18/01/2013 - 17/01/2023	1.612
	26/07/2013	–	800,000	–	800,000	26/07/2013 - 25/07/2023	1.18
Total		**–**	**9,229,636**	**(400,000)**	**8,829,636**		
Grand Total		**6,216,060**	**26,634,605**	**(400,000)**	**32,450,665**		

Notes:

1. *The above share options were vested on the date of grant.*

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

3. *The closing price of each Share immediately before the dates on which the share options were granted (i.e. 5 June 2012, 18 January 2013 and 26 July 2013) were HK$0.90, HK$1.55 and HK$1.21, respectively.*

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

Further details of the Scheme are set out in Note 41(a) to the Financial Statements.

REPORT OF THE DIRECTORS

(2) MAGHL

On 18 December 2012, MAGHL, a company listed on the Growth Enterprise Market of the Stock Exchange ("**GEM**") and a non-wholly-owned subsidiary of the Company since 9 June 2011, adopted a new share option scheme ("**New MAGHL Scheme**") as well as terminated its share options scheme adopted on 19 November 2009 ("**Old MAGHL Scheme**"), under which no further share options will be granted. The adoption of the New MAGHL Scheme and the termination of the Old MAGHL Scheme were also approved by the Shareholders at a special general meeting of the Company held on 18 December 2012 pursuant to the requirements of Rule 17.01(4) of the Listing Rules and Rule 23.01(4) of the Rules Governing the Listing of Securities on the GEM.

The New MAGHL Scheme will remain in force for a period of 10 years commencing on its adoption date. The initial maximum number of shares of MAGHL of HK$0.01 each ("**MAGHL Shares**") issuable pursuant to the New MAGHL Scheme is 1,314,025,761, being 10% of the total number of MAGHL Shares in issue on the date of approval of the New MAGHL Scheme. Other details of the New MAGHL Scheme are set out in the respective circulars of the Company and MAGHL both dated 1 December 2012.

No share options had been granted under the New MAGHL Scheme since its adoption on 18 December 2012. Further details of the New MAGHL Scheme are included in Note 41(b) to the Financial Statements.

No share options had been granted, exercised or cancelled under the Old MAGHL Scheme during the Year. Details on the share options lapsed under the Old MAGHL Scheme during the Year are as follows:

Name of participant	Date of grant	Number of underlying MAGHL Shares comprised in share options: As at 1 August 2012	Lapsed during the year	As at 31 July 2013	Exercise Period (dd/mm/yyyy)	Exercise price per MAGHL Share (Note 2) HK$
Director of MAGHL						
Tang Jun (Note 1)	26/08/2011	31,341,666	(31,341,666)	–	06/08/2012 – 05/08/2013	0.20420
	26/08/2011	31,341,666	(31,341,666)	–	06/08/2013 – 05/08/2014	0.24504
	26/08/2011	31,341,668	(31,341,668)	–	06/08/2014 – 05/09/2015	0.26546
	17/01/2012	2,359,192	(2,359,192)	–	06/08/2012 – 05/08/2013	0.14480
	17/01/2012	2,359,192	(2,359,192)	–	06/08/2013 – 05/08/2014	0.17376
	17/01/2012	2,359,192	(2,359,192)	–	06/08/2014 – 05/09/2015	0.18824
Total		**101,102,576**	**(101,102,576)**	**–**		

Notes:

1. *Mr. Tang resigned as an executive director and the chief executive officer of MAGHL on 15 September 2012; and the abovementioned share options granted to him lapsed one month after his resignation pursuant to the terms of the Old MAGHL Scheme.*

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

3. *The vesting period of each tranche of the above share options is from the date of grant of share option until the respective date of commencement of the exercise period.*

4. *The closing price per MAGHL Share immediately before the dates on which the share options were granted, which were 26 August 2011 and 17 January 2012, were HK$0.2 and HK$0.138 respectively.*

(3) Lai Fung

On 18 December 2012, Lai Fung, a non-wholly-owned subsidiary of the Company listed on the Main Board of the Stock Exchange, adopted a new share option scheme ("**New Lai Fung Scheme**") as well as terminated its share option scheme adopted on 21 August 2003 ("**Old Lai Fung Scheme**"). Upon the termination of the Old Lai Fung Scheme, no further share options will be granted thereunder but the subsisting options granted prior to the termination will continue to be valid and exercisable. The adoption of the New Lai Fung Scheme and the termination of the Old Lai Fung Scheme were also approved by the Shareholders at a special general meeting of the Company held on 18 December 2012 pursuant to the requirement of Rule 17.01(4) of the Listing Rules.

The New Lai Fung Scheme will remain in force for a period of 10 years commencing on its adoption date. The initial maximum number of shares of Lai Fung of HK$0.10 each ("**Lai Fung Shares**") issuable pursuant to the New Lai Fung Scheme is 1,609,591,295, being 10% of the total number of Lai Fung Shares in issue on the date of approval of the New Lai Fung Scheme. Other details of the New Lai Fung Scheme are set out in the respective circulars of the Company and Lai Fung both dated 1 December 2012.

As at 31 July 2013 and the date of approval of these Financial Statements, Lai Fung might grant further options under the New Lai Fung Scheme to subscribe for a maximum of 1,142,864,865 Lai Fung Shares (representing about 7.10% of the Lai Fung Shares in issue); and Lai Fung had a total of 547,205,994 underlying Lai Fung Shares comprised in options outstanding under the New Lai Fung Scheme (representing about 3.40% of its total issued shares), of which a share option comprising 80,479,564 underlying Lai Fung Shares was granted under the Old Lai Fung Scheme and share options comprising 466,726,430 underlying Lai Fung Shares were granted under the New Lai Fung Scheme.

REPORT OF THE DIRECTORS

Movements of the share options granted under the Old Lai Fung Scheme and the New Lai Fung Scheme during Year are as follows:

Category/Name of participants	Date of grant *(Note 1)*	Number of underlying Lai Fung Shares comprised in share options: As at 1 August 2012	Granted during the year	Lapsed during the year	As at 31 July 2013	Exercise Period (dd/mm/yyyy)	Exercise price per Lai Fung Share *(Note 2)* HK$
Directors of Lai Fung							
Chew Fook Aun *(Note 3)*	12/06/2012	80,479,564	–	–	80,479,564	12/06/2012 - 11/06/2020	0.133
Cheng Shin How	18/01/2013	–	32,191,825	–	32,191,825	18/01/2013 - 17/01/2023	0.228
Lam Hau Yin, Lester *(Note 4)*	18/01/2013	–	160,959,129	–	160,959,129	18/01/2013 - 17/01/2023	0.228
Lau Shu Yan, Julius	18/01/2013	–	48,287,738	–	48,287,738	18/01/2013 - 17/01/2023	0.228
Total		**80,479,564**	**241,438,692**	**–**	**321,918,256**		
Employees & other eligible participants							
Lam Kin Ngok, Peter *(Note 5)*	18/01/2013	–	16,095,912	–	16,095,912	18/01/2013 - 17/01/2023	0.228
Employees (in aggregate)	18/01/2013	–	201,191,826	(8,000,000)	193,191,826	18/01/2013 - 17/01/2023	0.228
	26/07/2013	–	16,000,000	–	16,000,000	26/07/2013 - 25/07/2023	0.190
Total		**–**	**233,287,738**	**(8,000,000)**	**225,287,738**		
Grand Total		**80,479,564**	**474,726,430**	**(8,000,000)**	**547,205,994**		

Notes:

1. *The above share options were vested on the date of grants.*
2. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in Lai Fung's share capital.*
3. *Mr. FA Chew was appointed an executive director of Lai Fung with effect from 5 June 2012 and subsequently elected as the chairman of Lai Fung on 1 November 2012.*
4. *Mr. Lester Lam is the chief executive officer and an executive director of Lai Fung.*
5. *Dr. Peter Lam, a substantial shareholder of Lai Fung, was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012.*
6. *The closing price of each Lai Fung Share immediately before the dates on which the share options were granted (i.e. 12 June 2012, 18 January 2013 and 26 July 2013) were HK$0.135, HK$0.227 and HK$0.192, respectively.*

No share options had been granted, exercised, cancelled or lapsed under the Old Lai Fung Scheme during the Year.

Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed under the New Lai Fung Scheme during the Year.

Further details of the Lai Fung Schemes are included in Note 41(c) to the Financial Statements.

DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2013 and their respective associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) on that date as required (a) 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 Part XV of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**") or (d) as otherwise known by the Directors:

(1) Interests in the Company

		Long positions in the Shares and underlying Shares				
		Number of Shares		Share options		Approximate percentage of total issued Shares
Name of Directors	**Capacity**	**Personal interests**	**Corporate interests**	**Personal interests**	**Total**	
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	2,794,443	496,404,186 *(Note 1)*	1,243,212 *(Note 1)*	500,441,841	40.25%
Andrew Y. Yan	Owner of controlled corporations	Nil	125,000,000 *(Note 2)*	Nil	125,000,000	10.05%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	12,432,121 *(Note 3)*	15,226,564	1.22%
Chew Fook Aun	Beneficial owner	Nil	Nil	6,216,060 *(Note 3)*	6,216,060	0.50%
Lui Siu Tsuen, Richard	Beneficial owner	Nil	Nil	3,729,636 *(Note 3)*	3,729,636	0.30%

Notes:

1. *As at 31 July 2013, Dr. Peter Lam, an ED, was deemed to be interested in 496,404,186 Shares (approximately 39.93% of the issued shares of the Company) indirectly owned by LSD by virtue of his personal and deemed controlling shareholding interests of approximately 40.05% in LSG. LSD was approximately 49.97% directly and indirectly owned by LSG. LSG was approximately 10.06% owned by Dr. Peter Lam and approximately 29.99% owned by Wisdoman Limited, which was in turn 50% beneficially owned by Dr. Peter Lam.*

   Details of the share option granted to Dr. Peter Lam under the share option scheme of the Company are shown in the section headed "Share Option Schemes" of this Report.

2. *Mr. Yan was deemed to be interested in 125,000,000 Shares owned by SAIF Partners IV LP, as the said limited partnership was indirectly controlled by Mr. Yan as a director and the sole shareholder of SAIF IV GP Capital Limited which was the sole general partner of SAIF IV GP LP which in turn is the sole general partner of SAIF Partners IV LP.*

3. *Details of the share option granted to Messrs. Lester Lam, FA Chew and Richard Lui under the share option scheme of the Company are shown in the section headed "Share Option Schemes" of this Report.*

(2) Interests in Associated Corporations

(i) MAGHL

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

	Long positions in the ordinary shares of MAGHL of HK$0.01 each ("MAGHL Shares") and underlying MAGHL Shares					
	Number of MAGHL Shares		Number of underlying MAGHL Shares			Approximate percentage of total issued MAGHL Shares
Name of Director	Corporate interests	Other interests	Corporate interests	Other interests	Total	*(Note 1)*
Lam Kin Ngok, Peter	6,712,925,500	1,521,093,209 *(Note 2)*	14,132,500,000 *(Note 3)*	9,650,479,894 *(Note 2)*	32,016,998,603	243.66%

Notes:

1. *The total number of issued shares of MAGHL as at 31 July 2013 (i.e. 13,140,257,612 MAGHL shares) has been used in the calculation of the approximate percentage.*

2. *Pursuant to S.317 of the SFO and by virtue of his deemed controlling shareholding interests in the Company, Dr. Peter Lam was deemed to be interested in 1,521,093,209 MAGHL Shares and 9,650,479,894 underlying MAGHL Shares (totalling 11,171,573,103 MAGHL Shares) held by the parties (other than MAGHL) to a subscription agreement dated 23 March 2011 ("**Subscription Agreement**") and entered into amongst Perfect Sky and such parties for the subscription of certain shares in and convertible notes of MAGHL.*

3. *This represents, in aggregate, the 8,632,500,000 underlying MAGHL Shares comprised in the first completion convertible notes issued to Perfect Sky by MAGHL on 9 June 2011 ("**First Completion Date**") and 5,500,000,000 underlying MAGHL Shares comprised in the second completion convertible notes issued by MAGHL to Perfect Sky on 9 June 2012, i.e. the first anniversary of the First Completion Date, pursuant to the Subscription Agreement described in Note 2 just above.*

(ii) Lai Fung

		Long positions in the ordinary shares of Lai Fung of HK$0.10 each ("Lai Fung Shares") and underlying Lai Fung Shares				
		Number of Lai Fung Shares		Lai Fung share options		Approximate percentage of total issued Lai Fung Shares
Name of Director	Capacity	Personal interests	Corporate interests	Personal interests	Total	
Lam Kin Ngok, Peter	Beneficial owner/ Owner of controlled corporations	Nil	7,960,375,422 *(Note 1)*	16,095,912 *(Note 1)*	7,976,471,334	49.56%
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	160,959,129 *(Note 2)*	160,959,129	1.00%
Chew Fook Aun	Beneficial owner	Nil	Nil	80,479,564 *(Note 3)*	80,479,564	0.50%

Notes:

1. *As at 31 July 2013, by virtue of his deemed controlling shareholding interests in the Company as described in Note 1 of paragraph (I) "Interests in the Company" above, Dr. Peter Lam (who was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012) was deemed to be interested in 7,960,375,422 Lai Fung Shares (approximately 49.46% of the Lai Fung Shares in issue) indirectly held by the Company.*

   Details of the share option granted to Dr. Peter Lam under the share option scheme of Lai Fung are shown in the section headed "Share Option Schemes" of this Report.

2. *Details of the share option granted to Mr. Lester Lam (currently also the Chief Executive Officer and an executive director of Lai Fung) under the share option scheme of Lai Fung are shown in the section headed "Share Option Schemes" of this Report.*

3. *Details of the share option granted to Mr. FA Chew (currently also the chairman and an executive director of Lai Fung) under the share option scheme of Lai Fung are shown in the section headed "Share Option Schemes" of this Report.*

In addition, by virtue of his deemed controlling shareholding interests in the Company as described in Note 1 of paragraph (I) "*Interests in the Company*" above, as at 31 July 2013, Dr. Peter Lam was also deemed to be interested in a principal amount of US$1,025,000 in the 9.125% senior notes due 2014 issued by Lai Fung, which was beneficially owned by a wholly-owned subsidiary of the Company.

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' interests*" in this Report above and in Note 41 to the Financial Statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

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

	Long positions in the Shares and Underlying Shares		
Name	**Capacity**	**Number of Shares held**	**Approximate percentage of total issued Shares**
Substantial Shareholders			
Lai Sun Development Company Limited *(Note 1)*	Owner of controlled corporation	496,404,186	39.93% *(Note 3)*
Lai Sun Garment (International) Limited *(Note 2)*	Owner of controlled corporations	496,404,186	39.93% *(Note 3)*
Dr. Lam Kin Ngok, Peter	Beneficial owner/Owner of controlled corporations	500,441,841	40.25% *(Note 3)*
SAIF Partners IV LP	Beneficial owner	125,000,000	10.05% *(Note 4)*
SAIF IV GP LP	Owner of controlled corporation	125,000,000	10.05% *(Note 4)*
SAIF IV GP Capital Limited	Owner of controlled corporations	125,000,000	10.05% *(Note 4)*
Mr. Andrew Y. Yan	Owner of controlled corporations	125,000,000	10.05% *(Note 4)*
Other Persons			
Atlantis Capital Holdings Limited	Owner of controlled corporations	120,000,000	9.65% *(Note 5)*
Ms. Liu Yang	Owner of controlled corporations	120,000,000	9.65% *(Note 5)*

Notes:

1. *As at 31 July 2013, Dr. Peter Lam, Mr. FA Chew and Mr. Lester Lam, all EDs, were also executive directors of LSD. Madam U, a NED, was also a non-executive director of LSD.*

2. *As at 31 July 2013, Dr. Peter Lam, Mr. FA Chew and Mr. Lester Lam, all EDs, and Madam U, a NED, were also executive directors of LSG.*

3. *Dr. Peter Lam and LSG were deemed to be interested in the same 496,404,186 Shares held by LSD. Please refer to Note 1 of paragraph (1) in the "Directors' Interests" section above for further details.*

4. *Mr. Yan, a NED, was deemed to be interested in the same 125,000,000 Shares owned by SAIF Partners IV LP, SAIF IV GP LP and SAIF IV GP Capital Limited. Please refer to Note 2 of paragraph (1) in the "Directors' Interests" section above for further details.*

5. *Ms. Liu was deemed to be interested in the same 120,000,000 Shares controlled by Atlantis Capital Holdings Limited by virtue of her directorship/controlling interest in such company.*

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

CONVERTIBLE NOTES

Details of the convertible notes issued by the Group are set out in Note 36 to the Financial Statements.

FIXED RATE SENIOR NOTES

Details of the fixed rate senior notes issued by the Group during the Year, together with the reasons therefor, are set out in Note 37 to the Financial Statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 40 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in Note 42 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**"), comprised retained profits of HK$691,206,000 and contributed surplus of HK$845,455,000.

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

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

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

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

REPORT OF THE DIRECTORS

PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

In addition, the Group did not redeem any of the 9.125% senior notes due 2014, which are listed and traded on the Singapore Exchange Securities Trading Limited nor the 6.875% senior notes due 2018 (collectively "**Notes**", issued by Lai Fung), which are listed and traded on the Stock Exchange. The Group did not purchase or sell any of such Notes during the Year.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in Notes 13 and 16 to the Financial Statements, respectively. Further details of the Group's investment properties are set out in "*Particulars of Major Properties*" section in this Annual Report.

PROPERTIES UNDER DEVELOPMENT

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

DONATIONS FOR CHARITABLE AND OTHER PURPOSES

During the Year, the Group made contributions for charitable or other purposes totalling HK$1,124,000.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2013 are set out in Note 14 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

Pursuant to two loan facility agreements both dated 28 March 2013 (as amended and restated), Lai Fung shall procure that Dr. Peter Lam, his family members and inter alias, LSG, LSD and the Company (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 Lai Fung 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.

SUMMARY OF FINANCIAL INFORMATION

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

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 24 to 35.

INDEPENDENCE OF INEDs

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

REVIEW BY AUDIT COMMITTEE

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in Note 52 to the Financial Statements.

INDEPENDENT AUDITORS

The Financial Statements 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 recommendation of the Audit Committee, a resolution for the re-appointment of Ernst & Young as the independent auditors of the Company for the ensuing year will be put to the forthcoming AGM for Shareholders' approval.

On Behalf of the Board

Low Chee Keong
Chairman

Hong Kong
9 October 2013

SHAREHOLDERS' INFORMATION

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

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

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

(b) Bermuda

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

(c) Consultation with professional advisers

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

KEY DATES

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

	For Financial Year 2012/2013
Annual results announcement for the year ended 31 July 2013	9 October 2013
Latest time and date to lodge transfer documents with the Hong Kong branch share registrars for entitlement to attending and voting at the 2013 annual general meeting ("**2013 AGM**")	4:30 p.m. on 19 November 2013
2013 AGM	10:30 a.m. on 22 November 2013
	For Financial Year 2013/2014
Interim results announcement for the six months ending 31 January 2014	on or before 31 March 2014
Annual results announcement for the year ending 31 July 2014	on or before 31 October 2014
2014 AGM	November 2014

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Ernst & Young
安 永

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

We have audited the consolidated financial statements of eSun Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 64 to 188, 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, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITORS' REPORT

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.

Emst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

9 October 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
TURNOVER	6	**2,631,699**	702,151
Cost of sales		**(1,851,047)**	(447,278)
Gross profit		**780,652**	254,873
Other revenue	6	**179,378**	60,799
Selling and marketing expenses		**(178,514)**	(100,873)
Administrative expenses		**(602,841)**	(358,047)
Other operating gains		**68,242**	11,801
Other operating expenses		**(155,860)**	(114,579)
Fair value gains on investment properties	16	**660,708**	–
Fair value loss on a forward contract	36	**–**	(63,332)
Gain on bargain purchase of subsidiaries, net	43	**–**	1,350,405
PROFIT FROM OPERATING ACTIVITIES		**751,765**	1,041,047
Finance costs	8	**(226,256)**	(46,416)
Share of profits and losses of joint ventures		**(21,986)**	8,903
Share of profits and losses of associates		**(640)**	99,138
PROFIT BEFORE TAX	7	**502,883**	1,102,672
Income tax expense	10	**(305,820)**	(16,661)
PROFIT FOR THE YEAR		**197,063**	1,086,011
Attributable to:			
Owners of the Company	11	**(17,208)**	1,161,588
Non-controlling interests		**214,271**	(75,577)
		197,063	1,086,011
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic		**(HK$0.014)**	HK$0.934
Diluted		**(HK$0.014)**	HK$0.934

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
PROFIT FOR THE YEAR		**197,063**	1,086,011
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange realignment on translation of foreign operations		**308,005**	1,284
Change in fair value of an available-for-sale investment		**8,570**	–
Share of other comprehensive income of joint ventures		**25,689**	–
Share of other comprehensive income of associates		**–**	60,075
Release of reserves upon disposal of an associate	43(a)	**–**	(253,078)
Net loss on cash flow hedges	38	**(59,761)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX		**282,503**	(191,719)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**479,566**	894,292
Attributable to:			
Owners of the Company		**126,982**	969,802
Non-controlling interests		**352,584**	(75,510)
		479,566	894,292

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2013

	Notes	**2013 HK$'000**	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,736,990**	2,051,020
Properties under development	15	**495,504**	1,253,651
Investment properties	16	**11,867,497**	10,786,016
Film rights	17	**47,225**	47,317
Film products	18	**101,223**	74,235
Music catalogs	19	**20,665**	31,999
Goodwill	20	**10,435**	10,182
Other intangible assets	21	**64,018**	71,467
Investments in joint ventures	22	**1,092,289**	1,115,588
Investments in associates	23	**17,856**	6,035
Available-for-sale investments	24	**158,491**	166,209
Deposits, prepayments and other receivables	25	**89,147**	78,211
Total non-current assets		**16,701,340**	15,691,930
CURRENT ASSETS			
Properties under development	15	**1,059,062**	510,318
Completed properties for sale		**1,480,161**	2,683,650
Loans receivable	26	**11,000**	23,517
Films under production	27	**141,376**	134,771
Inventories	28	**8,987**	8,892
Debtors	29	**166,735**	160,799
Deposits, prepayments and other receivables	25	**478,296**	258,716
Options	30	**21,579**	32,491
Prepaid tax		**47,092**	49,513
Pledged and restricted time deposits and bank balances	31	**2,057,388**	952,875
Cash and cash equivalents	31	**4,832,685**	3,211,249
Total current assets		**10,304,361**	8,026,791
CURRENT LIABILITIES			
Creditors and accruals	32	**881,573**	890,609
Deposits received and deferred income		**285,655**	409,877
Tax payable		**504,784**	352,109
Finance lease payables	33	**74**	119
Interest-bearing bank loans, secured	34	**617,470**	1,559,357
Convertible notes	36	**190,882**	–
Fixed rate senior notes	37	**1,427,090**	–
Total current liabilities		**3,907,528**	3,212,071
NET CURRENT ASSETS		**6,396,833**	4,814,720
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,098,173**	20,506,650

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,098,173**	20,506,650
NON-CURRENT LIABILITIES			
Long term deposits received		**77,021**	68,045
Finance lease payables	33	**66**	128
Interest-bearing bank loans, secured	34	**1,774,856**	358,342
Other borrowings	35	**234,515**	227,454
Convertible notes	36	**60,357**	227,232
Fixed rate senior notes	37	**2,223,610**	1,419,334
Derivative financial instruments	38	**43,712**	–
Deferred tax liabilities	39	**2,367,086**	2,339,330
Total non-current liabilities		**6,781,223**	4,639,865
Net assets		**16,316,950**	15,866,785
EQUITY			
Equity attributable to owners of the Company			
Issued capital	40	**621,606**	621,606
Reserves	42(a)	**7,685,314**	7,376,294
		8,306,920	7,997,900
Non-controlling interests		**8,010,030**	7,868,885
Total equity		**16,316,950**	15,866,785

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2013

Group

		Attributable to owners of the Company											
	Notes	**Issued capital** HK$'000	**Share premium account** HK$'000	**Contributed surplus** HK$'000 *(note 1)*	**Share option reserve** HK$'000	**Investment revaluation reserve** HK$'000	**Hedge reserve** HK$'000	**Exchange reserve** HK$'000	**Other reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 August 2012		621,606	4,230,797	891,289	2,741	–	–	31,672	208,886	2,010,909	7,997,900	7,868,885	15,866,785
Profit/(loss) for the year		–	–	–	–	–	–	–	–	(17,208)	(17,208)	214,271	197,063
Other comprehensive income/(loss) for the year, net of tax:													
Exchange realignment on translation of foreign operations		–	–	–	–	–	–	152,663	–	–	152,663	155,342	308,005
Change in fair value of an available-for-sale investment		–	–	–	–	8,570	–	–	–	–	8,570	–	8,570
Share of other comprehensive income of joint ventures		–	–	–	–	–	–	12,452	21	–	12,473	13,216	25,689
Net loss on cash flow hedges	38	–	–	–	–	–	(29,516)	–	–	–	(29,516)	(30,245)	(59,761)
Total comprehensive income/(loss) for the year		–	–	–	–	8,570	(29,516)	165,115	21	(17,208)	126,982	352,584	479,566
Equity-settled share option arrangements	41(a)	–	–	–	12,708	–	–	–	–	–	12,708	27,298	40,006
Acquisition of additional interests in a subsidiary	14(a)	–	–	–	–	–	–	–	166,364	–	166,364	(212,959)	(46,595)
Release of reserves upon lapse of share options		–	–	–	(191)	–	–	–	–	3,157	2,966	(2,966)	–
Dividend paid to non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	(22,812)	(22,812)
At 31 July 2013		**621,606**	**4,230,797***	**891,289***	**15,258***	**8,570***	**(29,516)***	**196,787***	**375,271***	**1,996,858***	**8,306,920**	**8,010,030**	**16,316,950**

* *These reserve accounts comprise the consolidated reserves of HK$7,685,314,000 (2012: HK$7,376,294,000) in the consolidated statement of financial position.*

notes:

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

2. *No dividend was paid or proposed during the year ended 31 July 2013 (2012: Nil), nor has any dividend been proposed since the end of the reporting period.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2013

Group (continued)

		Attributable to owners of the Company								Non-controlling interests	Total equity
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(note 1)*	Share option reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 August 2011		621,606	4,230,797	891,289	2,145	223,458	21,015	847,176	6,837,486	138,245	6,975,731
Profit/(loss) for the year		–	–	–	–	–	–	1,161,588	1,161,588	(75,577)	1,086,011
Other comprehensive income/(loss) for the year, net of tax:											
Exchange realignment on translation of foreign operations		–	–	–	–	1,217	–	–	1,217	67	1,284
Share of other comprehensive income of associates		–	–	–	–	54,656	5,419	–	60,075	–	60,075
Release of reserves upon disposal of an associate	43(a)	–	–	–	–	(247,659)	(5,419)	–	(253,078)	–	(253,078)
Total comprehensive income/(loss) for the year		–	–	–	–	(191,786)	–	1,161,588	969,802	(75,510)	894,292
Acquisition of subsidiaries	43	–	–	–	–	–	–	–	–	7,633,988	7,633,988
Equity-settled share option arrangements	41(a)	–	–	–	2,741	–	–	–	2,741	8,708	11,449
Deemed acquisition of partial interests in a subsidiary arising from conversion of convertible notes and placing of new shares of a subsidiary	36	–	–	–	–	–	135,338	–	135,338	155,499	290,837
Acquisition of additional interests in a subsidiary	14(a)	–	–	–	–	–	52,533	–	52,533	(63,331)	(10,798)
Release of reserves upon lapse of share options		–	–	–	(2,145)	–	–	2,145	–	–	–
Recognition of equity component of convertible notes	36	–	–	–	–	–	–	–	–	71,286	71,286
At 31 July 2012		621,606	4,230,797	891,289	2,741	31,672	208,886	2,010,909	7,997,900	7,868,885	15,866,785

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		**502,883**	1,102,672
Adjustments for:			
Fair value gains on investment properties	16	**(660,708)**	–
Finance costs	8	**226,256**	46,416
Gain on bargain purchase of subsidiaries, net	43	**–**	(1,350,405)
Share of profits and losses of joint ventures		**21,986**	(8,903)
Share of profits and losses of associates		**640**	(99,138)
Interest income	6	**(36,112)**	(21,211)
Gains on disposal of equity investments at fair value through profit or loss	7	**–**	(4,911)
Fair value loss on a forward contract	36	**–**	63,332
Depreciation	7	**115,902**	24,421
Impairment of completed properties for sale	7	**7,860**	–
Impairment of an available-for-sale investment	7	**16,300**	35,805
Impairment of music catalogs	7	**9,000**	11,400
Impairment of films under production	7	**672**	967
Impairment of goodwill	7	**–**	3,477
Fair value loss/(gain) on options	7	**10,912**	(1,080)
Amortisation of film rights	7	**18,116**	10,447
Amortisation of film products	7	**111,646**	103,110
Amortisation of music catalogs	7	**4,734**	4,888
Amortisation of other intangible assets	7	**9,102**	3,042
Provision for doubtful debts	7	**1,303**	1,019
Provision for advances and other receivables	7	**405**	14,231
Provision for amounts due from joint ventures	7	**3,324**	–
Reversal of provision for advances and other receivables	7	**(32)**	(1,096)
Loss on disposal/write-off of items of property, plant and equipment	7	**438**	751
Provision for inventories	7	**115**	464
Equity-settled share option expense		**24,636**	11,449
Foreign exchange differences, net	7	**(43,648)**	–
		345,730	(48,853)
Increase in properties under development		**(264,159)**	(90,588)
Decrease in completed properties for sale		**1,095,526**	66,129
Increase in inventories		**(210)**	(1,502)
Additions of films under production	27	**(145,911)**	(131,423)
Additions of film products	18	**–**	(293)
Decrease/(increase) in debtors		**(7,325)**	6,921
Increase in long term deposits received		**8,976**	7,457
Increase in deposits, prepayments and other receivables		**(187,776)**	(67,315)
Increase/(decrease) in creditors and accruals		**47,298**	(83,741)
Increase/(decrease) in deposits received and deferred income		**(124,222)**	75,686
Cash generated from/(used in) operations		**767,927**	(267,522)
Hong Kong taxes refunded/(paid)		**(233)**	862
Mainland China taxes paid, net		**(177,599)**	(21,725)
Net cash flows generated from/(used in) operating activities		**590,095**	(288,385)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**36,100**	21,360
Additions of film rights	17	**(18,024)**	(3,150)
Decrease/(increase) in loans receivable		**12,517**	(12,517)
Increase in investment properties		**(161,729)**	(22,254)
Dividend income from an associate		**–**	16,328
Dividend income from a joint venture		**500**	–
Proceeds from disposal of items of property, plant and equipment		**41**	265
Purchases of items of property, plant and equipment		**(83,395)**	(31,730)
Deposit paid for a proposed acquisition	52(a)	**(12,500)**	–
Purchases of available-for-sale investments		**–**	(123,045)
Purchases of equity investments at fair value through profit or loss		**–**	(45,462)
Advances to joint ventures		**(20,465)**	(5,195)
Repayment from joint ventures		**50,060**	–
Net proceeds from issue of convertible notes		**–**	70,512
Net proceeds from disposal of equity investments at fair value through profit or loss		**–**	51,847
Advances to associates		**(12,461)**	(5,869)
Acquisition of subsidiaries	43	**–**	1,136,329
Acquisition of additional interests in a subsidiary	14(a)	**(46,595)**	(10,798)
Capital contribution to a joint venture		**(6,417)**	(6,151)
Increase in pledged and restricted time deposits and bank balances		**(1,104,513)**	(202,894)
Net cash flows generated from/(used in) investing activities		**(1,366,881)**	827,576
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares placement of a subsidiary	36	**–**	290,837
Purchase of fixed rate senior notes		**–**	(6,218)
New bank loans, net of direct costs		**1,881,303**	128,845
Repayment of bank loans		**(1,474,102)**	(35,941)
Net proceeds from issue of fixed rate senior notes (the "2013 Notes")	37	**2,205,883**	–
Realised exchange gain from conversion of the 2013 Notes		**30,987**	–
Capital element of finance lease rental payments		**(107)**	(125)
Interest and bank financing charges paid		**(237,349)**	(19,341)
Dividend paid to non-controlling shareholders of a subsidiary		**(22,812)**	–
Net cash flows generated from financing activities		**2,383,803**	358,057
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,607,017**	897,248
Cash and cash equivalents at beginning of year		**3,211,249**	2,311,490
Effect of foreign exchange rate changes, net		**14,419**	2,511
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,832,685**	3,211,249
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	31	**2,179,783**	819,745
Non-pledged and non-restricted time deposits	31	**2,652,902**	2,391,504
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**4,832,685**	3,211,249

STATEMENT OF FINANCIAL POSITION

31 July 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**51**	216
Investments in subsidiaries	14	**6,055,824**	6,135,054
Deposits, prepayments and other receivables	25	**23,158**	10,658
Total non-current assets		**6,079,033**	6,145,928
CURRENT ASSETS			
Deposits, prepayments and other receivables	25	**440**	645
Cash and cash equivalents	31	**502,731**	390,820
Total current assets		**503,171**	391,465
CURRENT LIABILITIES			
Creditors and accruals	32	**1,988**	2,145
NET CURRENT ASSETS		**501,183**	389,320
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,580,216**	6,535,248
NON-CURRENT LIABILITIES			
Other borrowings	35	**175,894**	170,254
Net assets		**6,404,322**	6,364,994
EQUITY			
Issued capital	40	**621,606**	621,606
Reserves	42(b)	**5,782,716**	5,743,388
Total equity		**6,404,322**	6,364,994

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

1. CORPORATE INFORMATION

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

During the year, the Company and its subsidiaries were involved in the following principal activities:

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

Details of the principal activities of the principal subsidiaries and joint ventures are set out in notes 14 and 22 to the financial statements, respectively.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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, options, derivative financial instruments and certain available-for-sale investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 July 2013. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

NOTES TO FINANCIAL STATEMENTS

31 July 2013

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

The Group had early adopted the following new and revised HKFRSs in advance of their respective effective dates for the first time in the last year's financial statements.

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

Except for HKFRS 10 *Consolidated Financial Statements* (as mentioned in note 14(a) below) and HKFRS 12 *Disclosure of Interests in Other Entities* of which certain disclosures for subsidiaries, joint arrangements and associates in the Group's financial statements were affected, the adoption of the above new and revised HKFRSs had no material impact on the financial statements of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[1]
HKFRS 9	*Financial Instruments*[3]
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 *Financial Instruments* and HKFRS 7 *Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[2]
HKFRS 13	*Fair Value Measurement*[1]
HKAS 19 (2011)	*Employee Benefits*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[2]
HKAS 36 Amendments	Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*[2]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[2]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[1]
HK(IFRIC)-Int 21	*Levies*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[1]

[1] *Effective for annual periods beginning on or after 1 January 2013*

[2] *Effective for annual periods beginning on or after 1 January 2014*

[3] *Effective for annual periods beginning on or after 1 January 2015*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

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

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

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

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

Associates

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

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

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

Joint arrangements

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture

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

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

The results of joint ventures are included in the Company's income statement to the extent of dividends 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 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 within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in the 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 the income statement as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (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.

Impairment of non-financial assets

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

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

An assessment is made at the end of each reporting period as to whether there is 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

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

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

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 the lower of cost and net realisable value. Cost comprises the prepaid land lease payments, or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period. Net realisable value is determined by the directors based on the prevailing market prices on an individual property basis less estimated costs of completion and costs to be incurred in selling the property.

Once the development 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 cost 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 the income statement.

Music catalogs

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

(i) Artiste management contracts

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

(ii) Services contract

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

Film rights, film products and films under production

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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 interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

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

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

Options

For accounting purpose, options (as defined in note 30) are classified as derivative financial instruments under HKAS 39. The options are subsequently re-measured at fair value with changes in fair value recognised in the income statement. Options are carried as an asset when the fair values are positive and as a liability when the fair values are negative.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

Derecognition of financial assets

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

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

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

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

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

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, interest-bearing bank borrowings, other borrowings, convertible notes, fixed rate senior notes and derivative financial instruments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Loans and borrowings

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

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

Forward contract

For accounting purpose, the forward contract on the Second Completion Convertible Notes (note 36) is classified as a derivative financial instrument under HKAS 39. The forward contract recognised at its fair value as an asset or a liability on the commitment date and is subsequently re-measured at fair value with changes in fair value recognised in the income statement. The forward contract is carried as an asset when its fair value is positive and as a liability when its fair value is negative.

Convertible notes

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

Financial guarantee contracts

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as 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. Derivatives are carried as asset when the fair value is positive and as 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.

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 the income statement, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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 the income statement.

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.

Inventories

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

Provisions

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

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under 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 building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when 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) turnover from entertainment events organised by the Group, when the events are completed;

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 July 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

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

(m) interest income, on an accrual basis using the effective interest method by applying the rate that 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

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

Employee benefits

Share-based payment

The Group operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based 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 by using the black-scholes model and binomial option pricing model, further details of which are given in note 41 to the financial statements.

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

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

Employee benefits (continued)

Retirement benefit schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of 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.

Foreign currencies

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Dividends

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

Mainland China Land Appreciation Tax ("LAT")

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

Related parties

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

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

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

or

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

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

NOTES TO FINANCIAL STATEMENTS

31 July 2013

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

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) Control over Lai Fung Holdings Limited ("Lai Fung")

Lai Fung became a subsidiary of the Group during the year ended 31 July 2012 because the Group increased its shareholding in Lai Fung from 40.58% to 47.39% upon the completion of the open offer of Lai Fung (the "Open Offer") on 11 June 2012. The remaining shareholdings are held by numerous shareholders, except for a few shareholders held an aggregate of approximately 27%. Subsequent to the Open Offer, the Group acquired additional shares of Lai Fung from the public shareholders and the shareholding in Lai Fung increased from 47.39% to 47.87% as at 31 July 2012. During the current year, the Group acquired additional shares of Lai Fung from the public shareholders and the shareholding in Lai Fung further increased from 47.87% to 49.46% as at 31 July 2013. Subsequent to the year end date 31 July 2013, the Group acquired additional shares of Lai Fung from the public shareholders and the shareholding in Lai Fung further increased to 49.87% as at the date of approval of these financial statements.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

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.

(iii) 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 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.

(iv) Impairment of non-financial assets

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

(v) Income tax

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

As explained in note 39 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.

NOTES TO FINANCIAL STATEMENTS

31 July 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

(i) Accounting for film rights and film products

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

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

These estimated projected revenues can change significantly due to a variety of factors. Based on information available on the actual results of films, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projections or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amounts of film rights and film products are disclosed in notes 17 and 18, to the financial statements, respectively.

(ii) Estimation of fair value of investment properties

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

(v) Useful lives of other intangible assets

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

(vi) Impairment of other intangible assets

The Group assesses at the end of each reporting period whether there is an indication that other intangible assets may be impaired. If any indication exists, the Group estimates the recoverable amount of the other intangible assets. The Group measures the recoverable amount of the other intangible assets with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from other intangible assets and a suitable discount rate in order to calculate the present value. The carrying amount of other intangible assets is disclosed in note 21 to the financial statements.

(vii) Accounting for music catalogs

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

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

Based on this information, management reviews and revises, when necessary, the estimated projected revenues at regular intervals. Such change in revenue projection or estimations may result in a change in the rate of amortisation and/or the write-down of the carrying values of the assets to fair value. This could have an impact on the Group's results of operations. The carrying amount of music catalogs is disclosed in note 19 to the financial statements.

(viii) Impairment of loans and receivables

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ix) Impairment of trade and other receivables

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

(x) Fair values of derivative financial instruments

Where fair values 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 judgements include considerations of inputs such as cash flow projections, the discount rate, adjustment factors to the stock price, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of derivative financial instruments. The fair values of the Group's options and derivative financial instruments are disclosed in notes 30 and 38, to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

(e) the corporate and others segment comprises business segments not constituting a reportable segment individually, and including advertising agency services, sale of cosmetic products, together with corporate income and expense items.

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

Segment assets exclude available-for-sale investments, prepaid tax and other unallocated corporate assets as these assets are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION (continued)

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

There were no material intersegmental sales and transfers during the year (2012: Nil). Segment results for the year ended 31 July 2012 include segment results of Lai Fung since its consolidation into the Group upon completion of the Open Offer on 11 June 2012. Before the consolidation, the results of Lai Fung were included as share of profits and losses of associates for the year ended 31 July 2012.

Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue:												
Sales to external customers	**1,372,194**	90,969	**522,744**	83,386	**413,930**	261,645	**237,229**	195,803	**85,602**	70,348	**2,631,699**	702,151
Other revenue	**1,960**	113	**110,950**	17,003	**5,342**	2,546	**4,667**	5,926	**475**	476	**123,394**	26,064
Total	**1,374,154**	91,082	**633,694**	100,389	**419,272**	264,191	**241,896**	201,729	**86,077**	70,824	**2,755,093**	728,215
Segment results	**28,314**	(5,127)	**934,433**	46,500	**(29,227)**	(46,957)	**(7,701)**	(22,371)	**(202,826)**	(222,992)	**722,993**	(250,947)
Unallocated interest and other gains	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**55,984**	34,735
Fair value gain/(loss) on options	**-**	–	**-**	–	**(10,912)**	1,080	**-**	–	**-**	–	**(10,912)**	1,080
Gain on disposal of equity investments at fair value through profit or loss	**-**	–	**-**	–	**-**	–	**-**	–	**-**	4,911	**-**	4,911
Impairment of an available-for-sale investment	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(16,300)**	(35,805)
Gain on bargain purchase of subsidiaries, net	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	1,350,405
Fair value loss on a forward contract	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(63,332)
Profit from operating activities	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**751,765**	1,041,047
Finance costs	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(226,256)**	(46,416)
Share of profits and losses of joint ventures	**12,053**	(2,763)	**-**	–	**(4,300)**	(1,526)	**(29,739)**	13,192	**-**	–	**(21,986)**	8,903
Share of profits and losses of associates	**-**	–	**-**	–	**(640)**	(575)	**-**	–	**-**	99,713	**(640)**	99,138
Profit before tax											**502,883**	1,102,672
Income tax expense											**(305,820)**	(16,661)
Profit for the year											**197,063**	1,086,011

Segments assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment assets	**3,083,759**	4,494,051	**14,419,896**	12,708,060	**557,750**	506,053	**720,447**	564,488	**6,784,900**	3,989,384	**25,566,752**	22,262,036
Investments in joint ventures	**1,055,965**	1,018,494	**-**	–	**24,397**	16,520	**11,927**	80,574	**-**	–	**1,092,289**	1,115,588
Investments in associates	**-**	–	**-**	–	**406**	179	**17,450**	5,856	**-**	–	**17,856**	6,035
Unallocated assets											**328,804**	335,062
Total assets											**27,005,701**	23,718,721
Segment liabilities	**413,295**	597,138	**324,120**	366,323	**130,442**	87,277	**101,715**	79,834	**274,677**	237,960	**1,244,249**	1,368,532
Unallocated liabilities											**9,444,502**	6,483,404
Total liabilities											**10,688,751**	7,851,936

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4. OPERATING SEGMENT INFORMATION (continued)

Other segment information:

	Property development		Property investment		Media and entertainment		Film production and distribution		Corporate and others		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Depreciation	**2,075**	265	**92,826**	12,798	**2,432**	3,135	**158**	1,779	**18,411**	6,444	**115,902**	24,421
Impairment of completed properties for sale	**7,860**	–	**–**	–	**–**	–	**–**	–	**–**	–	**7,860**	–
Impairment of music catalogs	**–**	–	**–**	–	**9,000**	11,400	**–**	–	**–**	–	**9,000**	11,400
Impairment of films under production	**–**	–	**–**	–	**–**	–	**672**	967	**–**	–	**672**	967
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**–**	3,477	**–**	3,477
Fair value gains on investment properties	**–**	–	**(660,708)**	–	**–**	–	**–**	–	**–**	–	**(660,708)**	–
Fair value loss/(gain) on options	**–**	–	**–**	–	**10,912**	(1,080)	**–**	–	**–**	–	**10,912**	(1,080)
Amortisation of film rights	**–**	–	**–**	–	**–**	–	**18,116**	10,447	**–**	–	**18,116**	10,447
Amortisation of film products	**–**	–	**–**	–	**–**	–	**111,646**	103,110	**–**	–	**111,646**	103,110
Amortisation of music catalogs	**–**	–	**–**	–	**4,734**	4,888	**–**	–	**–**	–	**4,734**	4,888
Amortisation of other intangible assets	**–**	–	**–**	–	**9,102**	3,042	**–**	–	**–**	–	**9,102**	3,042
Provision for/(reversal of provision for) doubtful debts	**–**	–	**–**	–	**1,353**	–	**(50)**	40	**–**	979	**1,303**	1,019
Provision for advances and other receivables	**–**	–	**–**	–	**405**	3,314	**–**	–	**–**	10,917	**405**	14,231
Provision for amounts due from joint ventures	**–**	–	**–**	–	**3,324**	–	**–**	–	**–**	–	**3,324**	–
Reversal of provision for advances and other receivables	**–**	–	**–**	–	**(32)**	(1,096)	**–**	–	**–**	–	**(32)**	(1,096)
Provision for inventories	**–**	–	**–**	–	**–**	–	**–**	–	**115**	464	**115**	464
Additions of property, plant and equipment	**6,260**	281	**38,850**	62	**5,199**	5,668	**849**	262	**6,284**	25,457	**57,442**	31,730
Additions of properties under development	**270,219**	81,089	**–**	–	**–**	–	**–**	–	**–**	–	**270,219**	81,089
Additions of investment properties	**–**	–	**107,362**	14,875	**–**	–	**–**	–	**–**	–	**107,362**	14,875
Additions of film rights	**–**	–	**–**	–	**–**	–	**18,024**	3,150	**–**	–	**18,024**	3,150
Additions of film products	**–**	–	**–**	–	**–**	–	**–**	293	**–**	–	**–**	293
Additions of films under production	**–**	–	**–**	–	**–**	–	**145,911**	131,423	**–**	–	**145,911**	131,423
Additions of music catalogs	**–**	–	**–**	–	**2,400**	–	**–**	–	**–**	–	**2,400**	–
Additions of other intangible assets	**–**	–	**–**	–	**–**	74,825	**–**	–	**–**	–	**–**	74,825

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue:								
Sales to external customers	**276,719**	196,152	**2,312,381**	452,978	**42,599**	53,021	**2,631,699**	702,151
Assets:								
Segment assets:								
– non-current assets	**1,715,820**	1,007,892	**14,703,221**	14,362,434	**587**	–	**16,419,628**	15,370,326
– current assets	**1,533,662**	1,711,527	**8,716,689**	6,298,866	**6,918**	2,940	**10,257,269**	8,013,333
Unallocated assets							**328,804**	335,062
Total assets							**27,005,701**	23,718,721
Other information:								
Additions of property, plant and equipment	**5,912**	25,142	**51,530**	6,588	**-**	–	**57,442**	31,730
Additions of properties under development	**-**	–	**270,219**	81,089	**-**	–	**270,219**	81,089
Additions of investment properties	**-**	–	**107,362**	14,875	**-**	–	**107,362**	14,875
Additions of film rights	**18,024**	3,150	**-**	–	**-**	–	**18,024**	3,150
Additions of film products	**-**	293	**-**	–	**-**	–	**-**	293
Additions of films under production	**145,911**	131,423	**-**	–	**-**	–	**145,911**	131,423
Additions of music catalogs	**2,400**	–	**-**	–	**-**	–	**2,400**	–
Additions of other intangible assets	**-**	–	**-**	74,825	**-**	–	**-**	74,825

Information about a major customer:

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 July 2013 and 2012.

NOTES TO FINANCIAL STATEMENTS

31 July 2013

5. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

		Group	
	Notes	**2013 HK$'000**	2012 HK$'000
Lai Sun Development Company Limited ("LSD") and its subsidiaries (the "LSD Group"), a major shareholder of the Company:			
Rental expense and building management fee paid	(i)	**5,038**	7,766
Rental income and management fee income received	(ii)	**889**	144
Charges paid or payable relating to the serving of food and beverages to the occupants of the serviced apartments	(iii)	**1,642**	221
Joint ventures:			
Consultancy and production service fee paid	(iv)	**3,424**	2,230
Consultancy service income	(iv)	**4,335**	4,300
Interest income received	(v)	**2,979**	3,266
Lai Fung and its subsidiaries (the "Lai Fung Group"), a then associate of the Company:			
Management fee income	(iv)	**–**	736
Advertising agency income	(vi)	**–**	619
Underwriting income from the Open Offer	14(a)	**–**	7,931
Management fee and other service fees paid or payable to a related company	(vii)	**9,061**	1,533

Notes:

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

(ii) The terms of the rental income and management fee income were determined based on the agreements entered into between the Group and the related companies.

(iii) The related company is a subsidiary of LSD which serves food and beverages to the occupants of the serviced apartments of the Group. The terms of the food and beverages charges were determined based on the agreement entered into between the Group and the related company.

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

5. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

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

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

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

Pursuant to the respective agreements, the rental expenses paid or payable by the Group to the LSD Group, rental income received or receivable from the LSD Group, charges paid or payable relating to the serving of food and beverages to the occupants of the serviced apartments, and the management fee and other service fees paid or payable to the subsidiary of CapitaLand Limited constituted continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The details of these continuing connected transactions, which were subject to the reporting requirement set out in Chapter 14A of the Listing Rules, were disclosed under the section of "Continuing connected transactions" of the Report of the Directors.

(b) Compensation of key management personnel of the Group

	Group	
	2013	2012
	HK$'000	HK$'000
Short term employee benefits	**30,709**	20,894
Post-employment benefits	**56**	141
Equity-settled share option expense	**18,360**	6,419
Total compensation paid to key management personnel	**49,125**	27,454

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

NOTES TO FINANCIAL STATEMENTS

31 July 2013

6. TURNOVER AND OTHER REVENUE

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

	Group	
	2013	2012
	HK$'000	HK$'000
Turnover		
Sale of properties	**1,372,194**	90,969
Rental income from investment properties and serviced apartments	**522,744**	83,386
Entertainment event income	**283,539**	180,103
Distribution commission income and licence fee income from film products and film rights	**236,389**	194,054
Album sales, licence income and distribution commission income from music publishing and licensing	**53,423**	46,007
Artiste management fee income	**52,148**	29,658
Advertising agency income	**35,276**	22,192
Sale of products	**70,548**	55,782
Producer fee income and distribution commission income of TV programs	**5,438**	–
	2,631,699	702,151
Other revenue		
Property management fee income	**99,397**	16,027
Bank interest income	**32,243**	16,787
Other interest income	**1,058**	–
Interest income on held-to-maturity debt investments	**–**	1,433
Interest income from an amount due from a joint venture, net	**2,811**	2,991
Consultancy service income from a joint venture, net	**4,098**	4,027
Underwriting income from the Open Offer	**–**	7,931
Others	**39,771**	11,603
	179,378	60,799
	2,811,077	762,950

7. PROFIT BEFORE TAX

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

	Notes	Group 2013 HK$'000	Group 2012 HK$'000
Cost of completed properties sold		**1,249,043**	84,507
Outgoings in respect of rental income		**114,960**	17,804
Cost of film rights, licence rights and film products		**141,521**	115,958
Cost of artiste management services, advertising agency services, and services for entertainment events provided		**307,731**	190,058
Cost of inventories sold		**37,792**	38,951
Total cost of sales		**1,851,047**	447,278
Employee benefit expense (including directors' emoluments *(note 9)*):			
Wages and salaries		**369,676**	187,435
Equity-settled share option expense		**40,006**	11,449
Pension scheme contributions ###		**5,898**	2,692
		415,580	201,576
Capitalised in properties under development/ investment properties under construction		**(75,108)**	(16,881)
		340,472	184,695
Auditors' remuneration		**9,162**	5,592
Depreciation Δ	13	**115,902**	24,421
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events ##		**3,123**	3,295
Others		**25,672**	19,072
Contingent rents incurred for entertainment events ##		**29,913**	12,839
Capitalised in properties under development/ investment properties under construction		**(5,483)**	–
Total operating lease payments		**53,225**	35,206

NOTES TO FINANCIAL STATEMENTS

31 July 2013

7. PROFIT BEFORE TAX (continued)

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

		Group	
	Notes	**2013** **HK$'000**	2012 HK$'000
Impairment of completed properties for sale **		**7,860**	–
Impairment of an available-for-sale investment **	24	**16,300**	35,805
Impairment of music catalogs **	19	**9,000**	11,400
Impairment of films under production #	27	**672**	967
Impairment of goodwill **	20	**–**	3,477
Share of net income from entertainment events organised by co-investors *		**(6,626)**	(6,336)
Fair value loss/(gain) on options **/*	30	**10,912**	(1,080)
Gain on disposal of equity investments at fair value through profit or loss *		**–**	(4,911)
Amortisation of film rights #	17	**18,116**	10,447
Amortisation of film products #	18	**111,646**	103,110
Amortisation of music catalogs #	19	**4,734**	4,888
Amortisation of other intangible assets #	21	**9,102**	3,042
Provision for doubtful debts **	29	**1,303**	1,019
Provision for advances and other receivables #/*	25	**405**	14,231
Provision for amounts due from joint ventures **	22	**3,324**	–
Reversal of provision for advances and other receivables */#	25	**(32)**	(1,096)
Loss on disposal/write-off of items of property, plant and equipment **		**438**	751
Provision for inventories #		**115**	464
Foreign exchange differences, net *		**(43,648)**	248

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

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

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

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

As at 31 July 2013 and 31 July 2012, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

Δ *Depreciation charge of HK$87,901,000 (2012: HK$12,125,000) for serviced apartments and related leasehold improvements are included in "Other operating expenses" on the face of the consolidated income statement.*

8. FINANCE COSTS

An analysis of finance costs is as follows:

		Group	
	Notes	**2013** **HK$'000**	2012 HK$'000
Interest on:			
Bank loans wholly repayable within five years		**90,521**	16,746
Other borrowings wholly repayable within five years		**5,640**	5,653
2007 Notes (as defined in note 37)		**130,823**	21,689
2013 Notes (as defined in note 37)		**37,467**	–
First Completion Convertible Notes (as defined in note 36)	36	**18,640**	16,820
Second Completion Convertible Notes (as defined in note 36)	36	**5,367**	768
Amortisation of fixed rate senior notes			
2007 Notes	37	**7,756**	1,209
2013 Notes	37	**1,678**	–
Bank financing charges and direct costs		**15,961**	409
		313,853	63,294
Less: Capitalised in properties under development	15	**(71,724)**	(9,499)
Capitalised in investment properties under construction	16	**(15,873)**	(7,379)
		(87,597)	(16,878)
Total finance costs		**226,256**	46,416

NOTES TO FINANCIAL STATEMENTS

31 July 2013

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	**1,975**	2,175
Other emoluments:		
Basic salaries, housing and other allowances, and benefits in kind	**28,734**	18,719
Equity-settled share option benefits	**18,360**	6,419
Pension scheme contributions	**56**	141
	47,150	25,279
	49,125	27,454
Capitalised in properties under development/ investment properties under construction	**(12,947)**	(1,221)
	36,178	26,233

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company and Lai Fung, further details of which are set out in note 41 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2013					
Executive directors:					
Lam Kin Ngok, Peter	120	11,000	1,507	–	12,627
Lui Siu Tsuen, Richard^	120	3,309	1,779	12	5,220
Chew Fook Aun	–	7,408	–	30	7,438
Lam Hau Yin, Lester (appointed on 1 November 2012)@	–	1,382	15,074	12	16,468
Cheung Sum, Sam (resigned on 1 September 2012)	–	1,009	–	2	1,011
	240	24,108	18,360	56	42,764
Non-executive directors:					
U Po Chu	–	4,351	–	–	4,351
Andrew Y. Yan	240	20	–	–	260
	240	4,371	–	–	4,611
Independent non-executive directors:					
Low Chee Keong	675	70	–	–	745
Alfred Donald Yap	240	60	–	–	300
Ng Lai Man, Carmen	340	70	–	–	410
Lo Kwok Kwei, David	240	55	–	–	295
	1,495	255	–	–	1,750
	1,975	28,734	18,360	56	49,125

^ *Lui Siu Tsuen, Richard is also the chief executive officer of the Company.*

@ *Prior to the appointment of Lam Hau Yin, Lester as an executive director of the Company on 1 November 2012, he received salaries amounting to HK$305,000 and pension scheme contributions of HK$3,000 from the Group during the period from 1 August 2012 to 31 October 2012.*

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2013 and 2012.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid employees during the year included four (2012: three) directors, details of whose emoluments are set out above. Details of the remuneration for the year of the remaining one (2012: two) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**5,937**	9,265
Equity-settled share option expense	**1,828**	5,029
Pension scheme contributions	**15**	10
	7,780	14,304
Capitalised in properties under development/ investment properties under construction	**(4,435)**	–
	3,345	14,304

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

	Number of employees	
	2013	2012
HK$3,500,001 – HK$4,000,000	**–**	1
HK$7,500,001 – HK$8,000,000	**1**	–
HK$10,500,001 – HK$11,000,000	**–**	1
	1	2

During the year and in prior years, share options were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 41 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the year ended 31 July 2013 as there were no assessable profits arising in Hong Kong for the year (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2013 **HK$'000**	2012 HK$'000
Current		
– Hong Kong		
Overprovision in prior years	**(1,738)**	–
– Elsewhere		
Charge for the year	**3,186**	–
Overprovision in prior years	**–**	(547)
– Mainland China		
Corporate income tax		
Charge for the year	**124,039**	16,605
LAT		
Charge for the year	**201,477**	13,579
	325,516	30,184
	326,964	29,637
Deferred tax *(note 39)*	**(21,144)**	(12,976)
Total tax charge for the year	**305,820**	16,661

10. INCOME TAX EXPENSE (continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
Profit before tax	**502,883**	1,102,672
Tax at the applicable tax rates	**104,562**	181,696
Provision for LAT	**201,477**	13,579
Tax effect of provision for LAT	**(50,369)**	(3,395)
Profits and losses attributable to joint ventures and associates	**4,808**	(17,826)
Income not subject to tax	**(5,478)**	(226,055)
Expenses and losses not deductible for tax	**42,796**	55,707
Deferred tax arising from temporary differences	**(51,108)**	(12,976)
Estimated tax losses utilised from previous periods	**(5,882)**	(4,793)
Estimated tax losses not recognised	**36,788**	31,271
Adjustments in respect of current tax of prior periods	**(1,738)**	(547)
Withholding tax at 5% on the distributable earnings of the subsidiaries established in Mainland China	**29,964**	–
Tax charge at the Group's effective rate	**305,820**	16,661

Tax Indemnity

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

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

NOTES TO FINANCIAL STATEMENTS

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11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 July 2013 includes a loss of HK$19,964,000 (2012: HK$4,545,000) which has been dealt with in the financial statements of the Company (note 42(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company and ordinary shares of 1,243,212,165 (2012: 1,243,212,165) in issue during the year.

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

The exercise of share options of the Company has an anti-dilutive effect on the basic loss per share amount presented during the year ended 31 July 2013.

The exercise of share options of Media Asia Group Holdings Limited ("MAGHL") and the conversion of the outstanding convertible notes issued by MAGHL have an anti-dilutive effect on the basic earnings/(loss) per share amounts presented during the years ended 31 July 2013 and 2012.

As the impact of diluted potential ordinary shares of Lai Fung is insignificant for the year ended 31 July 2013, the diluted loss per share of the Group for the year is approximately the same as the basic loss per share of the Group. The exercise of share options of Lai Fung had an anti-dilutive effect on the basic earnings per share amount presented during the year ended 31 July 2012.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

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

	2013 HK$'000	2012 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	**(17,208)**	1,161,588
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	**(294)**	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**(17,502)**	1,161,588

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,243,212,165**	1,243,212,165
Effect of dilution – weighted average number of ordinary shares:		
– Share options	**–**	53,202
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**1,243,212,165**	1,243,265,367

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Land and buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
As at 1 August 2011		88,588	–	15,707	10,392	9,449	21,391	–	145,527
Additions		–	–	27,834	1,673	423	1,800	–	31,730
Acquisition of subsidiaries	43	169,172	1,825,918	256,124	31,908	17,674	7,009	–	2,307,805
Disposals		–	–	–	(1,998)	(553)	(671)	–	(3,222)
Write-off		–	–	(13,205)	(1,674)	–	(100)	–	(14,979)
Exchange realignment		–	–	6	25	14	12	–	57
At 31 July 2012 and 1 August 2012		257,760	1,825,918	286,466	40,326	27,007	29,441	–	2,466,918
Additions		–	7,046	36,867	10,175	1,225	2,129	–	57,442
Disposals		–	–	(519)	(3,595)	(191)	(835)	–	(5,140)
Transfer from completed properties for sale		–	484,800	–	–	–	–	–	484,800
Transfer from properties under development	15	–	–	–	–	–	–	239,895	239,895
Exchange realignment		1,586	16,481	6,367	707	298	201	–	25,640
As at 31 July 2013		**259,346**	**2,334,245**	**329,181**	**47,613**	**28,339**	**30,936**	**239,895**	**3,269,555**
Accumulated depreciation and impairment:									
At 1 August 2011		20,602	–	13,915	8,061	7,155	18,155	–	67,888
Provided during the year		3,093	7,423	9,753	1,286	1,380	1,486	–	24,421
Acquisition of subsidiaries	43	25,020	224,006	49,619	23,828	13,158	5,134	–	340,765
Disposals		–	–	–	(1,669)	(365)	(587)	–	(2,621)
Write-off		–	–	(12,965)	(1,503)	–	(96)	–	(14,564)
Exchange realignment		(1)	(4)	(10)	16	2	6	–	9
At 31 July 2012 and 1 August 2012		48,714	231,425	60,312	30,019	21,330	24,098	–	415,898
Provided during the year		6,509	56,293	43,810	4,496	2,141	2,653	–	115,902
Disposals		–	–	(390)	(3,285)	(191)	(795)	–	(4,661)
Exchange realignment		511	2,209	1,823	533	200	150	–	5,426
At 31 July 2013		**55,734**	**289,927**	**105,555**	**31,763**	**23,480**	**26,106**	**–**	**532,565**
Net carrying amount:									
At 31 July 2013		**203,612**	**2,044,318**	**223,626**	**15,850**	**4,859**	**4,830**	**239,895**	**2,736,990**
At 31 July 2012		209,046	1,594,493	226,154	10,307	5,677	5,343	–	2,051,020

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Computers HK$'000
Cost:	
At 1 August 2011, 31 July 2012, 1 August 2012 and 31 July 2013	**824**
Accumulated depreciation:	
At 1 August 2011	443
Provided during the year	165
At 31 July 2012 and 1 August 2012	608
Provided during the year	165
At 31 July 2013	**773**
Net carrying amount:	
At 31 July 2013	**51**
At 31 July 2012	216

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

	2013 **HK$'000**	2012 HK$'000
At net carrying amount:		
Mainland China	**43,605**	44,319
Hong Kong	**148,594**	152,767
Macau	**11,413**	11,960
	203,612	209,046

The Group's serviced apartments with carrying amounts of approximately HK$2,044,318,000 (2012: HK$1,594,493,000) were situated in Mainland China and were held under medium term leases as at 31 July 2013.

As at 31 July 2013, certain land and buildings and serviced apartments (including related leasehold improvements) with carrying amounts of HK$97,509,000 (2012: HK$99,847,000) and HK$1,751,804,000 (2012: HK$1,781,952,000), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 34(a) to the financial statements.

As at 31 July 2013, construction in progress with carrying amount of HK$239,895,000 was pledged to a bank to secure a bank borrowing of the Group as further set out in note 34(g) to financial statements. As at 31 July 2012, the aforementioned construction in progress was classified under properties under development with a carrying amount of HK$175,227,000 and was pledged to the bank to secure a bank borrowing of the Group as further set out in note 34(b) to the financial statements.

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 July 2013, the Group's land and buildings in Hong Kong with net carrying amounts of HK$51,616,000 (2012: HK$53,551,000) were pledged to secure general banking facilities granted to the Group which were not utilised as at 31 July 2013 and 2012.

The net carrying amount of the Group's assets held under finance leases included in the total amount of furniture, fixtures and equipment as at 31 July 2013 amounted to approximately HK$140,000 (2012: HK$243,000).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**894,680**	894,680
Amounts due from subsidiaries	**8,295,835**	8,299,149
	9,190,515	9,193,829
Impairment #	**(3,134,691)**	(3,058,775)
	6,055,824	6,135,054

The impairment as at 31 July 2013 includes impairment provision of HK$894,593,000 (2012: HK$894,593,000) and HK$2,240,098,000 (2012: HK$2,164,182,000) for investments and amounts due from subsidiaries, respectively, with reference to the estimated fair value of the underlying assets held by the subsidiaries and the operating performance of these subsidiaries.

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

	2013	2012
	HK$'000	HK$'000
At the beginning of reporting period	**2,164,182**	1,978,541
Impairment loss recognised	**75,916**	185,641
At the end of reporting period	**2,240,098**	2,164,182

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

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

The market values at 31 July 2013 and at the date of approval of these financial statements of the listed shares of MAGHL, a non-wholly-owned subsidiary held by the Group were approximately HK$523,608,000 (2012: HK$436,340,000) and HK$396,063,000 (2012: HK$469,905,000), respectively.

The market values at 31 July 2013 and at the date of approval of these financial statements of the listed shares of Lai Fung, a non-wholly-owned subsidiary held by the Group were approximately HK$1,528,392,000 (2012: HK$1,124,996,000) and HK$1,576,154,000 (2012: HK$1,202,050,000), respectively.

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Lai Fung

	2013 HK$'000	2012 HK$'000
Current assets	**8,423,123**	6,017,286
Non-current assets	**16,062,825**	15,010,991
Total assets	**24,485,948**	21,028,277
Current liabilities	**(3,412,775)**	(2,945,643)
Non-current liabilities	**(6,528,935)**	(4,232,307)
Total liabilities	**(9,941,710)**	(7,177,950)
Equity attributable to non-controlling interests of the Group	**7,718,589**	7,541,954

	Year ended 31 July 2013 HK$'000	Period from 11 June 2012 to 31 July 2012 HK$'000
Revenue	**2,726,060**	200,929
Expenses	**(2,286,050)**	(211,831)
Profit/(loss) for the year/period	**440,010**	(10,902)
Other comprehensive income/(loss) for the year/period	**271,659**	(1,314)
Total comprehensive income/(loss) for the year/period	**711,669**	(12,216)
Profit/(loss) attributable to the non-controlling interests	**246,049**	(4,586)
Other comprehensive income/(loss) attributable to the non-controlling interests	**139,668**	(694)
Total comprehensive income/(loss) attributable to the non-controlling interests	**385,717**	(5,280)
Net cash flows from operating activities	**860,924**	80,748
Net cash flows used in investing activities	**(1,324,037)**	(212,641)
Net cash flows from financing activities	**2,360,965**	86,296
Net cash inflow/(outflow)	**1,897,852**	(45,597)

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14. INVESTMENTS IN SUBSIDIARIES (continued)

MAGHL

	2013 HK$'000	2012 HK$'000
Current assets	**944,244**	977,970
Non-current assets	**219,013**	129,398
Total assets	**1,163,257**	1,107,368
Current liabilities	**(485,341)**	(61,609)
Non-current liabilities	**(205,309)**	(476,838)
Total liabilities	**(690,650)**	(538,447)
Equity attributable to non-controlling interests of the Group	**298,239**	332,625
Revenue	**463,253**	126,121
Expenses	**(556,214)**	(414,955)
Loss for the year	**(92,961)**	(288,834)
Other comprehensive loss for the year	**(3,687)**	(143)
Total comprehensive loss for the year	**(96,648)**	(288,977)
Loss attributable to the non-controlling interests	**(30,598)**	(68,047)
Other comprehensive loss attributable to the non-controlling interests	**(1,383)**	(136)
Total comprehensive loss attributable to the non-controlling interests	**(31,981)**	(68,183)
Net cash flows used in operating activities	**(244,669)**	(235,901)
Net cash flows used in investing activities	**(38,557)**	(96,307)
Net cash flows from financing activities	**–**	521,738
Net cash inflow/(outflow)	**(283,226)**	189,530

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

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14. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Perfect Sky Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100	–	75	Provision of artiste management services
Silver Glory Securities Limited *	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Skymaster International Inc. *	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Vision Communications Limited	Hong Kong	HK$2	–	100	Provision of advertising agency services and investment holding
Vision Communications (GZ) Limited ### *	PRC/ Mainland China	HK$3,000,000#	–	90	Provision of advertising agency services
豐麗星恒文化顧問（北京）有限公司 ## *	PRC/ Mainland China	HK$40,000,000#	–	100	Provision of consultancy services in relation to cultural activities
豐麗常升文化顧問（北京）有限公司 ## *	PRC/ Mainland China	RMB36,500,000#	–	100	Provision of consultancy services in relation to cultural activities
東亞豐麗演出經紀（北京）有限公司 ## *	PRC/ Mainland China	RMB25,000,000#	–	100	Provision of artiste management and performance agency services

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14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
MAGHL (Listed in the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"))	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK$131,403,000	–	51.09	Investment holding
Champ Universe Limited ^	Hong Kong	HK$1	–	51.09	Provision of management services
Media Asia Entertainment Limited ^	Hong Kong	HK$100	–	51.09	Entertainment activity production
Media Asia Film Production Limited ^	Hong Kong	HK$100	–	51.09	Film production and investment holding
Media Magic Holdings Limited ("Media Magic") ^	British Virgin Islands/ Hong Kong	US$1,000	–	26.06	Investment holding
寰亞文化傳播（中國）有限公司("寰亞文化") ^ ##	PRC/ Mainland China	HK$38,000,000#	–	51.09	Entertainment activity production
Lai Fung (Listed on the Stock Exchange) *(Note a)*	Cayman Islands/ Hong Kong	HK$1,609,591,000	–	49.46	Investment holding
Canvex Limited ^^	Hong Kong	HK$2	–	49.46	Property investment
Eternal Medal Limited ^^	Hong Kong	HK$1	–	49.46	Investment holding
Farron Assets Limited ^^ *	British Virgin Islands/ Hong Kong	US$1,000	–	38.33	Investment holding
Fore Bright Limited ^^	Hong Kong	HK$1	–	49.46	Investment holding
Frank Light Development Limited ^^	Hong Kong	HK$19,999,999	–	49.46	Investment holding

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Gentle Code Limited ^^	Hong Kong	HK$1	–	49.46	Investment holding
Gentle Holdings Limited ^^	Hong Kong	HK$1	–	49.46	Investment holding
Goldthorpe Limited ^^ *	British Virgin Islands/ Hong Kong	US$1	–	49.46	Investment holding
Good Strategy Limited ^^	British Virgin Islands/ Mainland China	US$1	–	49.46	Property investment
Grand Wealth Limited ^^	Hong Kong	HK$2	–	49.46	Investment holding
Grosslink Investment Limited ^^	Hong Kong	HK$2	–	38.33	Investment holding
Guangzhou Gentle Code Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$22,830,000#	–	49.46	Property development and investment
Guangzhou Gentle Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$17,080,000#	–	49.46	Property development and investment
Guangzhou Grand Wealth Properties Limited ^^ ### *	PRC/ Mainland China	HK$280,000,000#	–	49.46	Property development and investment
Guangzhou Guang Bird Property Development Limited ("Guangzhou Guang Bird") ^^ ### *	PRC/ Mainland China	US$46,000,000#	–	49.46	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited ^^ ### *	PRC/ Mainland China	RMB79,733,004#	–	49.46	Property development and investment
Guangzhou Jadepress Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$19,150,000#	–	49.46	Property development and investment

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14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Guangzhou Jieli Real Estate Company Limited ^^ ## *	PRC/ Mainland China	HK$168,000,000#	–	38.33	Property investment
Hankey Development Limited ^^	Hong Kong	HK$10,000	–	49.46	Investment holding
Jadepress Limited ^^	Hong Kong	HK$1	–	49.46	Investment holding
Kingscord Investment Limited ^^	Hong Kong	HK$2	–	49.46	Investment holding
Lai Fung Company Limited ^^	Hong Kong	HK$20	–	49.46	Investment holding
Manful Concept Limited ^^	Hong Kong	HK$2	–	49.46	Investment holding
Nicebird Company Limited ^^	Hong Kong	HK$2	–	49.46	Investment holding
Shanghai Hankey Real Estate Development Company Limited ^^	PRC/ Mainland China	US$10,800,000#	–	47.98	Property investment
Shanghai HKP Property Management Limited ^^ ∆ *	PRC/ Mainland China	US$150,000#	–	49.46	Property management
Shanghai Hu Xin Real Estate Development Company Limited ^^ ∆	PRC/ Mainland China	US$40,000,000#	–	46.99	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited ("Shanghai Lixing") ^^ ∆ *	PRC/ Mainland China	US$36,000,000#	–	46.99	Property investment
Shanghai Wa Yee Real Estate Development Company Limited ^^ ∆ *	PRC/ Mainland China	US$10,000,000#	–	46.99	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited ^^ ∆	PRC/ Mainland China	US$12,000,000#	–	48.97	Property development and investment
South Hill Limited ^^	Hong Kong	HK$1	–	49.46	Property

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
					investment
Sunlite Investment Limited ^^	Hong Kong	HK$2	–	49.46	Investment holding
Wide Angle Development Limited ^^	Hong Kong	HK$2	–	49.46	Investment holding
Zhongshan Bao Li Properties Development Company Limited ^^ ## *	PRC/ Mainland China	HK$200,000,000#	–	49.46	Property development and investment
廣州高樂物業管理有限公司 ^^ Ø *	PRC/ Mainland China	RMB1,100,000#	–	49.46	Property management
上海麗港物業管理有限公司 ^^ Ø *	PRC/ Mainland China	RMB500,000#	–	49.46	Property management
中山高樂物業管理有限公司 ^^ Ø *	PRC/ Mainland China	RMB500,000#	–	49.46	Property management

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

The registered capital of these subsidiaries were fully paid up, except for 寰亞文化 and Guangzhou Guang Bird of which the paid-up capital were HK$11,400,000 (2012: HK$5,700,000) and US$33,000,000 (2012: US$33,000,000), respectively as at 31 July 2013. Subsequent to the reporting date, the registered capital of 寰亞文化 was fully paid and the Group has injected the remaining registered capital of Guangzhou Guang Bird amounting to US$13,000,000

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

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

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

Ø *Registered as domestic enterprises under the laws of the PRC*

^ *These are subsidiaries of MAGHL*

^^ *These are subsidiaries of Lai Fung*

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 Lai Fung Group on a pari passu basis (note 37 and note 34(e)).

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14. INVESTMENTS IN SUBSIDIARIES (continued)

As at 31 July 2013, certain subsidiaries had jointly and severally guaranteed the obligations of the Lai Fung Group in connection with the fixed rate senior notes and certain bank borrowings (note 37 and note 34(h)).

Note:

(a) Acquisition of Lai Fung

On 27 February 2012, the Company entered into the underwriting agreement with Lai Fung pursuant to which the Company has irrevocably undertaken to Lai Fung to take up (or procure to be taken up) all the offer shares other than those undertaken to be procured for taking up by the Company. The maximum underwriting obligation to the Company is therefore approximately HK$1,006 million.

As a result of the completion of the Open Offer on 11 June 2012, the Group beneficially owned 7,627,451,422 shares of Lai Fung, representing approximately 47.39% of the total issued shares of Lai Fung immediately upon completion of the Open Offer.

The Group early adopted HKFRS10 Consolidated Financial Statements during the year ended 31 July 2012 that has affected the accounting for the Company's 47.39% equity interest in Lai Fung upon completion of the Open Offer. With early adoption of HKFRS 10 for the financial year ended 31 July 2012, Lai Fung had become a subsidiary of the Company, whereby the Company increased its shareholding in Lai Fung from 40.58% to 47.39% immediately upon completion of the Open Offer. Subsequent to the Open Offer, the Company acquired additional shares of Lai Fung from the public shareholders at a consideration of approximately HK$10,798,000 and the equity interest in Lai Fung increased to 47.87% in June 2012. The net impact for the change in the Company's shareholding interest in Lai Fung from 47.39% to 47.87% amounted to HK$52,533,000 had been credited directly as "other reserve" in the consolidated statement of changes in equity, and an amount of HK$63,331,000 had been debited to reserve attributable to the non-controlling interests of Lai Fung for the year ended 31 July 2012.

During the year ended 31 July 2013, the Company acquired additional shares of Lai Fung from the public shareholders at a consideration of approximately HK$46,595,000 and the equity interest in Lai Fung increased from to 47.87% to 49.46% as at 31 July 2013. The net impact for the change in the Company's shareholding interest in Lai Fung from 47.87% to 49.46% amounted to HK$166,364,000 has been credited directly as "other reserve" in the consolidated statement of changes in equity, and an amount of HK$212,959,000 has been debited to reserve attributable to the non-controlling interests of Lai Fung for the year ended 31 July 2013.

15. PROPERTIES UNDER DEVELOPMENT

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Carrying amount as at 1 August		**1,763,969**	–
Acquisition of subsidiaries	43(a)	**–**	1,829,199
Finance costs capitalised	8	**71,724**	9,499
Additions		**270,219**	81,089
Transfer to completed properties for sale		**(351,060)**	(166,977)
Transfer to property, plant and equipment	13	**(239,895)**	–
Transfer from investment properties	16	**–**	11,301
Exchange realignment		**39,609**	(142)
Carrying amount as at 31 July		**1,554,566**	1,763,969
Amount classified as current assets		**(1,059,062)**	(510,318)
Non-current portion		**495,504**	1,253,651

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	**1,554,566**	1,588,742
Medium term leases	**–**	175,227
	1,554,566	1,763,969

As at 31 July 2013, certain properties under development with an aggregate carrying amount of HK$1,205,036,000 (2012: HK$896,317,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 34(b) to the financial statements.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount as at 1 August	**544,976**	–
Acquisition of subsidiaries	**–**	564,048
Amortised during the year	**(9,083)**	(1,641)
Transfer to completed properties for sale	**(35,160)**	(17,434)
Transfer to property, plant and equipment	**(164,876)**	–
Exchange realignment	**13,415**	3
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 #	**1,761,397**	1,671,916
	11,867,497	10,786,016

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

16. INVESTMENT PROPERTIES (continued)

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Carrying amount as at 1 August		**10,786,016**	–
Acquisition of subsidiaries	43(a)	**–**	10,775,100
Finance costs capitalised	8	**15,873**	7,379
Additions		**107,362**	14,875
Transfer to properties under development	15	**–**	(11,301)
Transfer from completed properties for sale		**10,725**	–
Net gain from fair value adjustments		**660,708**	–
Exchange realignment		**286,813**	(37)
Carrying amount as at 31 July		**11,867,497**	10,786,016

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

	Group	
	2013	2012
	HK$'000	HK$'000
Long term leases	**210,000**	177,700
Medium term leases	**11,657,497**	10,608,316
	11,867,497	10,786,016

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 44(b) to the financial statements.

As at 31 July 2013, certain investment properties with an aggregate carrying amount of approximately 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 34(c) to the financial statements.

17. FILM RIGHTS

	Group HK$'000
Cost:	
At 1 August 2011	245,106
Additions	3,150
Write-off	(2,363)
At 31 July 2012 and 1 August 2012	245,893
Additions	18,024
At 31 July 2013	**263,917**
Accumulated amortisation and impairment:	
At 1 August 2011	190,492
Provided during the year	10,447
Write-off	(2,363)
At 31 July 2012 and 1 August 2012	198,576
Provided during the year	18,116
At 31 July 2013	**216,692**
Net carrying amount:	
At 31 July 2013	**47,225**
At 31 July 2012	47,317

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of film rights and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2013 and 31 July 2012 were determined based on the present value of expected future revenue arising from the distribution and sub-licensing of the film rights and their residual values, which was derived from discounting the projected cash flows by a discount rate of approximately 13% (2012: 13%).

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18. FILM PRODUCTS

	Note	Group HK$'000
Cost:		
At 1 August 2011		408,593
Additions		293
Transfer from films under production	27	99,775
At 31 July 2012 and 1 August 2012		508,661
Transfer from films under production	27	138,634
At 31 July 2013		**647,295**
Accumulated amortisation and impairment:		
At 1 August 2011		331,316
Provided during the year		103,110
At 31 July 2012 and 1 August 2012		434,426
Provided during the year		111,646
At 31 July 2013		**546,072**
Net carrying amount:		
At 31 July 2013		**101,223**
At 31 July 2012		74,235

Included in the net carrying amount as at 31 July 2013 are film products of HK$41,153,000 (2012: HK$44,074,000) carried at net realisable value.

19. MUSIC CATALOGS

	Group HK$'000
Cost:	
At 1 August 2011, 31 July 2012 and 1 August 2012	141,234
Additions	2,400
At 31 July 2013	**143,634**
Accumulated amortisation and impairment:	
At 1 August 2011	92,947
Provided during the year	4,888
Impairment during the year	11,400
At 31 July 2012 and 1 August 2012	109,235
Provided during the year	4,734
Impairment during the year	9,000
At 31 July 2013	**122,969**
Net carrying amount:	
At 31 July 2013	**20,665**
At 31 July 2012	31,999

In light of the circumstances of music licensing industry, the Group undertook a review of its library of music catalogs to assess the marketability of respective music catalogs and the corresponding recoverable amounts. During the year, the directors of the Company determined that the music catalogs were impaired due to prevailing marketability circumstances. The directors assessed the recoverable amount of the music catalogs and based on which an impairment loss of HK$9,000,000 (2012: HK$11,400,000) was recognised in the consolidated income statement for the year ended 31 July 2013. The estimated recoverable amounts as at 31 July 2013 and 31 July 2012 were determined based on the present value of expected future cash flows generated from the music catalogs, which was discounted by a discount rate of approximately 13% (2012: 13%).

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20. GOODWILL

	Note	Group HK$'000
Cost:		
At 1 August 2011		–
Acquisition of subsidiaries	43	13,704
Exchange realignment		(45)
At 31 July 2012 and 1 August 2012		13,659
Exchange realignment		253
At 31 July 2013		**13,912**
Accumulated impairment:		
At 1 August 2011		–
Impairment during the year		3,477
At 31 July 2012, 1 August 2012 and 31 July 2013		**3,477**
Net carrying amount:		
At 31 July 2013		**10,435**
At 31 July 2012		10,182

Impairment testing of goodwill

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

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on the management's expectation for market development. The discount rate applied to the cash flow projections is 30.16% (2012: 30.44%).

Assumptions were used in the value-in-use calculation of the CGU for the years ended 31 July 2013 and 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rate – The discount rate used is before tax.

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

21. OTHER INTANGIBLE ASSETS

Group

	Artiste management contracts HK$'000	Services contract HK$'000	Total HK$'000
Cost:			
At 1 August 2011	–	–	–
Acquisition of subsidiaries *(note 43(b))*	50,187	24,638	74,825
Exchange realignment	(219)	(107)	(326)
At 31 July 2012 and 1 August 2012	49,968	24,531	74,499
Exchange realignment	1,240	609	1,849
At 31 July 2013	**51,208**	**25,140**	**76,348**
Accumulated amortisation and impairment:			
At 1 August 2011	–	–	–
Amortisation for the year	2,480	562	3,042
Exchange realignment	(8)	(2)	(10)
At 31 July 2012 and 1 August 2012	2,472	560	3,032
Amortisation for the year	7,421	1,681	9,102
Exchange realignment	160	36	196
At 31 July 2013	**10,053**	**2,277**	**12,330**
Net carrying amount:			
At 31 July 2013	**41,155**	**22,863**	**64,018**
At 31 July 2012	47,496	23,971	71,467

Artiste management contracts

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

Services contract

Services contract represents the contract with a TV drama and film production team including 4 individuals who are film and television drama producers and directors (the "Production Team"), in which the contract procures the Production Team to manage the daily operation of Media Magic including TV drama and film production.

The Group carried out a review of the recoverable amount of the artiste management contracts and services contract at the end of the reporting period. The recoverable amount of the contracts as at 31 July 2013 had been determined on the basis of their value-in-use. The discount rate in measuring the value-in-use as at 31 July 2013 was 31.16% (2012: 31.44%).

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22. INVESTMENTS IN JOINT VENTURES

	Group 2013 HK$'000	2012 HK$'000
Share of net assets	**785,194**	775,574
Goodwill arising from acquisition	**2,359**	2,359
	787,553	777,933
Amounts due from joint ventures	**308,060**	337,655
Provision for impairment #	**(3,324)**	–
	304,736	337,655
	1,092,289	1,115,588

\# *As at 31 July 2013, impairment of HK$3,324,000 (2012: Nil) was recognised for amounts due from joint ventures with carrying amounts of HK$3,324,000 (2012: Nil) (before deducting the impairment loss) because these joint ventures have been loss-making for some time.*

The balances with joint ventures are unsecured and have no fixed terms of repayment. As at 31 July 2013, the balances were interest-free except for an amount of HK$16,256,000 (2012: HK$55,615,000) which was interest-bearing with reference to the People's Bank of China's base interest rate. The carrying amounts of the amounts due from joint ventures approximate their fair values.

The Group received dividend income amounting to HK$500,000 (2012: Nil) from a joint venture during the year.

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

Name	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Beautiwin Limited ("Beautiwin")	Hong Kong	Ordinary	24.73	Investment holding
Guangzhou Beautiwin Real Estate Development Company Limited ("Guangzhou Beautiwin")	PRC/ Mainland China	– *	23.49	Property development and investment

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

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

22. INVESTMENTS IN JOINT VENTURES (continued)

As at 31 July 2013 and 31 July 2012, the above balance included an entity, established in the PRC, to which the Group is able to exercise joint control over significant operating and financing policies through contractual provision stipulated in the agreements entered into between the Group and the joint venturer. In the opinion of the Company's directors, the entity is considered as a joint venture of the Group. The principal activities of this joint venture consist of investment in and production and distribution of TV dramas and films in Mainland China.

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

Summarised financial information in respect of the Group's material joint 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.

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

	2013 **HK$'000**	2012 HK$'000
Current assets (including cash and cash equivalents of HK$41,770,000 (2012: HK$65,072,000))	**2,675,387**	652,224
Non-current assets	**1,956,635**	3,720,984
Total assets	**4,632,022**	4,373,208
Current liabilities	**(2,115,401)**	(1,559,654)
Non-current liabilities	**(761,414)**	(1,138,197)
Total liabilities	**(2,876,815)**	(2,697,851)
Current financial liabilities (excluding creditors and accruals)	**(470,013)**	(473,150)
Non-current financial liabilities (excluding creditors and accruals)	**–**	(225,720)

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22. 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	**1,755,207**	1,675,357
Less: Non-controlling interests	**(113,617)**	(108,540)
	1,641,590	1,566,817
Lai Fung's 50% interest in the Beautiwin Group	**820,795**	783,409
Amount due from the Beautiwin Group	**235,169**	235,085
Carrying amount of the Group's interests in the Beautiwin Group as recorded in the consolidated financial statements	**1,055,964**	1,018,494

	Year ended 31 July 2013 HK$'000	Period from 11 June 2012 to 31 July 2012 HK$'000
Revenue (including interest income of HK$3,345,000 (2012: HK$517,200))	**871,103**	649
Cost of sales	**(648,623)**	–
Expenses	**(58,329)**	(6,464)
Income tax expense	**(137,871)**	–
Profit/(loss) for the year/period	**26,280**	(5,815)
Other comprehensive income for the year/period	**53,569**	–
Total comprehensive income/(loss) for the year/period	**79,849**	(5,815)
The Group's share of profit and loss of the Beautiwin Group	**12,053**	(2,762)
The Group's share of other comprehensive income of the Beautiwin Group	**25,333**	–
The Group's share of total comprehensive income/(loss) of the Beautiwin Group	**37,386**	(2,762)

22. INVESTMENTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of profits and losses	**(34,039)**	11,665
The Group's share of other comprehensive income	**356**	–
The Group's share of total comprehensive income	**(33,683)**	11,665

23. INVESTMENTS IN ASSOCIATES

	Group	
	2013 HK$'000	2012 HK$'000
Share of net liabilities	**(2,832)**	(2,192)
Amounts due from associates	**20,688**	8,227
	17,856	6,035

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

The Group received dividend income amounting to HK$16,328,000 from Lai Fung, a then associate during the year ended 31 July 2012.

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

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

As detailed in note 14(a), Lai Fung has become a subsidiary of the Group upon completion of the Open Offer on 11 June 2012. Accordingly, the Group had derecognised the carrying amount of its interests in Lai Fung which had formed part of the consideration for acquisition of Lai Fung upon completion of the Open Offer.

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

As at 31 July 2013, there were no material associates which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Aggregate information of associates that are not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of profit and losses and total comprehensive income	**(640)**	(575)

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24. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Unlisted equity investments, at cost	**102,340**	102,328
Less: Impairment	**(16,300)**	–
	86,040	102,328
Unlisted equity investment, at fair value	**72,451**	63,881
	158,491	166,209

As at 31 July 2013, unlisted equity investments of the Group with a carrying amount of HK$86,040,000 (2012: HK$102,328,000) were stated at cost less impairment because the variability in the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not be measured reliably.

There was a significant decline in the fair value of an unlisted equity investment stated at fair value during the year ended 31 July 2012. The directors considered that such a decline indicated that the equity investment had been impaired and an impairment loss of approximately HK$35,805,000 had been recognised in the consolidated income statement for the year ended 31 July 2012.

During the year, the gross gain in respect of the Group's unlisted equity investment stated at fair value recognised in other comprehensive income amounted to HK$8,570,000 (2012: Nil).

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits, prepayments and advances for artiste management, music production and film production	**323,062**	69,035	**–**	–
Other deposits, prepayments and other receivables	**244,381**	267,892	**23,598**	11,303
	567,443	336,927	**23,598**	11,303
Portion classified as current portion	**(478,296)**	(258,716)	**(440)**	(645)
Non-current portion	**89,147**	78,211	**23,158**	10,658

Included in deposits, prepayments and other receivables as at 31 July 2013 are advances of HK$25,870,000 (2012: HK$40,242,000) due from film owners for the Group's investments in film projects. The advances are unsecured, repayable within the next 12 months and with a fixed guarantee return of 15% (2012: ranging from 8% to 15%).

Net of advances for artiste management and other receivables is a provision of HK$35,680,000 (2012: HK$35,307,000).

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

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

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

	Group	
	2013	2012
	HK$'000	HK$'000
At the beginning of reporting period	**35,307**	22,172
Provision for advances and other receivables	**405**	14,231
Reversal of provision for advances and other receivables	**(32)**	(1,096)
At the end of reporting period	**35,680**	35,307

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$35,680,000 (2012: HK$35,307,000) with a gross carrying amount of HK$35,680,000 (2012: HK$35,307,000). The individually impaired receivables and advances relate to the portions of receivables that were not expected to be recovered.

As at 31 July 2013, included in the Group's deposits, prepayments and other receivables is a deposit paid of HK$6,024,000 (2012: HK$5,879,000) to a shareholder of the Group's joint venture to secure a tenancy agreement.

26. LOANS RECEIVABLE

	Group	
	2013	2012
	HK$'000	HK$'000
Loans receivable	**11,000**	23,517

As at 31 July 2013, a loan of HK$11 million (2012: HK$11 million) with an original loan principal of HK$17 million was granted by the Group to an independent third party during the year ended 31 December 2007. The loan is interest-free and repayable on demand. The loan was granted in connection with a joint venture arrangement with an independent third party. The borrower has assigned certain economic interests and benefits in certain TV dramas to the Group in connection with the loan receivable.

As at 31 July 2012, included in the loans receivable was a loan of HK$12 million granted by the Group to an independent third party. The loan bore interest at 12% per annum and was repaid during the year ended 31 July 2013. The loan was secured by a guarantee from an independent party and the assignment of certain TV dramas.

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

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27. FILMS UNDER PRODUCTION

		Group	
		2013	2012
	Note	**HK$'000**	HK$'000
At the beginning of reporting period		**134,771**	104,090
Additions (including capitalisation of employee benefit expense of HK$7,219,000 (2012: Nil))		**145,911**	131,423
Transfer to film products	18	**(138,634)**	(99,775)
Impairment		**(672)**	(967)
At the end of reporting period		**141,376**	134,771

28. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**4,208**	4,434
Work in progress	**179**	146
Finished goods	**4,600**	4,312
	8,987	8,892

29. DEBTORS

	Group	
	2013	2012
	HK$'000	HK$'000
Trade debtors	**168,103**	169,230
Impairment	**(1,368)**	(8,431)
	166,735	160,799

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

29. DEBTORS (continued)

The Lai Fung Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. Serviced apartments charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the Lai Fung Group, the settlement of which is in accordance with the respective agreements. In view of the aforementioned and the fact that the Lai Fung Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables of the Lai Fung Group were interest-free. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Trade debtors:		
Neither past due nor impaired	**105,246**	114,043
1 – 90 days past due	**43,260**	29,411
Over 90 days past due	**18,229**	17,345
	166,735	160,799

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

	Group	
	2013	2012
	HK$'000	HK$'000
At the beginning of the reporting period	**8,431**	7,294
Provision for doubtful debts	**1,303**	1,019
Write-off	**(8,452)**	–
Exchange realignment	**86**	118
At the end of the reporting period	**1,368**	8,431

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$1,368,000 (2012: HK$8,431,000) with a gross carrying amount before provision of HK$1,368,000 (2012: HK$8,431,000). The individually impaired trade debtors related to customers that were in default in settlements and only a portion or no portion of the receivables is expected to be recovered.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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29. DEBTORS (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

30. OPTIONS

	Group	
	2013	2012
	HK$'000	HK$'000
Options, at fair value	**21,579**	32,491

Pursuant to the share transfer agreement entered into between MAGHL and its subsidiaries (the "MAGHL Group") and Ally Capital Limited (the "Vendor"), an independent third party, on the acquisition of Media Magic (as detailed in note 43(b)), the MAGHL Group is granted with an option to acquire an additional 25% interest in Media Magic by 28 December 2014 and an option to acquire the remaining 24% interest in Media Magic by 28 December 2015. If any one of the options is not exercised, the Vendor is contractually obliged to buy back the MAGHL Group's interests in Media Magic at the original acquisition cost. The above rights and contractual obligation options are collectively referred to as the "Options".

The Options constitute derivatives within the scope of HKAS 39, and are recognised at their fair values as assets or liabilities on initial recognition and are subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement.

As at 30 March 2012, the date of acquisition of Media Magic, the MAGHL Group recognised a derivative financial asset of HK$31,411,000 (note 43(b)) in respect of the Options in the consolidated statement of financial position. As at 31 July 2013, the fair value of the financial asset in respect of the Options amounted to HK$21,579,000 (2012: HK$32,491,000) with a fair value loss of HK$10,912,000 (2012: fair value gain of HK$1,080,000) being recognised in the consolidated income statement for the year ended 31 July 2013.

The fair values of the Options as at 30 March 2012, 31 July 2012 and 31 July 2013 were determined with reference to the valuations of the Options as at those dates performed by Greater China Appraisal Limited ("Greater China"), an independent firm of professional valuers. The valuations were arrived at using the Trinomial Lattice model, which has taken into account factors including related profit projections, exercise prices of options, volatilities, the risk-free rate and time to maturity.

31. CASH AND CASH EQUIVALENTS, PLEDGED AND RESTRICTED TIME DEPOSITS AND BANK BALANCES

		Group		Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**3,941,679**	1,060,227	**115,515**	11,402
Less: Pledged and restricted bank balances					
Pledged for banking facilities *		**(6,023)**	(5,860)	**–**	–
Pledged for bank loans	34(f)	**(6,027)**	(123,662)	**–**	–
Restricted **		**(1,749,846)**	(110,960)	**–**	–
		(1,761,896)	(240,482)	**–**	–
Non-pledged and non-restricted cash and bank balances		**2,179,783**	819,745	**115,515**	11,402
Time deposits		**2,948,394**	3,103,897	**387,216**	379,418
Less: Pledged time deposits					
Pledged for bank loans	34(f)	**–**	(73,714)	**–**	–
Pledged for a letter of credit facility ***		**–**	(9,740)	**–**	–
Restricted **		**(295,492)**	(628,939)	**–**	–
		(295,492)	(712,393)	**–**	–
Non-pledged and non-restricted time deposits		**2,652,902**	2,391,504	**387,216**	379,418
Cash and cash equivalents		**4,832,685**	3,211,249	**502,731**	390,820

* *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 (approximately US$218,259,000) (2012: Nil) of the Group'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 37) as and when they are due from settlement. The Group cannot recover any of the trust property until the remaining interest and principal outstanding from the 2007 Notes have been settled in full.

*** *As at 31 July 2012, the pledged time deposit was pledged for a letter of credit facility granted by a bank. The pledged time deposit was released during the year ended 31 July 2013 upon the expiry of the credit facility.*

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31. CASH AND CASH EQUIVALENTS, PLEDGED AND RESTRICTED TIME DEPOSITS AND BANK BALANCES (continued)

At the end of the reporting period, time deposits and cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$2,520,671,000 (2012: HK$1,785,291,000). 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate their fair values.

32. CREDITORS AND ACCRUALS

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors:				
Less than 30 days	**38,900**	46,553	**–**	–
31 – 60 days	**1,373**	7,600	**–**	–
61 – 90 days	**73**	117	**–**	–
Over 90 days	**2,986**	1,687	**–**	–
	43,332	55,957	**–**	–
Other creditors and accruals	**838,241**	834,652	**1,988**	2,145
	881,573	890,609	**1,988**	2,145

Included in creditors and accruals was a loan from a non-controlling shareholder of MAGHL of approximately HK$6,150,000 (2012: HK$6,027,000). The balance is unsecured, interest-free and has no fixed term of repayment. The carrying amount of the loan approximates its fair value.

Other than the loan from a non-controlling shareholder of MAGHL, trade creditors and other creditors are interest-free and have an average credit term of three months.

33. FINANCE LEASE PAYABLES

The Group leases certain of its furniture, fixtures and equipment. These leases are classified as finance leases and have remaining lease terms of approximately two years.

At 31 July 2013, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**74**	119	**74**	119
In the second year	**58**	84	**58**	84
In the third to fifth years, inclusive	**8**	44	**8**	44
Total minimum finance lease payments	**140**	247	**140**	247
Future finance charges	**–**	–		
Total net finance lease payables	**140**	247		
Portion classified as current liabilities	**(74)**	(119)		
Non-current portion	**66**	128		

34. INTEREST-BEARING BANK LOANS, SECURED

Group

	2013		2012	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'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

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34. INTEREST-BEARING BANK LOANS, SECURED (continued)

HK Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("repayment on demand clause") shall be classified in total by the borrower as current in the statement of financial position. 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 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.

On 28 March 2013, Lai Fung (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 Lai Fung 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 Lai Fung 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 Lai Fung.

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

(a) mortgages over certain land and buildings and serviced apartments (including related leasehold improvements) of the Group with carrying amounts of approximately HK$97,509,000 (2012: HK$99,847,000) and HK$1,751,804,000 (2012: HK$1,781,952,000) (note 13), respectively;

(b) mortgages over certain properties under development of the Group with an aggregate carrying amount of approximately HK$1,205,036,000 (2012: HK$896,317,000) (note 15);

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

(d) mortgages over certain completed properties for sale of the Group with an aggregate carrying amount of nil (2012: HK$1,856,666,000);

(e) charges over the entire equity interests in certain subsidiaries (note 14) shared on a pari passu basis with the fixed rate senior notes;

(f) charges over bank balances and time deposits of the Group with an aggregate carrying amount of approximately HK$6,027,000 (2012: HK$197,376,000) (note 31);

(g) mortgage over a construction in progress of the Group with a carrying amount of HK$239,895,000 (2012: Nil) (note 13); and

(h) certain corporate guarantees provided by the Lai Fung Group (note 14).

The carrying amounts of the Group's secured bank loans approximate their fair values.

35. OTHER BORROWINGS

	Notes	Effective contractual interest rate (%) 2013	2012	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Interest-bearing borrowings							
– unsecured	(i)	**5.00**	5.00	**175,894**	170,254	**175,894**	170,254
Other borrowing – unsecured	(ii)	**–**	–	**58,621**	57,200	**–**	–
				234,515	227,454	**175,894**	170,254

	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Analysed into:				
Other borrowings repayable in the second year	**234,515**	227,454	**175,894**	170,254

Notes:

(i) The unsecured other borrowings as at 31 July 2013 and 2012 represented amounts due to the late Mr. Lim Por Yen which bear interest at The Hongkong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount of HK$62,956,000 (2012: HK$57,316,000) which is interest-free.

(ii) The unsecured other borrowing as at 31 July 2013 and 31 July 2012 represented an amount due to the late Mr. Lim Por Yen which is interest-free.

At 31 July 2013 and 31 July 2012, at the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed to the Group that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from the end of the respective reporting periods.

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36. CONVERTIBLE NOTES

		Group	
	Notes	**2013 HK$'000**	2012 HK$'000
First Completion Convertible Notes	(i)	**190,882**	172,242
Second Completion Convertible Notes	(ii)	**60,357**	54,990
		251,239	227,232
Portion classified as current liabilities		**(190,882)**	–
Non-current portion		**60,357**	227,232

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

Pursuant to the Subscription Agreement, among other terms, MAGHL conditionally agreed to issue to the Subscribers and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$371,386,642 (being the first completion convertible notes (the "First Completion Convertible Notes")) and HK$224,873,937 (being the second completion convertible notes (the "Second Completion Convertible Notes")), which can be convertible at the option of the holders into MAGHL's ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

(i) First Completion Convertible Notes

The First Completion Convertible Notes were issued to the holders on 9 June 2011. Part of the First Completion Convertible Notes in an aggregate principal amount of HK$170,000,000 carries the conversion right entitling the relevant holders to subscribe for a total of 10,625,000,000 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.016 per share. Part of the First Completion Convertible Notes in an aggregate principal amount of HK$201,386,642 carries the conversion right entitling the relevant holders to subscribe for a total of 7,231,118,192 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.02785 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the First Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2014 at the principal amount outstanding.

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the reserve attributable to non-controlling interests.

No adjustment was made to the conversion price during the years ended 31 July 2013 and 2012.

36. CONVERTIBLE NOTES (continued)

(i) First Completion Convertible Notes (continued)

The net proceeds received from the issue of the First Completion Convertible Notes, after eliminating the subscription of the First Completion Convertible Notes of approximately HK$163,120,000 by Perfect Sky at a conversion price of HK$0.016 per share, were split into the liability and equity components on the issue date as follows:

	Group HK$'000
First Completion Convertible Notes	
Face value of convertible notes issued	208,267
Equity component	(50,419)
Liability component at date of issue	157,848

The movements of the liability component and equity component of the First Completion Convertible Notes are as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2011	–	–	–
Issued on 9 June 2011	157,848	50,419	208,267
Cost of issue of convertible notes	(4,830)	(1,543)	(6,373)
Interest charged during the period	2,404	–	2,404
Issue of a forward contract	–	1,751	1,751
At 31 July 2011 and 1 August 2011	155,422	50,627	206,049
Interest charged during the year	16,820	–	16,820
At 31 July 2012 and 1 August 2012	172,242	50,627	222,869
Interest charged during the year	18,640	–	18,640
At 31 July 2013	**190,882**	**50,627**	**241,509**

(ii) Second Completion Convertible Notes

The Second Completion Convertible Notes were issued to the holders on 9 June 2012. The Second Completion Convertible Notes in an aggregate principal amount of HK$224,873,937 carries the conversion right entitling the relevant holders to subscribe for a total of 8,074,468,085 shares of HK$0.01 each in MAGHL at a conversion price of HK$0.02785 per share.

Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2015 at the principal amount outstanding.

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36. CONVERTIBLE NOTES (continued)

(ii) Second Completion Convertible Notes (continued)

The fair value of the liability component was estimated at the issue date, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the reserve attributable to non-controlling interests.

No adjustment was made to the conversion price during the years ended 31 July 2013 and 2012.

The net proceeds received from the issue of the Second Completion Convertible Notes, after eliminating the subscription of the Second Completion Convertible Notes of HK$153,175,000 by Perfect Sky at a conversion price of HK$0.02785 per share, were split into the liability and equity components on the issue date as follows:

	Group HK$'000
Second Completion Convertible Notes	
Face value of convertible notes issued	71,699
Consideration arising from the fair value of forward contract	54,996
Equity component	(71,560)
Liability component at date of issue	55,135

The movements of the liability component and equity component of the Second Completion Convertible Notes are as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 1 August 2011	–	–	–
Issued on 9 June 2012	55,135	71,560	126,695
Cost of issue of convertible notes	(913)	(274)	(1,187)
Interest charged during the year	768	–	768
At 31 July 2012 and 1 August 2012	54,990	71,286	126,276
Interest charged during the year	5,367	–	5,367
At 31 July 2013	**60,357**	**71,286**	**131,643**

Interest charged for the First Completion Convertible Notes and the Second Completion Convertible Notes was calculated by applying the effective interest rates of 10.8% per annum and 9.8% per annum, respectively, to the respective liability components.

The fair values of the liability component of the First Completion Convertible Notes and the Second Completion Convertible Notes at 31 July 2013 were approximately HK$193,234,000 (2012: HK$177,019,000) and HK$60,941,000 (2012: HK$55,827,000), respectively. The fair values as at 31 July 2013 and 31 July 2012 were calculated by discounting the future cash flows at the prevailing market interest rates as at 31 July 2013 and 31 July 2012, respectively.

36. CONVERTIBLE NOTES (continued)

Before the subscription of the Second Completion Convertible Notes on 9 June 2012 (the "Second Completion Date"), MAGHL was contractually obligated to issue the Second Completion Convertible Notes. In this regard, before the issue of the Second Completion Convertible Notes, the Subscription Agreement in respect of the issue of the Second Completion Convertible Notes constituted a forward contract within the scope of HKAS 39, and was recognised at its fair value as an asset or a liability on the commitment date, and was subsequently remeasured at fair value with changes in fair value recognised in the consolidated income statement.

On the Second Completion Date, after eliminating the portion of Perfect Sky, the Group recognised a derivative financial liability of HK$54,996,000 (2011: a financial asset of HK$8,336,000). Accordingly, a fair value loss in respect of the forward contract of HK$63,332,000 was charged to the consolidated income statement for the year ended 31 July 2012.

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

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

37. FIXED RATE SENIOR NOTES

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

On 4 April 2007, Lai Fung issued US$200,000,000 (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, Lai Fung 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 2007 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 2007 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 (period from 11 June 2012 to 31 July 2012: Nil). 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 consolidated statement of financial position.

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37. FIXED RATE SENIOR NOTES (continued)

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

On 25 April 2013, Lai Fung 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 the issue expenses of RMB30,000,000 (equivalent to approximately HK$37,387,000), were approximately RMB1,770,000,000 (equivalent to approximately HK$2,205,883,000).

No 2013 Notes were repurchased during the year.

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

As detailed in note 34 to the financial statements, Lai Fung entered into an agreement in respect of the Offshore Facility on 28 March 2013. In connection with Lai Fung's entry into the Offshore Facility, Lai Fung, 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 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 Lai Fung as subsidiary guarantors on a joint and several basis, subject to certain limitations.

37. FIXED RATE SENIOR NOTES (continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
2007 Notes		
Carrying amount as at 1 August	**1,419,334**	–
Acquisition of subsidiaries (note 43(a))	**–**	1,426,044
Amortisation of the 2007 Notes	**7,756**	1,209
	1,427,090	1,427,253
Intra-group elimination *	**–**	(7,919)
Carrying amount as at 31 July	**1,427,090**	1,419,334
Portion classified as non-current	**–**	(1,419,334)
Current portion	**1,427,090**	–
Fair value of the 2007 Notes as at 31 July **	**1,466,536**	1,473,214

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

* *Amount represented the elimination of the portion of the 2007 Notes held by a subsidiary of the Company.*

** *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.*

In connection with the 2013 Notes, Lai Fung entered into cross currency swap agreements (the "CCS") with financial institutions, which have effectively converted the 2013 Notes into fixed rate USD denominated loans. Taking into account of 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 38 to the financial statements.

38. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2013 **HK$'000**	2012 HK$'000
Financial liabilities – 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, Lai Fung 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 37 to the financial statements.

Pursuant to the terms of the CCS, the Lai Fung Group 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, 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 Lai Fung 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 Lai Fung 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 is included in the hedge reserve, of which HK$29,516,000 and HK$30,245,000 were attributed to the owners of the Company and the non-controlling interests, respectively, as follows:

	2013 **HK$'000**	2012 HK$'000
Total fair value loss 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**	–

39. DEFERRED TAX

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

	Notes	Accelerated tax depreciation 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$'000	Other temporary differences HK$'000	Total HK$'000
At 1 August 2011		270	–	–	–	35	(366)	(61)
Acquisition of subsidiaries	43	(333,288)	(1,022,002)	(963,632)	(41,000)	26,992	(18,706)	(2,351,636)
Deferred tax credited/(charged) to the income statement during the year	10	(5,291)	21,214	1	–	(3,773)	825	12,976
Exchange realignment		14	(7)	(678)	–	10	52	(609)
At 31 July 2012 and 1 August 2012		(338,295)	(1,000,795)	(964,309)	(41,000)	23,264	(18,195)	(2,339,330)
Deferred tax credited/(charged) to the income statement during the year	10	(43,619)	277,152	(165,177)	(29,964)	(19,523)	2,275	21,144
Deferred tax utilised during the year		–	–	–	5,964	–	–	5,964
Exchange realignment		(8,999)	(18,663)	(27,114)	–	298	(386)	(54,864)
At 31 July 2013		**(390,913)**	**(742,306)**	**(1,156,600)**	**(65,000)**	**4,039**	**(16,306)**	**(2,367,086)**

At 31 July 2013, the Group had tax losses arising in Hong Kong of HK$1,137,041,000 (2012: HK$1,106,778,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 July 2013, the Group had tax losses arising in Mainland China of HK$108,717,000 (2012: HK$66,765,000) 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 either 5% or 10%. The Group is therefore liable for withholding taxes on dividends to be distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 July 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$28,225,000 at 31 July 2013 (2012: HK$9,936,000).

40. SHARE CAPITAL

Shares

	2013		2012	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,500,000**	**1,250,000**	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,243,212**	**621,606**	1,243,212	621,606

Share options

Details of the share option schemes of the Company, Lai Fung and MAGHL and the share options issued under the respective schemes are included in note 41 to the financial statements.

41. SHARE OPTION SCHEMES

(a) The Company

The Company operates the share option scheme (the "Share Option Scheme") for the purpose of giving any eligible employee, director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "Participants") an opportunity to have a personal stake in the Company and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long term growth and profitability of the Company. The Share Option Scheme was adopted by the Company on 23 December 2005 (the "Adoption Date") and became effective on 5 January 2006 and unless otherwise cancelled or amended, will remain in force for 10 years from the latter date. The principal terms of the Share Option Scheme are:

(i) The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on the Adoption Date unless the 10% limit has been refreshed on shareholders' approval. The 10% limit was refreshed on shareholders' approval at a special general meeting of the Company held on 27 May 2011. The maximum number of shares issuable under share options granted to each Participant in the Share Option Scheme within any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

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

(iii) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors in its absolute discretion.

41. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

(iv) The subscription (or exercise) price of any share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; and (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

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

Details of the share options outstanding during the year are as follows:

	2013		2012	
	Number of underlying shares comprised in share options '000	**Weighted average exercise price per share HK$**	Number of underlying shares comprised in share options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year	**6,216**	**0.92**	6,228	2.76
Granted during the year	**26,635**	**1.60**	6,216	0.92
Lapsed during the year	**(400)**	**1.61**	(6,228)	2.76
Outstanding at the end of the year	**32,451**	**1.47**	6,216	0.92

No share options were exercised during the years ended 31 July 2013 and 2012.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 July 2013

Number of underlying shares comprised in share options '000	**Exercise price* per share HK$**	**Exercise period**
6,216	**0.92**	**5-6-2012 to 4-6-2022**
25,435	**1.61**	**18-1-2013 to 17-1-2023**
800	**1.18**	**26-7-2013 to 25-7-2023**
32,451		

41. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

31 July 2012

Number of underlying shares comprised in share options '000	Exercise price* per share HK$	Exercise period
6,216	0.92	5-6-2012 to 4-6-2022

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

The fair value of the share options granted during the year ended 31 July 2013 was HK$12,708,000 (2012: HK$2,741,000).

The Company recognised total share option expenses of HK$12,708,000 during the year ended 31 July 2013 (2012: HK$2,741,000) (note 42(b)).

The fair value of equity-settled share options granted during the years ended 31 July 2013 and 2012 was estimated as at the date of grant, using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	**26 July 2013**	**18 January 2013**	**5 June 2012**
Dividend yield (%)	–	–	–
Expected volatility (%)	78.49	78.49	71.58
Historical volatility (%)	78.49	78.49	71.58
Risk-free interest rate (%)	1.012	1.012	1.024
Expected life of options (year)	10	10	10
Closing share price (HK$ per share)	1.18	1.54	0.92

The expected life of the options is not necessary 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.

At the end of the reporting period, the Company had 32,450,665 share options outstanding under the Share Option Scheme which represented approximately 2.6% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 32,450,665 additional ordinary shares of the Company and additional share capital of approximately HK$16,225,000 and share premium of approximately HK$31,388,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 32,450,665 share options outstanding under the Share Option Scheme, which represented approximately 2.6% of the Company's shares issued as at that date.

41. SHARE OPTION SCHEMES (continued)

(b) MAGHL

(A) Old MAGHL Share Option Scheme

The Old MAGHL Share Option Scheme was adopted on 19 November 2009 and became effective on 24 November 2009 (being the date of the conditional listing approval issued by the Stock Exchange) and, unless otherwise cancelled or amended, will remain in force for 10 years from the latter date. The Old MAGHL Share Option Scheme was terminated pursuant to a resolution passed at the special general meeting on 18 December 2012. MAGHL operates the Old MAGHL Share Option Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to MAGHL and/or to enable MAGHL to recruit and retain high-calibre employees and attract human resources that are valuable to MAGHL and any Invested Entity (as defined in the Old MAGHL Share Option Scheme). Eligible participants include full-time and part-time employees, executive directors, non-executive directors, suppliers, customers, advisors, consultants, agents, contractors, and shareholders of any member of MAGHL or any Invested Entity.

The principal terms of the Old MAGHL Share Option Scheme are:

(a) The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Old MAGHL Share Option Scheme and any other share option scheme of MAGHL must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time.

(b) The total number of shares which may be issued upon exercise of all share options to be granted under the Old MAGHL Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at 19 November 2009.

(c) MAGHL may seek approval of the shareholders of MAGHL at a general meeting for refreshing the 10% limit under Old MAGHL Share Option Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Old MAGHL Share Option Scheme under the limit as refreshed must not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

(d) Subject to (f) below, the maximum number of shares to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares of MAGHL in issue at anytime. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting with such participant and his associates abstaining from voting.

(e) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their associates, is subject to approval in advance by the independent non-executive directors.

(f) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, or to any of their associates, in excess of 0.1% of the shares of MAGHL in issue at any time or with an aggregate value (based on the price of the shares of MAGHL at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance at a general meeting.

(g) The offer of a grant of share options may be accepted within 28 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

(h) The exercise period of the share options granted is determined by the directors provided that such period must not be more than 10 years from the date of offer of grant of share options or the determination date of the Old MAGHL Share Option Scheme, if earlier.

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31 July 2013

41. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

(A) Old MAGHL Share Option Scheme (continued)

The principal terms of the Old MAGHL Share Option Scheme are: (continued)

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

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

Details of the share options of the Old MAGHL Share Option Scheme outstanding during the year are as follows:

	2013		2012	
	Number of underlying shares comprised in share options '000	**Weighted average exercise price per share HK$**	Number of underlying shares comprised in share options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year	**101,103**	**0.233**	–	–
Granted during the year	**–**		101,103	0.233
Lapsed during the year	**(101,103)**	**0.233**	–	–
Outstanding at the end of the year	**–**	**–**	101,103	0.233

The exercise prices and exercise periods of the share options outstanding as at 31 July 2012 were as follows:

Number of underlying shares comprised in share options '000	**Exercise price* per share** HK$	**Exercise period**
31,342	0.20420	6-8-2012 to 5-8-2013
31,342	0.24504	6-8-2013 to 5-8-2014
31,342	0.26546	6-8-2014 to 5-9-2015
2,359	0.14480	6-8-2012 to 5-8-2013
2,359	0.17376	6-8-2013 to 5-8-2014
2,359	0.18824	6-8-2014 to 5-9-2015
101,103		

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

41. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

(A) Old MAGHL Share Option Scheme (continued)

The fair value of the share options granted during the year ended 31 July 2012 was HK$8,580,000 of which MAGHL recognised share option expenses of HK$334,000 and HK$5,030,000 for the years ended 31 July 2013 and 2012, respectively.

The fair value of equity-settled share options granted during the year ended 31 July 2012 was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Date of grant	**17 January 2012**	**26 August 2011**
Dividend yield (%)	–	–
Expected volatility (%)	73.085	77.116
Risk-free interest rate (%)	0.555	0.563
Expected life of options (year)	3.636	4.03

Expected volatility was determined by calculating the historical volatility of MAGHL's share price for a period equal to the expected life of the share options. The expected life used in the model has been adjusted, based on MAGHL's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value.

At 31 July 2013, MAGHL had no share options outstanding under the Old MAGHL Share Option Scheme.

(B) New MAGHL Share Option Scheme

On 18 December 2012, MAGHL adopted a new share option scheme (the "New MAGHL Share Option Scheme") and terminated the Old MAGHL Share Option Scheme adopted by MAGHL on 19 November 2009 as (i) MAGHL has become a subsidiary of the Company in June 2011 and Rule 23.01 (4) of the GEM Listing Rules requires the relevant provisions of the Old MAGHL Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of MAGHL to be simultaneously approved by the shareholders/independent non-executive directors of the Company; and (ii) the Company would like to have a unified set of share option scheme rules for all its subsidiaries. The purpose of the New MAGHL Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to MAGHL by granting options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of MAGHL or the affiliated companies. Eligible participants include any employees, director, officer or consultant of MAGHL and the affiliated companies, and any other group or classes of participants which the board of the directors of MAGHL, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangements, to the development and growth of MAGHL.

41. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

(B) New MAGHL Share Option Scheme (continued)

The principal terms of the New MAGHL Share Option Scheme are:

(a) The total number of shares which may be issued upon exercise of all share options to be granted under the New MAGHL Share Option Scheme and all options to be granted under any other share option schemes of any member of MAGHL (the "Other Schemes") must not in aggregate exceed 10% of the total number of shares in issue as at 18 December 2012 (the "MAGHL Scheme Limit").

(b) Subject to (a) above and the approval of the shareholders of MAGHL and the Company (as long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may refresh the MAGHL Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of shares in issue as at the date of approval of such refreshed limit.

(c) Subject to (a) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may grant the options beyond the 10% limit, provided that the options in excess of such limit are granted only to the eligible participants specifically identified by MAGHL before such shareholders' approval is sought.

(d) The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the New MAGHL Share Option Scheme and Other Schemes must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time.

(e) The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the New MAGHL Share Option Scheme and the Other Schemes (including both exercised and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of shares of MAGHL in issue at anytime. Any further grant of share options in excess of this limit must be separately approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.

(f) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules).

(g) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, or to any of their respective associates, in excess of 0.1% of the shares of MAGHL in issue from time to time or with an aggregate value (based on the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, must be approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) in advance at the respective general meetings.

(h) The offer of a grant of share options may be accepted within 30 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

41. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

(B) New MAGHL Share Option Scheme (continued)

The principal terms of the New MAGHL Share Option Scheme are: (continued)

(i) The exercise period of the share options granted is determined by the directors provided that such period must not be longer than 10 years from the date of upon which any share option is granted in accordance with the New MAGHL Share Option Scheme.

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

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

No share options have been granted by MAGHL under the New MAGHL Share Option Scheme during the year ended 31 July 2013.

(c) Lai Fung

2003 Lai Fung Share Option Scheme

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

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

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

The offer of a grant of share options may be accepted within 30 days from the date of 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 Lai Fung, save that such period shall not be longer than 8 years from the date of grant of the share options.

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41. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2003 Lai Fung Share Option Scheme (continued)

The exercise price of the share options is determined by the directors of Lai Fung, but may not be less than the highest of (i) the closing price of Lai Fung's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of Lai Fung's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of Lai Fung's shares.

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

2012 Lai Fung Share Option Scheme

On 18 December 2012 (the "Adoption Date"), Lai Fung adopted a new share option scheme (the "2012 Lai Fung Share Option Scheme") and terminated the 2003 Lai Fung 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 Lai Fung Share Option Scheme is to recognise the contribution or future contribution of the Eligible Participants (as defined in the scheme) to the Lai Fung Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre 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 Lai Fung Group. Unless otherwise cancelled or amended, the 2012 Lai Fung 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 Lai Fung Share Option Scheme (i) shall not exceed 10% of the shares of Lai Fung in issue on the Adoption Date; (ii) shall not exceed 30% of the shares of Lai Fung 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 Lai Fung 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 Lai Fung and the shareholders of the Company (so long as Lai Fung is a subsidiary of the Company under the Listing Rules) in the respective general meetings.

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

The offer of a grant of share options may be accepted within 30 days from the date of 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 Lai Fung, 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 Lai Fung, which shall be at least the highest of (i) the Stock Exchange closing price of Lai Fung's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of Lai Fung's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of Lai Fung on the date of grant.

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

41. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2012 Lai Fung Share Option Scheme (continued)

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 Lai Fung Share Option Scheme and 466,726,430 underlying shares relate to share options granted under the 2012 Lai Fung Share Option Scheme, respectively

Details of the share options outstanding during the year/period are as follows:

	Year ended 31 July 2013		Period from 11 June 2012 to 31 July 2012	
	Number of underlying shares comprised in share options	**Weighted average exercise price per share**	Number of underlying shares comprised in share options	Weighted average exercise price per share
	'000	**HK$**	'000	HK$
Outstanding at the beginning of the year/period	**80,480**	**0.133**	–	–
Granted during the year/period	**474,726**	**0.228**	80,480	0.133
Lapsed during the year/period	**(8,000)**	**0.228**	–	–
Outstanding at the end of the year/period	**547,206**	**0.213**	80,480	0.133

No share options were exercised during the year ended 31 July 2013 and the period from 11 June 2012 to 31 July 2012.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

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Number of underlying shares comprised in share options '000	**Exercise price* per share** HK$	**Exercise period**
80,480	0.133	12-6-2012 to 11-6-2020
450,726	0.228	18-1-2013 to 17-1-2023
16,000	0.190	26-7-2013 to 25-7-2023
547,206		

41. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

31 July 2012

Number of underlying shares comprised in share options	Exercise price per share*	Exercise period
80,480	0.133	12-6-2012 to 11-6-2020

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

31 July 2013

The fair values of the share options granted during the year were HK$26,964,000 (period from 11 June 2012 to 31 July 2012: HK$3,678,000), of which the Lai Fung Group recognised a share option expense of HK$26,964,000 (period from 11 June 2012 to 31 July 2012: HK$3,678,000) 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.

The fair value of equity-settled share options granted during the year ended 31 July 2013 and the period from 11 June 2012 to 31 July 2012 was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	**26 July 2013**	**18 January 2013**	**12 June 2012**
Dividend yield (%)	1.795	1.795	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 (year)	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.

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 Lai Fung Share Option Scheme and 2012 Lai Fung Share Option Scheme during the year.

42. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2013 and 2012 are presented in the consolidated statement of changes in equity.

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2011		4,230,797	845,455	2,145	852,436	5,930,833
Loss for the year and total comprehensive loss for the year		–	–	–	(190,186)	(190,186)
Equity-settled share option arrangements	41(a)	–	–	2,741	–	2,741
Release of reserves upon lapse of share options		–	–	(2,145)	2,145	–
At 31 July 2012 and 1 August 2012		4,230,797	845,455	2,741	664,395	5,743,388
Profit for the year and total comprehensive income for the year		–	–	–	26,620	26,620
Equity-settled share option arrangements	41(a)	–	–	12,708	–	12,708
Release of reserves upon lapse of share options		–	–	(191)	191	–
At 31 July 2013		**4,230,797**	**845,455**	**15,258**	**691,206**	**5,782,716**

The profit of HK$26,620,000 for the year ended 31 July 2013 (2012: loss of HK$190,186,000) included dividend income of HK$122,500,000 received from subsidiaries of the Company (2012: Nil) and impairment of interests in subsidiaries of the Company of HK$75,916,000 (2012: HK$185,641,000).

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

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43. BUSINESS COMBINATIONS

For the year ended 31 July 2012

(a) Acquisition of Lai Fung

As detailed in note 14 to the financial statements, the Group held 40.58% equity interest in Lai Fung which was accounted for as an associate of the Group before the Open Offer. Upon completion of the Open Offer on 11 June 2012 (the "Completion Date"), the Group's equity interest in Lai Fung increased from 40.58% to 47.39%. Since then, Lai Fung has become a subsidiary of the Group.

In accordance with HKFRSs, the Group continued to share the results of the Lai Fung Group under the equity method of accounting during the period from 1 August 2011 to 10 June 2012. The fair value of 40.58% equity interest in Lai Fung (the "Existing Shareholding") as at the Completion Date was calculated with reference to the quoted share price of Lai Fung of HK$0.14 per share as at the Completion Date. The carrying amount of the Group's interests in Lai Fung immediately before the Completion Date was approximately HK$4,610.1 million.

Difference between the fair value and the carrying amount of the Existing Shareholding as at the Completion Date of approximately HK$4,152.9 million had been recognised in the consolidated income statement of the Company as a loss on disposal of the Existing Shareholding. In addition, the related reserves retained by the Group for the Existing Shareholding totalled approximately HK$253.1 million were released to the consolidated income statement of the Company.

The fair value of the Existing Shareholding at the Completion Date formed part of the acquisition cost and was included in the calculations of gain on a bargain purchase in relation to the acquisition of 47.39% equity interest in Lai Fung (the "Acquisition") in accordance with HKFRS 3 *Business Combinations*.

The Group had elected to measure the non-controlling interests in Lai Fung at the non-controlling interests' proportionate share of Lai Fung's net identifiable assets and liabilities.

Upon completion of the Open Offer on 11 June 2012, the Company had recognised an overall net gain on bargain purchase of approximately HK$1,350.4 million and an overall increase in the consolidated net assets attributable to shareholders was approximately HK$1,097.3 million.

43. BUSINESS COMBINATIONS (continued)

For the year ended 31 July 2012 (continued)

(a) Acquisition of Lai Fung (continued)

The fair values of the identifiable assets and liabilities of Lai Fung as at the date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	13	1,966,736
Properties under development	15	1,829,199
Investment properties	16	10,775,100
Completed properties for sale		2,582,802
Investment in a joint venture		1,021,036
Debtors		70,857
Deposits, prepayments and other receivables		66,207
Prepaid tax		43,057
Pledged and restricted time deposits and bank balances		737,021
Cash and cash equivalents		1,741,149
Creditors and accruals		(670,568)
Deposits received and deferred income		(280,288)
Other borrowing		(57,200)
Tax payable		(334,090)
Interest-bearing bank loans, secured		(1,812,566)
Long term deposits received		(60,588)
Fixed rate senior notes	37	(1,426,044)
Deferred tax liabilities	39	(2,332,930)
Non-controlling interests of Lai Fung		(664,866)
		13,194,024
Non-controlling interests		(6,941,376)
Total identifiable net asset at fair value		6,252,648
Release of exchange reserves and other reserves		253,078
Gain on bargain purchase of the Acquisition		(5,503,285)
Total consideration		1,002,441
Satisfied by:		
Consideration of the Open Offer		545,220
Fair value of the Existing Shareholding		457,221
		1,002,441

	HK$'000
Net impact on the consolidated income statement	
Loss on disposal of the Existing Shareholding	4,152,880
Gain on bargain purchase of the Acquisition	(5,503,285)
Gain on bargain purchase, net	(1,350,405)

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43. BUSINESS COMBINATIONS (continued)

For the year ended 31 July 2012 (continued)

(a) Acquisition of Lai Fung (continued)

The Group incurred transaction costs of HK$2,262,000 for this acquisition. These transaction costs had been expensed and were included in other operating expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of Lai Fung was as follows:

	HK$'000
Cash consideration paid	(545,220)
Cash and cash equivalents acquired	1,741,149
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,195,929
Transaction costs of the acquisition included in cash flows from operating activities	(2,262)
	1,193,667

Since the acquisition, Lai Fung contributed HK$174,355,000 to the Group's turnover and loss of HK$10,902,000 included in the consolidated profit for the year ended 31 July 2012.

Had the combination taken place at the beginning of the year, the turnover of the Group and the profit of the Group for the year ended 31 July 2012 would have been HK$1,921,830,000 and HK$1,170,037,000, respectively.

(b) Acquisition of Media Magic

On 30 March 2012, the Group acquired 51% interest in Media Magic from the Vendor. Since then, Media Magic has become a subsidiary. Media Magic is engaged in entertainment content production and artiste management in the PRC. The purchase consideration for the acquisition was in the form of cash, with RMB45.7 million (approximately HK$56.2 million) paid during the year ended 31 July 2012 and the remaining RMB11.4 million (approximately HK$14.1 million) payable within 90 days upon the completion of transfer of title of the artiste management contracts to Media Magic. During the year ended 31 July 2013, the Group settled the remaining balance of RMB11.4 million.

The Group considered that the acquisition provided a good opportunity to leverage the Group's established networks in the media and entertainment sectors into a different geographic focus.

The Group had elected to measure the non-controlling interests in Media Magic at the non-controlling interests' proportionate share of Media Magic's identifiable net assets.

43. BUSINESS COMBINATIONS (continued)

For the year ended 31 July 2012 (continued)

(b) Acquisition of Media Magic (continued)

The fair values of identifiable assets and liabilities of Media Magic as at the date of acquisition were as follows:

	Notes	HK$'000
Artiste management contracts	21	50,187
Services contract	21	24,638
Cash and bank balances		8
Deferred tax liabilities	39	(18,706)
		56,127
Non-controlling interests		(27,502)
Total identifiable net assets at fair value		28,625
Options	30	31,411
Goodwill on acquisition	20	10,226
Satisfied by cash		70,262

The Group incurred transaction costs of HK$987,000 for this acquisition. These transaction costs had been expensed and were included in other operating expenses in the consolidated income statement.

The carrying amount of goodwill represents access to and industry establishment of entertainment business in the PRC and the expected synergy from the acquisition. None of the goodwill recognised was expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Media Magic was as follows:

	HK$'000
Cash consideration paid	(56,210)
Cash and bank balances acquired	8
Net outflow of cash and cash equivalents included in cash flows from investing activities	(56,202)
Transaction costs of the acquisition included in cash flows from operating activities	(987)
	(57,189)

Since the acquisition, Media Magic contributed HK$10,843,000 to the Group's turnover and a profit of HK$2,447,000 to the consolidated profit for the year ended 31 July 2012.

Had the combination taken place at the beginning of the year, the turnover of the Group and the profit of the Group for the year ended 31 July 2012 would have been HK$702,151,000 and HK$1,086,011,000, respectively.

NOTES TO FINANCIAL STATEMENTS

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43. BUSINESS COMBINATIONS (continued)

For the year ended 31 July 2012 (continued)

(b) Acquisition of Media Magic (continued)

Pursuant to the agreement on acquisition of Media Magic, the Vendor has warranted to the Group that, subject to the agreement terms, the audited consolidated net profit after tax ("NPAT") of Media Magic shall not be less than a specified level (the "Warranted Profit"). In the event that the actual NPAT is less than the Warranted Profit (the "Shortfall") for the financial period ended 31 July 2013, the Vendor shall pay to the Group a total sum of a multiplier of the Shortfall after the determination of the actual NPAT for the financial period ended 31 July 2013. The payment will be satisfied by cash.

The consideration adjustment in relation to the Warranted Profit as described above was accounted for as contingent consideration whose fair values on initial recognition and at 31 July 2012 were determined as insignificant by the directors with reference to the valuation performed by Greater China.

In the opinion of the directors of MAGHL, the fair value of contingent consideration was insignificant as at 31 July 2013.

(c) Other acquisitions

On 2 July 2012, the Group acquired 100% interests in 耀輝時代影視文化(北京)有限公司 ("耀輝時代") and 北京東亞澤民文化有限公司 ("東亞澤民") from two independent third parties. 耀輝時代 was engaged in event and artiste management and 東亞澤民 was engaged in music licensing in the PRC. (The above companies acquired by the Group were collectively referred to as the "PRC Companies".)

The Group considered that the acquisition of the PRC Companies represented a good opportunity for the Group to leverage the Group's established networks in the media and entertainment sectors into different geographic focus.

The Group had elected to measure the non-controlling interests at the non-controlling interests' proportionate share of the PRC Companies' identifiable net assets.

The fair values of identifiable assets and liabilities of the PRC Companies acquired by the Group as at the date of acquisition date were as follows:

	Notes	HK$'000
Property, plant and equipment	13	304
Debtors		320
Prepayments, deposits and other receivables		4,278
Cash and bank balances		3,961
Accruals		(4,738)
		4,125
Non-controlling interests		(244)
Total identifiable net assets at fair value		3,881
Goodwill on acquisition	20	3,478
Satisfied by cash		7,359

43. BUSINESS COMBINATIONS (continued)

For the year ended 31 July 2012 (continued)

(c) Other acquisitions (continued)

An analysis of cash flows in respect of the acquisition of the PRC Companies was as follows:

	HK$'000
Cash consideration paid	(7,359)
Cash and bank balances acquired	3,961
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,398)

Since the acquisition, the PRC companies contributed a loss of HK$1,061,000 included in the consolidated income statement for the year ended 31 July 2012. Had the combination taken place at the beginning of the year, the turnover of the Group and the profit of the Group for the year ended 31 July 2012 would have been HK$702,151,000 and HK$1,086,011,000 respectively.

44. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for:		
Capital contributions to a joint venture	**11,401**	12,492
Shareholder's loan to an associate	**2,011**	13,561
Construction and compensation costs	**449,680**	51,424
Acquisition of an 85% equity interest in a company	**200,000**	–
Acquisition of items of property, plant and equipment	**2,479**	3,144
	665,571	80,621
Authorised, but not contracted for:		
Construction and resettlement costs	**421,241**	618,835

As at 31 July 2013, the Company had a capital commitment contracted but not provided for in respect of acquisition of an 85% equity interest in a company amounting to HK$200,000,000 (note 52(a)).

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31 July 2013

44. COMMITMENTS (continued)

(b) As lessor

As at 31 July 2013, 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

(c) As lessee

As at 31 July 2013, the Group and the Company leased certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years (2012: one to five years).

As at 31 July 2013, the Group and the Company 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	**7,408**	7,731
In the second to fifth years, inclusive	**6,478**	7,904
	13,886	15,635

	Company	
	2013	2012
	HK$'000	HK$'000
Within one year	**274**	1,539
In the second to fifth years, inclusive	**–**	274
	274	1,813

45. PLEDGE OF ASSETS

Details of the Group's bank loans, which were secured by certain assets of the Group, are included in note 34 to the financial statements.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

31 July 2013

Financial assets

	Financial assets at fair value through profit or loss HK$'000	**Loans and receivables** HK$'000	**Available-for-sale financial assets** HK$'000	**Total** HK$'000
Investments in joint ventures	–	304,736	–	304,736
Investments in associates	–	20,688	–	20,688
Available-for-sale investments	–	–	158,491	158,491
Loans receivable	–	11,000	–	11,000
Debtors	–	166,735	–	166,735
Financial assets included in deposits, prepayments and other receivables	–	372,451	–	372,451
Options	21,579	–	–	21,579
Pledged and restricted time deposits and bank balances	–	2,057,388	–	2,057,388
Cash and cash equivalents	–	4,832,685	–	4,832,685
	21,579	7,765,683	158,491	7,945,753

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46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

31 July 2013 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	–	43,332	43,332
Financial liabilities included in other creditors and accruals	–	734,182	734,182
Financial liabilities included in deposits received	–	19,129	19,129
Finance lease payables	–	140	140
Interest-bearing bank loans, secured	–	2,392,326	2,392,326
Other borrowings	–	234,515	234,515
Convertible notes	–	251,239	251,239
Fixed rate senior notes	–	3,650,700	3,650,700
Derivative financial instruments	43,712	–	43,712
	43,712	7,325,563	7,369,275

31 July 2012

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Investments in joint ventures	–	337,655	–	337,655
Investments in associates	–	8,227	–	8,227
Available-for-sale investments	–	–	166,209	166,209
Loans receivable	–	23,517	–	23,517
Debtors	–	160,799	–	160,799
Financial assets included in deposits, prepayments and other receivables	–	176,050	–	176,050
Options	32,491	–	–	32,491
Pledged and restricted time deposits and bank balances	–	952,875	–	952,875
Cash and cash equivalents	–	3,211,249	–	3,211,249
	32,491	4,870,372	166,209	5,069,072

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

31 July 2012 (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade creditors	55,957
Financial liabilities included in other creditors and accruals	573,698
Financial liabilities included in deposits received	17,722
Finance lease payables	247
Interest-bearing bank loans, secured	1,917,699
Other borrowings	227,454
Convertible notes	227,232
Fixed rate senior notes	1,419,334
	4,439,343

Company

Financial assets

	Loans and receivables	
	2013	2012
	HK$'000	HK$'000
Due from subsidiaries	**6,055,737**	6,134,967
Financial assets included in deposits, prepayments and other receivables	**126**	177
Cash and cash equivalents	**502,731**	390,820
	6,558,594	6,525,964

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Other borrowings	**175,894**	170,254

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47. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

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

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 July 2013				
Available-for-sale investments	72,451	–	–	72,451
Options	–	–	21,579	21,579
	72,451	–	21,579	94,030
As at 31 July 2012				
Available-for-sale investments	63,881	–	–	63,881
Options	–	–	32,491	32,491
	63,881	–	32,491	96,372

Movements of fair value measurement in Level 3 during the year were as follows:

Group

	Options HK$'000	**Forward contract** HK$'000
At 1 August 2011	–	8,336
Initial recognition of fair value upon acquisition of subsidiaries	31,411	–
Fair value gain/(loss) recognised in the consolidated income statement	1,080	(63,332)
Transfer to Second Completion Convertible Notes as part of the consideration upon the issue of Second Completion Convertible Notes	–	54,996
At 31 July 2012 and 1 August 2012	32,491	–
Fair value loss recognised in the consolidated income statement	(10,912)	–
At 31 July 2013	**21,579**	**–**

During the year, there was no transfer into or out of Level 3 fair value measurements (2012: Nil).

47. FAIR VALUE HIERARCHY (continued)

Liabilities measured at fair value:

Group

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 July 2013				
Derivative financial instruments	–	43,712	–	43,712

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.

The Group did not have any financial liabilities measured at fair value as at 31 July 2012.

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 July 2013 and 31 July 2012.

48. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year ended 31 July 2013, a prepayment of HK$2,400,000 was transferred to music catalogs.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, fixed rate senior notes, other borrowings, finance leases, convertible notes, derivative financial instruments, pledged and restricted time deposits and bank balances, and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations, and available-for-sale investments which are held by the Group for investment purpose.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts relatively conservative strategies on its risk management. Except for the Lai Fung Group entered into cross currency swap agreements to manage the foreign currency risk arising from the Group's fixed rate senior notes, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by changes in market interest rates. The Group's interest rate risk also arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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

NOTES TO FINANCIAL STATEMENTS

31 July 2013

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Interest rate risk (continued)

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 other borrowings at the prime rate) 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**	**(2,770)**	**(1,435)**	**(282)**	**(282)**
	-0.25	**2,770**	**1,435**	**282**	**282**

		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
2012	+0.25	(2,742)	(1,382)	(282)	(282)
	-0.25	2,719	1,371	282	282

* *excluding amounts attributable to non-controlling interests*

(ii) Foreign currency risk

RMB

Certain subsidiaries (the Lai Fung Group) of the Group have transactions denominated in RMB. The Lai Fung Group is exposed to foreign exchange risk arising from the exposure of RMB against the Hong Kong dollar.

The Lai Fung Group entered into CCS in respect of the 2013 Notes to minimise the foreign currency exposures as detailed in note 38 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.

US dollars ("USD")

Certain of the Group's and the Company's monetary assets and liabilities are denominated in USD. The Group and the Company are exposed to foreign exchange risk arising from the exposure of USD against the Hong Kong dollar.

The Group and the Company considered the impact on the equity from the change in the USD exchange rate was nominal at the end of the reporting period since the Hong Kong dollar is pegged to USD.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk (continued)

US dollars ("USD") (continued)

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**	**Impact on equity***	**Impact on post-tax profit**	**Impact on equity**
	%	HK$'000	HK$'000	HK$'000	HK$'000
2013					
If USD/HK$ weakens against RMB	5	38,587	19,337	–	–
If USD/HK$ strengthens against RMB	5	(35,116)	(17,655)	–	–
2012					
If USD/HK$ weakens against RMB	5	17,426	8,497	–	–
If USD/HK$ strengthens against RMB	5	(15,887)	(7,797)	–	–

* *excluding amounts attributable to non-controlling interests*

(iii) Credit risk

The Group, except for the Lai Fung Group, trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Lai Fung Group maintains various credit policies for different business operations as described in note 29. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Lai Fung Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, amounts due from associates and joint ventures, loans receivable and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables and trade debtors are disclosed in notes 25 and 29 to the financial statements, respectively.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

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

Group

	Less than 1 year HK$'000	**1 to 5 years** HK$'000	**Total** HK$'000
31 July 2013			
Trade creditors	43,332	–	43,332
Financial liabilities included in other creditors and accruals	734,182	–	734,182
Financial liabilities included in deposits received	19,129	–	19,129
Finance lease payables	74	66	140
Interest-bearing bank loans, secured	719,829	1,948,893	2,668,722
Other borrowings	–	240,161	240,161
Convertible notes	208,267	71,699	279,966
Fixed rate senior notes	1,676,477	2,839,642	4,516,119
Inflow of derivative financial instruments	(155,328)	(2,839,642)	(2,994,970)
Outflow of derivative financial instruments	139,547	2,795,968	2,935,515
	3,385,509	5,056,787	8,442,296
31 July 2012			
Trade creditors	55,957	–	55,957
Financial liabilities included in other creditors and accruals	573,698	–	573,698
Financial liabilities included in deposits received	17,722	–	17,722
Finance lease payables	119	128	247
Interest-bearing bank loans, secured	1,626,527	386,449	2,012,976
Other borrowings	–	233,101	233,101
Convertible notes	–	279,966	279,966
Fixed rate senior notes	130,764	1,521,298	1,652,062
	2,404,787	2,420,942	4,825,729

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

Group (continued)

As detailed in note 34 to the financial statements, included in the current portion of the interest-bearing bank loans as at 31 July 2013 is a term loan in the amount of HK$123,535,000 (2012: HK$67,651,000). The relevant loan agreement of this term loan includes a repayment on demand clause which gives the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the said amount is classified as "less than 1 year". Notwithstanding the repayment on demand clause, the directors believe that the loan will not be called in its entirety within 1 year, and consider that the loan will be repaid in accordance with the maturity date as set out in the loan agreement. In accordance with the terms of the term loan, the maturity profile of the 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 in less than 1 year 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 51 to the financial statements. The earliest period in which the guarantee could be called is less than 12 months.

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

Company

31 July 2013

	Less than 1 year HK$'000	**1 to 5 years** HK$'000	**Total** HK$'000
Other borrowings	–	181,540	181,540

31 July 2012

	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Other borrowings	–	175,901	175,901

Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure.

The capital structure of the Group mainly consists of fixed rate senior notes, interest-bearing bank loans, other borrowings, convertible notes, cash and cash equivalents, pledged and restricted time deposits and bank balances and equity attributable to owners of the Company comprising issued share capital and reserves.

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

NOTES TO FINANCIAL STATEMENTS

31 July 2013

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity. As at 31 July 2013, the consolidated net assets attributable to the owners of the Company amounted to HK$8,306.9 million (2012: HK$7,997.9 million).

50. LITIGATION

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

Between 2008 and 2012, Passport, a substantial shareholder of the Company at the time, commenced litigation against the Company, alleging an improper purpose of diluting Passport's shareholding in the Company in respect of a placement exercise and alternatively, alleging a breach of fiduciary duty by the directors of the Company by failing to have proper regard to the interest of the minority shareholders when making the decision to enter into the placement. After a trial, the court dismissed Passport's claims against the Company and the directors and further ordered Passport to pay the Company's costs of the trial despite Passport's objections. Although Passport filed a notice to appeal the judgement, this was subsequently withdrawn and the appeal was dismissed by consent of the parties on the terms that Passport had agreed to pay the Company's legal costs.

During the year, the legal costs have been settled in full by Passport.

51. CONTINGENT LIABILITIES

The Group had provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of 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.

52. EVENTS AFTER THE REPORTING PERIOD

(a) On 5 July 2013, the Company entered into an agreement with Kadokawa Holdings Asia Limited ("KHAL") and Lai's Holdings Limited ("LHL") pursuant to which it has conditionally agreed to acquire an 85% interest in Intercontinental Group Holdings Limited ("IGHL", formerly known as Kadokawa Intercontinental Group Holdings Limited) for a total consideration of HK$212.5 million ("Proposed Acquisition"). Upon completion, IGHL will become 85% owned by the Company and 15% owned by LHL. Accordingly, IGHL and its subsidiaries ("IGHL Group") will become indirect non-wholly owned subsidiaries of the Company. The IGHL Group is engaged in the sale and distribution of films, DVDs, Blu-ray discs, video games, as well as operating cinemas in Hong Kong and Mainland China. During the year, a deposit of HK$12,500,000 was paid to an escrow agent.

The Proposed Acquisition constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was therefore subject to the notification, publication and shareholders' approval requirements as set out in Chapter 14 of the Listing Rules.

52. EVENTS AFTER THE REPORTING PERIOD (continued)

(a) (continued)

Resolutions for approving the Proposed Acquisition were duly passed at a special general meeting of the Company convened on 12 August 2013. The Company paid the remaining balance of the consideration of approximately HK$166,250,000 and HK$33,750,000 to KHAL and LHL, respectively, and the transaction was completed on 15 August 2013.

Further details of the acquisition of IGHL are set out in announcement and circular of the Company dated 5 July 2013 and 26 July 2013, respectively.

Since the acquisition of IGHL was effected shortly before the date of approval of the financial statements, it is not practical to disclose further details about the acquisition.

(b) On 2 August 2013, All Benefit Limited ("All Benefit"), an indirect wholly-owned subsidiary of Lai Fung, 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 the 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 the joint announcement of the Company and Lai Fung dated 2 August 2013 and a circular of the Company dated 30 August 2013.

(c) On 7 August 2013, Sunlite Investment Limited ("Sunlite"), an indirect wholly-owned subsidiary of Lai Fung, 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 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 the transaction and became a direct wholly-owned subsidiary of Sunlite upon completion of the transaction. Shanghai Lixing continued to be an indirect non-wholly-owned subsidiary of the Company. Further details of this transaction are set out in the joint announcement of the Company and Lai Fung dated 7 August 2013.

(d) On 24 September 2013, Winfield Concept Limited ("Winfield Concept"), an indirect wholly-owned subsidiary of Lai Fung, succeeded in the bid of the land use rights of 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 Mainland China ("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 ("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 Mainland China ("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 (e) 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).

NOTES TO FINANCIAL STATEMENTS

31 July 2013

52. EVENTS AFTER THE REPORTING PERIOD (continued)

(e) 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 Lai Fung as contemplated under a cooperation agreement dated 16 September 2011 entered into between the Company, Lai Fung and the Hengqin New Area Administrative Committee, Lai Fung (Hengqin) Development Company Limited ("LFHQ"), an indirect wholly-owned subsidiary of Lai Fung, Sunny Horizon Investments Limited ("SHIL"), an indirect wholly-owned subsidiary of the Company 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 ("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, "Transactions").

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

Further details of the transactions (d) and (e) are set out in the joint announcement of the Company and Lai Fung dated 25 September 2013.

53. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial position of the Group.

54. APPROVAL OF THE FINANCIAL STATEMENTS

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an annual general meeting ("**2013 AGM**") of the members ("**Members**") of eSun 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 10:30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2013 and the reports of the directors and the independent auditors thereon.

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

3. To re-appoint Ernst & Young, Certified Public Accountants of Hong Kong, as the independent auditors of the Company for the ensuing year and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS

4. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

(A) "**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 ordinary shares of HK$0.50 each in the share capital of the Company ("**Shares**") 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) 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) which would or might require the exercise of such power after the end of the Relevant Period;

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

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

(ii) an issue of Shares 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); or

(iii) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company ("**Bye-laws**") from time to time; or

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

NOTICE OF ANNUAL GENERAL MEETING

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 date of passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company ("**AGM**");

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

(iii) the expiration of the period within which the next AGM is required by law or the Bye-laws to be held; and

"Rights Issue" means an offer of Shares 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 requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

(B) "**THAT** the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase the Shares in issue on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong ("**SFC**") and the Stock Exchange under the Code on Share Repurchases issued by the SFC, and that the exercise by the Directors of all powers of the Company to repurchase the Shares subject to and in accordance with all applicable laws, rules and regulations, be and are hereby generally and unconditionally approved subject to the following conditions:

(i) such mandate shall not extend beyond the Relevant Period;

(ii) such mandate shall authorise the Directors to procure the Company to repurchase the Shares at such prices and on such terms as the Directors may at their absolute discretion determine; and

(iii) the aggregate nominal amount of the Shares to be repurchased by the Company pursuant to this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly."

NOTICE OF ANNUAL GENERAL MEETING

(C) "**THAT** subject to the passing of the Ordinary Resolutions No. 4(A) and 4(B) in the notice convening this meeting ("**Notice**"), the general mandate granted to the Directors and for the time being in force to exercise all the powers of the Company to issue, allot and deal with additional 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 which has been repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase 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 this Resolution."

By Order of the Board
eSun Holdings Limited
Chung Yim Hung Eliza
Company Secretary

Hong Kong, 24 October 2013

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

(1) A Member entitled to attend and vote at the 2013 AGM convened by the above 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, more than one) proxy to attend and, on a poll, vote on his behalf in accordance with the Bye-laws. 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 thereof), must be lodged with the Company's branch share registrars in Hong Kong, Tricor Tengis Limited ("**Registrars**"), at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the 2013 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 2013 AGM or its adjourned meeting (as the case may be) should they so wish. In that case, 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 2013 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 2013 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 were solely entitled thereto, but if more than one of such joint holders are present at the 2013 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/branch register of Members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

NOTICE OF ANNUAL GENERAL MEETING

(5) Concerning agenda item 2 of the Notice,

*(i) in accordance with Bye-law 86(2) of the Bye-laws and code provision A.4.2 of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), Dr. Lam Kin Ngok, Peter (an Executive Director), Mr. Lui Siu Tsuen, Richard (an Executive Director and the Chief Executive Officer) and Madam U Po Chu (a Non-executive Director) will voluntarily retire as Directors by rotation at the 2013 AGM though they are due to retire only at the AGM to be held in 2014; all the aforesaid Directors, being eligible, offer themselves for re-election; and*

(ii) in accordance with Rule 13.74 of the Listing Rules, details of the aforesaid retiring Directors are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the year ended 31 July 2013. For the purpose of their re-election as Directors at the forthcoming 2013 AGM, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information that needs to be disclosed pursuant to the requirements of the provisions of Rule 13.51(2) of the Listing Rules in connection with the said re-election.

*(6) Concerning agenda item 3 of the Notice, the Board (which concurs with the audit committee of the Company) has recommended that subject to the approval of Members at the 2013 AGM, Ernst & Young will be re-appointed the 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 2013 AGM because such remuneration varies by reference to the scope and extent of the audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditors' remuneration as operating expenses for the Year 2014, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for the Year 2014 is required, and is hereby sought, at the 2013 AGM.*

(7) Details concerning agenda items 4(A) to 4(C) of the Notice are set out in the circular of the Company dated 24 October 2013.

(8) In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in the Notice shall be decided by way of a poll.

(9) 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 after 7:00 a.m. on the date of the 2013 AGM, the 2013 AGM will be postponed. The Company will post an announcement on the respective websites of the Company (www.esun.com) and the Stock Exchange (www.hkexnews.hk) to notify Members of the date, time and venue of the rescheduled 2013 AGM.

If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 7:00 a.m. on the date of the 2013 AGM and where conditions permit, the 2013 AGM will be held as scheduled. The 2013 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 they would attend the 2013 AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

Hong Kong Plaza – rental property of the Company's subsidiary
Lai Fung Holdings Limited located at Shanghai, Mainland China

香港廣場 — 本公司附屬公司麗豐控股有限公司位於中國上海之租賃物業

eSun Holdings Limited
豐德麗控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

11/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road
Kowloon, Hong Kong
香港九龍長沙灣道六百八十號麗新商業中心十一樓

Tel 電話 : (852) 2741 0391　Fax 傳真 : (852) 2785 2775
Website 網址 : http://www.esun.com
E-mail 電子郵件 : ir@laisun.com

Stock Code on Hong Kong Stock Exchange: 571
於香港聯合交易所股份代號: 571