LAI FUNG HOLDINGS

(Stock Code: 1125)

LAI FUNG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report
Year ended 31 July 2014

Cover Photo
Eastern Place Phase V residential portion, Guangzhou, China

Contents

Corporate Information

Place of Incorporation

Cayman Islands

Board of Directors

Executive Directors

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

Non-executive Directors

Lucas Ignatius Loh Jen Yuh
Chan Boon Seng
(also alternate director to Lucas Ignatius Loh Jen Yuh)

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Company Secretary

Yim Lai Wa

Registered Office

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

Principal Place of Business

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

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

Authorised Representatives

Chew Fook Aun
Lam Kin Ming

Share Registrar and Transfer Office in Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

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

Listing Information

Shares

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

Stock Code/Board Lot

1125/1,000 shares

Notes

CNY1,800,000,000 6.875% senior notes due 2018 (Stock Code: 85920) issued by the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

Website

www.laifung.com

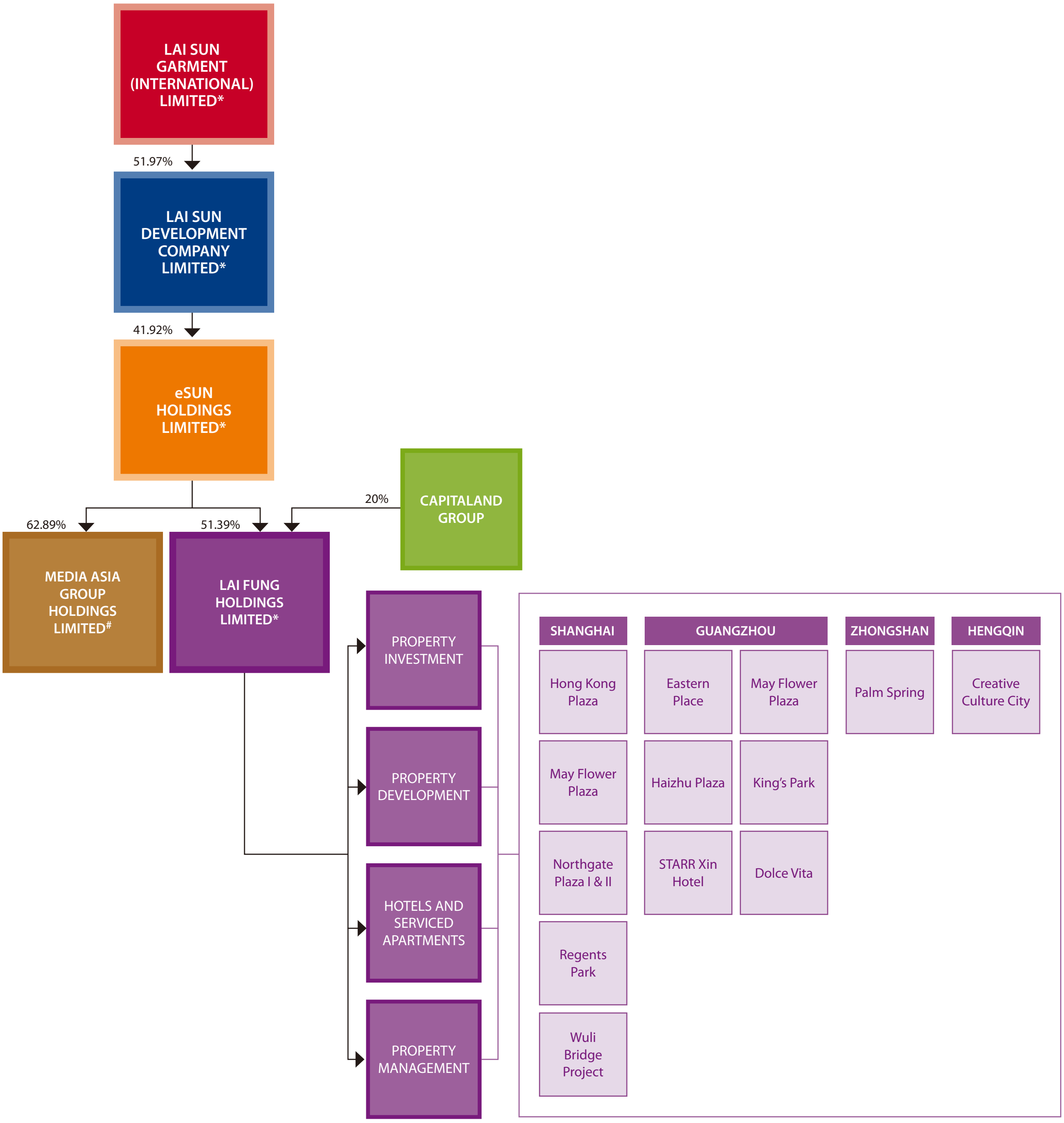
Investor Relations

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

Corporate Profile

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

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



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

Corporate Structure as at 16 October 2014

MR. CHEW FOOK AUN
CHAIRMAN

I am pleased to present the audited consolidated results of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 July 2014.

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2014, the Group recorded a turnover of HK$1,207.3 million (2013: HK$1,894.9 million) and a gross profit of HK$745.7 million (2013: HK$997.6 million), representing a decrease of approximately 36.3% and 25.3%, respectively over last year. Turnover from rental income and sales of properties during the year were HK$566.4 million (2013: HK$522.7 million) and HK$640.9 million (2013: HK$1,372.2 million), representing an increase of 8.4% and a decrease of 53.3%, respectively.

Net profit attributable to owners of the Company was approximately HK$1,099.7 million (2013: HK$757.0 million), representing an increase of approximately 45.3% over last year. Basic earnings per share was HK$0.068 (2013: HK$0.047). Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$247.7 million (2013: HK$287.5 million), representing a decrease of approximately 13.8% over last year. Basic earnings per share excluding the effect of property revaluations decreased to HK$0.015 (2013: HK$0.018).

Overview of Final Results (Continued)

Profit attributable to owners of the Company (HK$ million)	For the year ended 31 July **2014**	 2013
Reported	**1,099.7**	757.0
Less: adjustments in respect of investment properties		
Revaluation of properties	**1,138.0**	660.7
Deferred tax on investment properties	**(284.5)**	(165.2)
Non-controlling interests' share of revaluation movements less deferred tax	**(1.5)**	(26.0)
Net profit after tax excluding revaluation gains of investment properties	**247.7**	287.5

Net assets attributable to owners of the Company as at 31 July 2014 amounted to HK$12,663.4 million, up from HK$11,418.8 million as at 31 July 2013. Net asset value per share attributable to owners of the Company increased to HK$0.786 per share as at 31 July 2014 from HK$0.709 per share as at 31 July 2013.

Final Dividend

The Board has recommended a final dividend of HK$0.0031 per share for the year ended 31 July 2014 (2013: HK$0.003 per share) payable to shareholders ("**Shareholders**") whose names appear on the Hong Kong Branch Register of Members of the Company ("**Register of Members**") at the close of business on Friday, 19 December 2014. Subject to the approval of Shareholders at the forthcoming annual general meeting of the Company ("**AGM**"), the proposed final dividend, will be payable in cash, with an option for the Shareholders to receive new fully paid shares of par value of HK$0.10 each in the share capital of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "**Scrip Dividend Scheme**").

A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the Shareholders on or about Tuesday, 30 December 2014.

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

Final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about Friday, 30 January 2015 to the Shareholders whose names appear on the Register of Members on Friday, 19 December 2014.

Business Review and Outlook

2013/14 may be summarised as a year of consolidation for the Company. Notwithstanding the robust equity and debt capital markets, the global economic fundamentals remain on a delicate recovery path. Despite continuous support from central banks around the world, major economies such as the United States and the Euro Zone continue to struggle. Geopolitical tensions around the world such as those in the Middle East and between Russia and Ukraine shroud the already uncertain outlook.

The Chinese Government has implemented policies across different layers of the society to reform and transition the economy from export-led growth to a more progressive and sustainable model driven by domestic consumption in delivering the target Gross Domestic Product growth of 7.5% for 2014. The property sector is an important economic pillar and continues to be shaped significantly by government policies. The control measures implemented are expected to be refined to better adapt to regional circumstances and ensure a sustainable long term growth, which is underpinned by continued urbanisation and income growth.

Business Review and Outlook (Continued)

The Group's regional focus coupled with the rental-led strategy that the Group adopted two years ago is validated against this challenging operating environment. The rental portfolio of approximately 2.8 million square feet, primarily in Shanghai and Guangzhou, delivered steady increases in rental income at close to full occupancies for the key assets despite a general slowdown in retail sales. During the year under review, the buyout of the 5%, 22.5% and 2% minority interests in Shanghai Hong Kong Plaza, Guangzhou May Flower Plaza and Shanghai Northgate Plaza I completed in August 2013, September 2013 and July 2014, respectively, adding a total gross floor area ("**GFA**") of approximately 153,300 square feet to the rental portfolio of the Group.

The control measures implemented by the Chinese Government slowed sales across the sector and affected different participants to different degrees. The Group is affected without exception but to a lesser extent as it is blessed with a quality rental portfolio. Nevertheless the Group experienced a steady increase in average selling prices in its projects for sale, which indicated the strength and depth of the underlying demand. The management believes it is important to prepare the Group for the challenges and opportunities ahead.

The Group was successful in the auction for Phase I of the Creative Culture City project in Hengqin ("**Phase I CCC**") in September 2013 which it will co-develop with its ultimate holding company, eSun Holdings Limited ("**eSun**"), with 80% held by the Group and 20% held by eSun. Phase I CCC has total GFA of approximately 2.8 million square feet and a minimum investment requirement of RMB3 billion (equivalent to approximately HK$3.8 billion), of which RMB523.3 million (equivalent to approximately HK$657.6 million) is land cost as per the land grant contract entered into between the Group and The Land and Resource Bureau of Zhuhai on 27 September 2013. The master layout plan for Phase I CCC is being finalised and the Group will provide more details when they are available. The Group was also successful in the auction in July 2014 for a residential site located by the Huangpu River in Huangpu district in Shanghai with attributable GFA of approximately 72,600 square feet. The Group expects to develop this into a high end luxury residential project.


Shanghai Northgate Plaza I


Shanghai Hong Kong Plaza


Guangzhou May Flower Plaza

Business Review and Outlook (Continued)

The hotel at Shanghai May Flower Plaza and serviced apartments in Zhongshan Palm Spring under the STARR branding have commenced operations and operated against a background of challenging conditions. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza is in progress and new tenants are expected to move in by the end of 2014, which is expected to improve overall rental contribution.

The Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 2.8 million square feet to approximately 7.1 million square feet through developing the existing rental projects in the next few years. The remaining residential units in Guangzhou Dolce Vita Phases I and III, Guangzhou King's Park, Shanghai May Flower Plaza and Zhongshan Palm Spring Phase I are expected to contribute to the Group's results in the current and coming financial years. The Group will continue its prudent and flexible approach in growing its landbank.

In April 2014, the Company fully redeemed its US$200 million senior notes issued in 2007. Going forward, due to the redemption of this high yield bond, the Company's interest costs should be lower.

As at 31 July 2014, the Group has a landbank of 10.5 million square feet. The Group's strong cash position of HK$2,563.1 million of cash on hand with a net debt to equity ratio of 17% as at 31 July 2014 provides the Group full confidence and the means to review opportunities more actively.

Location of the Group's projects in China

APPRECIATION

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.

Subsequent to the year end, Mr. Leow Juan Thong, Jason resigned from the Board on 1 October 2014. I would like to thank Jason for his valuable contributions to the Company during his tenure. I am also delighted to welcome Mr. Chan Boon Seng who joined the Board as a Non-executive Director and an alternate director to Mr. Lucas Ignatius Loh Jen Yuh on 1 October 2014.

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

Chew Fook Aun
Chairman
Hong Kong
16 October 2014

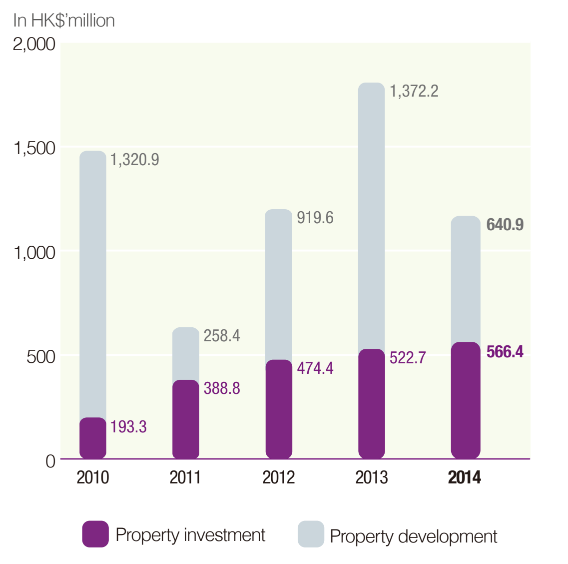
Financial Highlights

		Year ended 31 July 2014	Year ended 31 July 2013	%
Turnover	(HK$'M)	**1,207.3**	1,894.9	-36%
Gross profit	(HK$'M)	**745.7**	997.6	-25%
Gross profit margin	(%)	**62%**	53%	
Operating profit	(HK$'M)	**1,650.5**	1,433.5	15%
Operating profit margin	(%)	**137%**	76%	
Profit attributable to owners of the Company	(HK$'M)			
— excluding the effect of property revaluations		**247.7**	287.5	-14%
— including the effect of property revaluations		**1,099.7**	757.0	45%
Net profit margin	(%)			
— excluding the effect of property revaluations		**21%**	15%	
— including the effect of property revaluations		**91%**	40%	
Basic earnings per share	(HK$)			
— excluding the effect of property revaluations		**0.015**	0.018	-17%
— including the effect of property revaluations		**0.068**	0.047	45%
Net assets attributable to owners of the Company	(HK$'M)	**12,663.4**	11,418.8	11%
Net borrowings	(HK$'M)	**2,194.4**	443.9	394%
Net asset value per share	(HK$)	**0.786**	0.709	11%
Share price as at 31 July	(HK$)	**0.182**	0.192	-5%
Price earnings ratio	(times)			
— excluding the effect of property revaluations		**12.1**	10.7	
— including the effect of property revaluations		**2.7**	4.1	
Market capitalisation as at 31 July	(HK$'M)	**2,930.5**	3,090.4	-5%
Return on shareholders' equity	(%)			
— excluding the effect of property revaluations		**2%**	3%	
— including the effect of property revaluations		**9%**	7%	
Dividend per share	(HK$)	**0.0031**	0.003	
Dividend yield	(%)	**1.7%**	1.6%	
Gearing - net debt to equity	(%)	**17%**	4%	
Interest cover *(Note 1)*	(times)			
— excluding the effect of property revaluations		**1.0**	1.2	
— including the effect of property revaluations		**4.2**	3.2	
EBITDA *(Note 2)*/Interest expenses	(times)	**2.3**	3.5	
Current ratio	(times)	**2.7**	2.3	
Discount to net asset value	(%)	**77%**	73%	

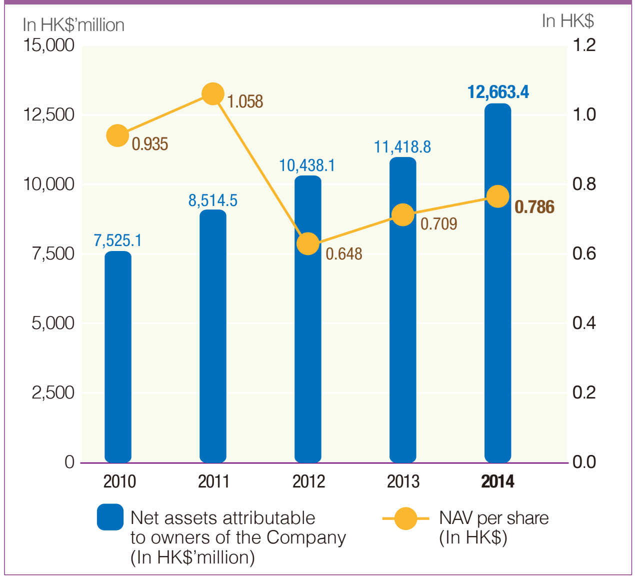
Note 1: calculated as profit attributable to owners of the Company over cash interest expenses

Note 2: EBITDA = Operating profit - Property revaluation gain/loss + Depreciation + Amortisation

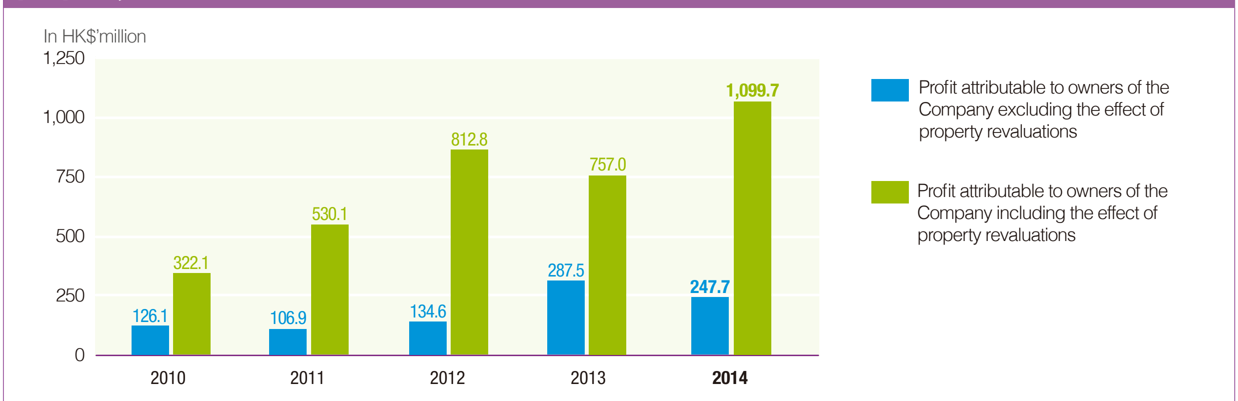
Turnover by Segment



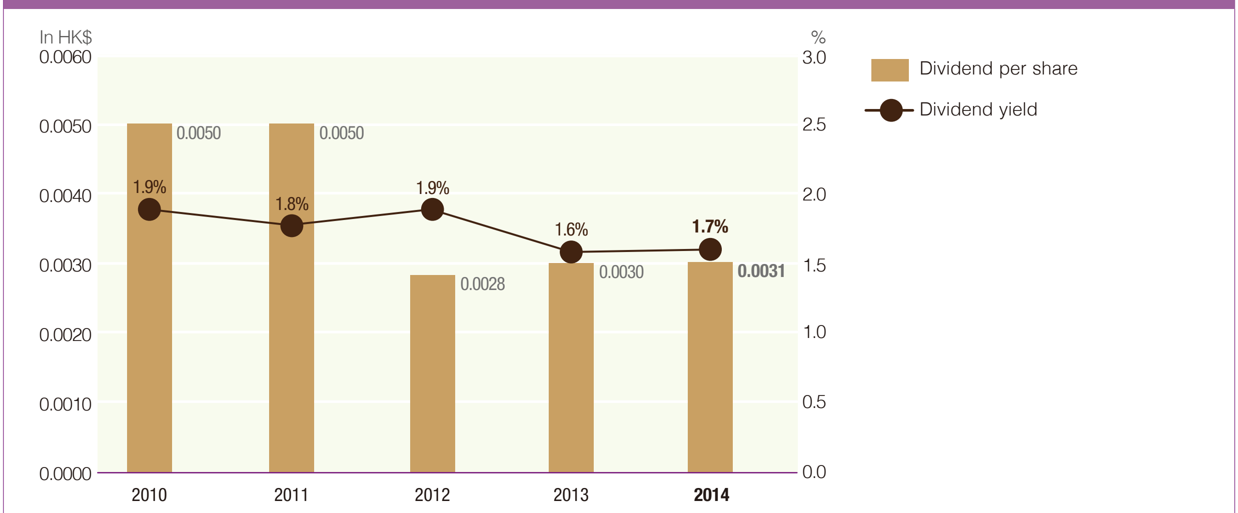
Net Assets & Net Asset Value ("NAV") per share



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



Dividend & Dividend Yield



Overview

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

As at 31 July 2014, the Group maintained a property portfolio with attributable gross floor area ("**GFA**") of approximately 13.9 million square feet. Approximate attributable GFA (in '000 square feet) of the Group's major properties and number of car-parking spaces is as follows:

	Commercial/ Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces
Completed Properties Held for Rental[1]	1,630	569	—	—	2,199	587
Completed Hotel Properties and Serviced Apartments	—	—	589	—	589	—
Properties Under Development[2]	2,917	1,248	77	6,279	10,521	4,115
Completed Properties Held for Sale	125[3]	—	14	415	554	1,021
Total GFA of major properties of the Group	**4,672**	**1,817**	**680**	**6,694**	**13,863**	**5,723**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale, including 121,795 square feet of shopping arcade space which is expected to be reclassified as completed properties held for rental purpose as it is being leased out over time*

Zhongshan Palm Spring

Guangzhou Dolce Vita — Residential Blocks

Shanghai Hong Kong Plaza — Shopping Arcade

Guangzhou May Flower Plaza — Shopping Arcade

Property Investment

Rental Income

For the year ended 31 July 2014, the Group's rental operations recorded a turnover of HK$566.4 million (2013: HK$522.7 million), representing a 8.4% increase over last year. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July 2014 HK$ million	2013 HK$ million	% Change	Year end occupancy (%)
Shanghai Hong Kong Plaza	379.7	359.8	5.5	Retail: 79.8% Office: 94.7% Serviced Apartments: 83.0%
Shanghai Regents Park	14.0	11.7	19.7	100.0%
Shanghai Northgate Plaza I	10.7	9.8	9.2	86.3%
Shanghai May Flower Plaza	35.8	28.7	24.7	Retail: 94.4% Hotel: 12.4%
Guangzhou May Flower Plaza	105.8	96.3	9.9	Retail: 98.2% Office: 100%
Guangzhou West Point	17.3	15.9	8.8	96.8%
Zhongshan Palm Spring	3.1	0.5	520.0	Retail: 51.0% Serviced Apartments: 38.4%
Total:	**566.4**	**522.7**	**8.4**	

Rental income performed steadily as a whole with almost full occupancy in all the major properties other than the retail podium of the Shanghai Hong Kong Plaza. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio, as well as contribution from the retail podium of the Shanghai May Flower Plaza. The decrease of the occupancy rate in the retail podium of the Shanghai Hong Kong Plaza is due to one of the long term anchor tenants on the upper floor moving out in May 2014 after the expiry of the lease and the corresponding space has been transformed into a food and beverage section ("**F&B Section**"). The F&B Section is currently under renovation and operations will commence by end of 2014. The Group is confident this asset enhancement will deliver material contribution to the asset as the rent per square metre achieved is multiple times of the rent paid by the former anchor tenant.

Property Investment (continued)

Rental Income (continued)

The serviced apartments in the Zhongshan Palm Spring, STARR Resort Residence Zhongshan, and the hotel in Shanghai May Flower Plaza, STARR Hotel Shanghai, commenced operations in August 2013 and November 2013, respectively and operated against a background of challenging conditions.

A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 32.7% of total GFA, 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.

Review of Major Rental Properties

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

The property's total GFA is approximately 1.18 million square feet excluding 350 car-parking spaces. The property comprises an office tower, shopping arcades and a serviced apartment tower with total GFA of approximately 360,700 square feet, 468,400 square feet and 354,200 square feet, respectively. The property is directly above the Huangpi South Road Metro Station and is within walking distance of Xintiandi, a well-known landmark in Shanghai. The shopping arcades are now one of the most visible high-end retail venues for global luxury brands in the area. Anchor tenants include The Apple Store, Cartier, Coach, GAP, MCM, Shiatzy Chen, Tiffany, Y3 and internationally renowned luxury brands and a wide array of dining options. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza is in progress and new tenants are expected to move in by the end of 2014.

The serviced apartments are managed by the Ascott Group and the Group has successfully leveraged the Ascott Group's extensive experience and expertise in operating serviced apartments to position the serviced apartments as a high-end product.

The Group acquired the 5% minority interest in this property in August 2013 and now owns 100% of this property.

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

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

Property Investment (continued)

Review of Major Rental Properties (continued)

Shanghai Northgate Plaza
Shanghai Northgate Plaza I comprises office units, a retail podium (now closed and pending redevelopment) and car-parking spaces. Located on Tian Mu Road West in the Zhabei District of Shanghai near the Shanghai Railway Terminal, this property has a total GFA of approximately 322,600 square feet excluding car-parking spaces and ancillary area. The Group acquired the 2% minority interest in this property in July 2014 and now owns 99% of this property.

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

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

The Group acquired the 22.5% minority interest in this property in September 2013 and now owns 100% of this property.

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


Shanghai May Flower Plaza

Guangzhou West Point

STARR Resort Residence Zhongshan

Property Investment (continued)

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai
Ascott Huaihai Road in Hong Kong Plaza managed by the Ascott Group is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 354,200 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 83% (2013: 79%) was achieved during the year and the average room tariff was approximately HK$1,340.

STARR Hotel Shanghai
STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 287 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 172,700 square feet. The GFA attributable to the Group is approximately 136,700 square feet. An average occupancy rate of 12% was achieved during the year since its soft opening in November 2013 and the average room tariff was approximately HK$590.

STARR Resort Residence Zhongshan
STARR Resort Residence Zhongshan comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan Western District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game / Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type one- and two-bedroom suite and the total GFA is approximately 98,600 square feet. The resort also has a F&B outlet of 80 seats, suitable for private party and BBQ etc. An average occupancy rate of 38% was achieved during the year since its soft opening in August 2013 and the average room tariff was approximately HK$305.


STARR Resort Residence Zhongshan

Ascott Huaihai Road Shanghai


STARR Hotel Shanghai

Property Development

Recognised Sales

For the year ended 31 July 2014, the Group's property development operations recorded a turnover of HK$640.9 million (2013: HK$1,372.2 million) from sale of properties, representing a 53.3% decrease in sales revenue over last year.

Total recognised sales was primarily driven by the sales performance of Shanghai May Flower Plaza and Guangzhou King's Park of which approximately 110,168 and 14,321 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$504.8 million and HK$74.1 million, respectively.

Sales of Guangzhou Dolce Vita Phase I performed well and achieved an average selling price of HK$1,902 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 2014, average selling price recognised as a whole (excluding Guangzhou Dolce Vita) increased to approximately HK$3,431 per square foot (2013: HK$2,160 per square foot). The increase is due to a higher proportion of units at Shanghai May Flower Plaza and Guangzhou King's Park being sold and recognised during the year under review at higher average selling prices.

Breakdown of turnover for the year ended 31 July 2014 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	104,992	4,939.8	489.3
Office Apartment Units	5,176	3,172.1	15.5
Guangzhou King's Park			
Residential Units	14,321	5,484.8	74.1
Zhongshan Palm Spring			
Residential High-Rise Units	45,302	660.0	28.2
Residential House Units	28,226	1,271.4	33.8
Total	**198,017**	**3,431.0**	**640.9**
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	281,583	1,902.3	505.2

Before business tax

* *After business tax*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2014, the recognised sales (after business tax) attributable to the full project is HK$1,063.5 million and approximately 592,806 square feet of GFA were recognised.*

PROPERTY DEVELOPMENT (CONTINUED)

Contracted Sales

As at 31 July 2014, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$229.6 million from sale of properties (2013: HK$196.0 million) with an average selling price of HK$2,638.1 per square foot. The total contracted but not yet recognised sales of the Group as at 31 July 2014 including Guangzhou Dolce Vita amounted to HK$726.8 million.

Sales momentum for the remaining units at Shanghai May Flower Plaza, Zhongshan Palm Spring and Guangzhou King's Park was encouraging and achieved a blended average selling price of HK$5,025.7 per square foot, HK$1,465.9 per square foot and HK$5,685.9 per square foot respectively. Sales of the remainder of phase I of Guangzhou Dolce Vita were strong and average selling price increased to HK$2,247.5 per square foot (2013: HK$1,904.0 per square foot).

Breakdown of contracted but not yet recognised sales as at 31 July 2014 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	10,688	5,230.2	55.9
Office Apartment Units	1,191	3,190.6	3.8
Zhongshan Palm Spring			
Residential House Units	61,600	1,465.9	90.3
Guangzhou King's Park			
Residential Units	10,060	5,685.9	57.2
Guangzhou Eastern Place			
Residential Units	3,493	6,412.8	22.4
Sub-total	**87,032**	**2,638.1**	**229.6**
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units** (47.5% basis)	181,802	2,247.5	408.6
Retail Units** (47.5% basis)	11,964	7,405.5	88.6
Sub-total	**193,766**	**2,566.0**	**497.2**
Total	**280,798**	**2,588.3**	**726.8**

Before business tax

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2014, the contracted but not yet recognised sales attributable to the full project is HK$1,046.7 million and approximately 407,928 square feet of GFA were sold.*

Property Development (continued)

Review of Major Properties Completed for Sale and Under Development

Shanghai May Flower Plaza

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

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,500 square feet of GFA. During the year under review, 104,992 square feet was recognised at an average selling price of HK$4,939.8 per square foot, which contributed HK$489.3 million to the turnover. As at 31 July 2014, contracted but not yet recognised sales amounted to HK$55.9 million or 10,688 square feet at an average selling price of HK$5,230.2 per square foot. As at 31 July 2014, completed residential units held for sale in this development amounted to approximately 63,133 square feet with a carrying amount of approximately HK$114.2 million.

The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. During the year under review, sales of 5,176 square feet was recognised at an average selling price of HK$3,172.1 per square foot, which contributed HK$15.5 million to the turnover. As at 31 July 2014, contracted but not yet recognised sales amounted to HK$3.8 million or 1,191 square feet at an average selling price of HK$3,190.6 per square foot. As at 31 July 2014, completed office apartment units held for sale in this development amounted to approximately 14,327 square feet with a carrying amount of approximately HK$34.0 million.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu district in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 72,600 square feet and is intended to be developed into a high end luxury residential project.

Shanghai May Flower Plaza — The Mid-town

Property Development (continued)

Review of Major Properties Completed for Sale and Under Development (continued)

Guangzhou Eastern Place Phase V
Guangzhou Eastern Place is a multi-phase project located on Dongfeng East Road, Yuexiu District, Guangzhou. The current Phase V development will have a total GFA attributable to the Group of approximately 964,700 square feet, comprising two residential blocks (GFA 319,400 square feet approximately), an office block and ancillary retail spaces (GFA 645,300 square feet approximately). Construction work is expected to complete in the third quarter of 2015.

Guangzhou Dolce Vita
The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou will have a total project GFA of approximately 5.754 million square feet. The project will comprise of approximately 2,785 low-rise and high-rise residential units and shopping amenities totaling 3.804 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

The project is divided into five phases of development. Phase I comprises 8 high-rise residential blocks. Phase Ia (4 high-rise residential blocks) was completed in the second half of 2012, 2 high-rise residential blocks of Phase Ib was completed in the first half of financial year ended 31 July 2014 and the other 2 blocks of Phase Ib was also completed in the second half of financial year ended 31 July 2014. All 8 high-rise residential blocks have been sold out. During the year under review, 281,583 square feet attributable to the Group was recognised and generated an attributable sale proceeds of HK$505.2 million. As at 31 July 2014, attributable contracted but not yet recognised sales amounted to HK$497.2 million or 193,766 square feet at an average selling price of HK$2,566.0 per square foot. As at 31 July 2014, attributable GFA of completed units held for sale amounted to 3,273 square feet with a carrying amount of approximately HK$3.8 million. The remaining GFA under development was approximately 2,691,800 square feet.

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

Phase	Description	Approximate GFA * (square feet)	Expected completion
II	Townhouses including a small amount of commercial units	289,400	Q4 2014
III	High-rise residential units including a small amount of commercial units	430,500	Q4 2014
IV	Townhouses and low-rise residential units	305,800	Q4 2014
V	High-rise residential units	1,666,100	Q4 2015

* *Excluding car-parking spaces and ancillary facilities*

Property Development (continued)

Review of Major Properties Completed for Sale and Under Development (continued)

Guangzhou King's Park
This is a high-end residential development located on Donghua Dong Road in Yuexiu District. The attributable GFA is approximately 98,300 square feet excluding 57 car-parking spaces and ancillary facilities. This project was launched for sale in January 2014.

During the year under review, sales of 14,321 square feet was recognised at an average selling price of HK$5,484.8 per square foot, which contributed HK$74.1 million to the turnover. As at 31 July 2014, attributable GFA of completed units held for sale amounted to 84,000 square feet with a carrying amount of approximately HK$367.6 million.

Guangzhou Paramount Centre
This is a serviced apartment development, namely "STARR Xin Hotel", located at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The attributable GFA is approximately 83,000 square feet excluding 46 car-parking spaces and ancillary facilities. This project is currently expected to be added to the hotel and serviced apartment portfolio of the Group upon completion.

Guangzhou Haizhu Plaza
Guangzhou Haizhu Plaza is located on Chang Di Main Road in Yuexiu District, Guangzhou along the Pearl River. The Group owns the entire project. The proposed development has a total project GFA of approximately 602,800 square feet and is intended to be developed for rental purpose.

Guangzhou Guan Lu Road Project
The site is located on Guan Lu Road in Yuexiu District. The expected residential and retail GFA is approximately 96,400 square feet excluding 62 car-parking spaces and ancillary facilities. Discussions on the redevelopment plan are progressing between the Group and the Guangzhou government.


Guangzhou King's Park


Guangzhou STARR Xin Hotel

Property Development (continued)

Review of Major Properties Completed for Sale and Under Development (continued)

Zhongshan Palm Spring
The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 8.101 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 6.016 million square feet.

Phase Ia of the project, which was completed during the first half of the financial year ended 31 July 2013, comprises of high-rise residential towers and house units. During the year under review, 45,302 square feet of high-rise residential units and 28,226 square feet of house units were recognised at average selling prices of HK$660.0 and HK$1,271.4 per square foot, respectively, which contributed a total of HK$62.0 million to the sales turnover. As at 31 July 2014, contracted but not yet recognised sales for townhouses amounted to HK$90.3 million at average selling prices of HK$1,465.9. As at 31 July 2014, completed units held for sale in this development amounted to 270,175 square feet with a carrying amount of approximately HK$289.9 million. The remaining GFA under development was approximately 4,996,600 square feet.

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

Phase	Description	Approximate GFA * (square feet)	Expected completion
Ib	High-rise residential units	983,100	Q4 2016
II	Townhouses	205,500	Q3 2016
III	High-rise residential units including commercial units	1,392,500	Q1 2019
IV	High-rise residential units including commercial units	2,415,500	Q4 2019

* *Excluding car-parking spaces and ancillary facilities*

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


Zhongshan Palm Spring — Townhouses


Zhongshan Palm Spring — Show Flat

Property Development (continued)

Review of Major Properties Completed for Sale and Under Development (continued)

Hengqin Creative Culture City Phase I

On 25 September 2013, the Group announced it had successfully won Phase I of the Creative Culture City project in Hengqin ("**Phase I CCC**") which is 80% owned by the Group and 20% owned by its ultimate holding company, eSun Holdings Limited. Phase I has a total gross floor area of 2.8 million square feet. The minimum investment requirement for Phase I CCC is approximately RMB3 billion (equivalent to approximately HK$3.8 billion), of which RMB523.3 million (equivalent to approximately HK$657.6 million) is land cost as per the land grant contract entered into between the Group and The Land and Resource Bureau of Zhuhai on 27 September 2013. The master layout plan is being finalised and details will be forthcoming once they are available.

Capital Structure, Liquidity and Debt Maturity Profile

As at 31 July 2014, cash and bank balances held by the Group amounted to HK$2,563.1 million and undrawn facilities of the Group was HK$1,904.6 million.

As at 31 July 2014, the Group had total borrowings amounting to HK$4,757.4 million (2013: HK$6,109.6 million), representing a decrease of HK$1,352.2 million from 2013. The consolidated net assets attributable to owners of the Company amounted to HK$12,663.4 million (2013: HK$11,418.8 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to owners of the Company was approximately 17% (2013: 4%). The maturity profile of the Group's borrowings of HK$4,757.4 million is well spread with HK$708.4 million repayable within 1 year, HK$1,669.3 million repayable in the second year, HK$2,320.7 million repayable in the third to fifth years and HK$59.0 million repayable beyond the fifth year.

Approximately 47% and 49% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 4% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK$2,524.7 million were 50% denominated in Renminbi ("**RMB**"), 30% in Hong Kong dollars ("**HKD**") and 20% in United States dollars ("**USD**").

The Group's fixed rate senior notes of HK$2,232.7 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**RMB Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the RMB Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK$2,563.1 million were 75% denominated in RMB, 12% in USD and 13% in HKD.

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

Capital Structure, Liquidity and Debt Maturity Profile (continued)

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$9,278.7 million, properties under development with a total carrying amount of approximately HK$141.0 million, serviced apartments and related properties with a total carrying amount of approximately HK$677.4 million, a leasehold building with carrying amount of approximately HK$38.5 million and bank balances of approximately HK$226.3 million.

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

Contingent Liabilities

Details of contingent liabilities of the Group as at the end of the reporting period are set out in note 35 to the financial statements.

Employees and Remuneration Policies

As at 31 July 2014, the Group employed a total of around 1,400 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Financial Summary

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

Results

	Year ended 31 July				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Turnover	**1,207,302**	1,894,938	1,394,034	647,183	1,514,214
Profit before tax	**1,483,028**	1,343,189	1,374,137	771,963	817,560
Tax	**(366,109)**	(530,622)	(494,358)	(193,663)	(454,297)
Profit for the year	**1,116,919**	812,567	879,779	578,300	363,263
Attributable to:					
Owners of the Company	**1,099,727**	757,045	812,758	530,112	322,106
Non-controlling interests	**17,192**	55,522	67,021	48,188	41,157
	1,116,919	812,567	879,779	578,300	363,263

Assets, Liabilities and non-controlling Interests

	As at 31 July				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Property, plant and equipment and prepaid land lease payments	**1,505,123**	1,497,117	846,764	937,491	797,505
Investment properties	**13,479,025**	11,377,034	10,289,369	9,295,785	7,921,429
Properties under development	**662,386**	513,517	925,588	1,122,284	1,055,751
Goodwill	**426**	1,032	3,400	4,561	4,561
Investments in joint ventures	**590,758**	436,340	319,861	350,289	329,247
Deposit for acquisition of land use right	**89,765**	—	—	—	—
Current assets	**4,511,628**	7,697,302	5,108,909	3,224,905	2,802,752
TOTAL ASSETS	**20,839,111**	21,522,342	17,493,891	14,935,315	12,911,245
Current liabilities	**(1,674,289)**	(3,412,775)	(2,945,643)	(1,541,626)	(1,391,116)
Long-term deposits received	**(92,564)**	(77,021)	(68,045)	(81,692)	(52,161)
Non-current interest-bearing bank loans, secured	**(1,604,858)**	(1,774,856)	(358,342)	(1,471,241)	(949,702)
Fixed rate senior notes	**(2,232,738)**	(2,223,610)	(1,427,253)	(1,427,850)	(1,421,368)
Advances from a former substantial shareholder	**(58,688)**	(58,621)	(57,200)	(56,474)	(53,535)
Loans from a fellow subsidiary	**(152,760)**	—	—	—	—
Derivative financial instruments	**(25,162)**	(43,712)	—	—	—
Deferred tax liabilities	**(2,203,747)**	(1,819,897)	(1,566,958)	(1,283,303)	(1,038,827)
TOTAL LIABILITIES	**(8,044,806)**	(9,410,492)	(6,423,441)	(5,862,186)	(4,906,709)
	12,794,305	12,111,850	11,070,450	9,073,129	8,004,536
Non-controlling interests	**(130,871)**	(693,016)	(632,339)	(558,671)	(479,409)
	12,663,434	11,418,834	10,438,111	8,514,458	7,525,127

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	100%	The property is held for a term of 50 years commencing on 16 September 1992	468,434	360,687	829,121	350
May Flower Plaza	Sujiaxiang, Zhabei District	95%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	304,298	—	304,298	—
Northgate Plaza I *(Note)*	99 Tian Mu Road West, Zhabei District	99%	The property is held for a term of 50 years commencing on 15 June 1993	190,425	128,931	319,356	101
Regents Park	88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,959	—	77,959	—
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	357,424	79,431	436,855	136
West Point	Zhongshan Qi Road, Liwan District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	171,968	—	171,968	—
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	100%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	59,312	—	59,312	—
Subtotal of completed properties held for rental:				**1,629,820**	**569,049**	**2,198,869**	**587**

Note: In July 2014, the Group bought out 2% minority interest in Northgate Plaza I, increasing the Group's interest in this project to 99%.

Completed Hotel Properties and Serviced Apartments

Property name	Location	Group interest	Tenure	No. of rooms	Approximate attributable gross floor area (square feet)	No. of car-parking spaces attributable to the Group
					Hotel	
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District, Shanghai	100%	The property is held for a term of 50 years commencing on 16 September 1992	299	354,239	–
STARR Hotel Shanghai	Sujiaxiang, Zhabei District, Shanghai	95%	The property is held for a term of 50 years commencing on 5 February 2007	239	136,654	–
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District, Zhongshan	100%	The property is held for a term expiring on 23 October 2073	90	98,556	–
Subtotal of completed hotel properties and serviced apartments:				**628**	**589,449**	**–**

Particulars of Major Properties

Properties Under Development

						Approximate attributable gross floor area (square feet)					
Property name	Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) *(Note 1)*	Commercial/ Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Guangzhou											
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	47.5%	Construction work in progress	Phase 2: Q4 2014 Phase 3: Q4 2014 Phase 4: Q4 2014 Phase 5: Q4 2015	3,217,769 *(Note 2)*	27,686	–	–	1,250,912	1,278,598	764
Paramount Centre	Da Sha Tou Road, Yuexiu District	100%	Construction work in progress	Q4 2014	17,459	5,597	–	77,426	–	83,023	46
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	Construction work in progress	Q3 2015	186,142	103,851	541,430	–	319,379	964,660	352
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	2017-2018 *(Note 3)*	90,708	91,925	510,860 *(Note 4)*	–	–	602,785	299
Guan Lu Road Project	Guan Lu Road, Yuexiu District	100%	Development under planning	*(Note 5)*	26,178	2,799	–	–	93,593	96,392	62
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	100%	Construction work in progress	Phase 1b: Q4 2016 Phase 2: Q3 2016 Phase 3: Q1 2019 Phase 4: Q4 2019	2,547,298 *(Note 2)*	381,197	–	–	4,615,435	4,996,632	2,415
Shanghai											
Northgate Plaza II	Tian Mu Road West, Zhabei District	99%	Development under planning	2017-2018 *(Note 6)*	44,293	61,743	195,566	–	–	257,309	177
Hengqin											
Creative Culture City Phase 1	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	80%	Development under planning *(Note 7)*	2018	1,401,184	2,241,894	–	–	–	2,241,894	–
Subtotal of major properties under development:						**2,916,692**	**1,247,856**	**77,426**	**6,279,319**	**10,521,293**	**4,115**

Notes:
1. *On project basis*
2. *Including portions of the projects that have been completed for sale/lease*
3. *In the process of negotiating the buildable area for the site with the city government*
4. *Office/office apartments*
5. *In the process of discussing the re-development plan with the city government*
6. *In the process of discussing a comprehensive redevelopment proposal with the district government*
7. *In the process of finalising master layout plan with zoning of cultural, creative industrial and commercial usage*

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	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	100%	121,795 *(Note)*	—	270,175	391,970	—
Shanghai							
May Flower Plaza	Sujiaxiang, Zhabei District	95%	—	13,611	59,976	73,587	435
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	386
Guangzhou							
King's Park	Donghua Dong Road, Yuexiu District	100%	3,337	—	80,628	83,965	57
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	47.5%	—	—	3,273	3,273	—
Eastern Place	787 Dongfeng East Road, Yuexiu District	100%	—	—	891	891	2
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	141
Subtotal of major properties completed for sale:			**125,132**	**13,611**	**414,943**	**553,686**	**1,021**

Note: Portions of the property leased out to third parties will be redesignated to investment properties.

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 2014 ("**Year**") save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

None of the existing non-executive directors ("**NEDs**", including the independent non-executive directors ("**INEDs**")) of the Company is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**"), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by the shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors ("**Board**") as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company ("**AGM**") and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy 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 fourteen members, of whom seven are EDs, two are NEDs and the remaining five are INEDs, exceeding the minimum number of INEDs required under Rule 3.10(1) of the Listing Rules. The Company has also complied with Rule 3.10A with INEDs representing at least one-third of the Board. The Directors who served the Board during the Year and up to the date of this Report are as follows:

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

(2) Board of Directors (continued)

(2.2) Composition of the Board (continued)

Non-executive Directors

Lucas Ignatius Loh Jen Yuh*	
Chan Boon Seng	(appointed with effect from 1 October 2014)
(also alternate director to Lucas Ignatius Loh Jen Yuh)	
Leow Juan Thong, Jason	(resigned on 1 October 2014)

Independent Non-executive Directors

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

** Mr. Loh also acted as the alternate director to Mr. Leow until 30 September 2014*

The brief biographical particulars of the current Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 47 to 52.

Dr. Lam Kin Ming is an elder brother of Mr. Lam Kin Hong, Matthew. Mr. Lam Hau Yin, Lester is a grandson of Madam U Po Chu and a nephew of Dr. Lam Kin Ming and Mr. Lam Kin Hong, Matthew. 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) Board of Directors (continued)

(2.3) Attendance record at Board meetings

The attendance record of individual Directors at the Board meetings held during the Year is set out below:

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Chew Fook Aun	6/6
Lam Kin Ming	1/6
Lam Kin Hong, Matthew	3/6
Lam Hau Yin, Lester	6/6
Cheng Shin How	6/6
Lau Shu Yan, Julius	6/6
U Po Chu	4/6
Non-executive Directors*	
Lucas Ignatius Loh Jen Yuh	6/6
(also alternate director to Leow Juan Thong, Jason until 30 September 2014 (Note 1))	
Leow Juan Thong, Jason (Note 2)	6/6 (Note 3)
Independent Non-executive Directors	
Ku Moon Lun	6/6
Lam Bing Kwan	6/6
Law Kin Ho	6/6
Mak Wing Sum, Alvin	6/6
Shek Lai Him, Abraham	6/6

Notes:

1. *Mr. Loh ceased to act as the alternate director to Mr. Leow with effect from 1 October 2014.*
2. *Mr. Leow resigned as a NED on 1 October 2014.*
3. *Including a meeting attended by Mr. Leow's alternate.*

* *Mr. Chan Boon Seng has been appointed a NED and the alternate director to Mr. Loh with effect from 1 October 2014.*

(2) BOARD OF DIRECTORS (CONTINUED)

(2.4) 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.

Two Independent Board Committees ("**IBCs**") comprising all the INEDs were formed in August and September 2013, respectively for the purpose of advising the independent Shareholders with regard to two connected transactions of the Company, details of which are set out in the Company's circulars dated 30 August 2013 and 26 November 2013, respectively. Three IBC meetings were held during the Year and the attendance record of individual members at these meetings is set out below:

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Ku Moon Lun	3/3
Lam Bing Kwan	3/3
Law Kin Ho	2/3
Mak Wing Sum, Alvin	3/3
Shek Lai Him, Abraham	3/3

(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 a seminar on the new Companies Ordinance conducted by a leading international solicitors' firm, and arranged for the Directors to attend seminars organised by other organisations and professional bodies and/or the independent auditors of the Company ("**Independent Auditors**").

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

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

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read Materials	Attend Seminars/ Briefings	Read Materials	Attend Seminars/ Briefings
Executive Directors				
Chew Fook Aun	√	√	√	√
Lam Kin Ming	√	√	√	—
Lam Kin Hong, Matthew	√	√	√	√
Lam Hau Yin, Lester	√	√	√	—
Cheng Shin How	√	√	√	—
Lau Shu Yan, Julius	√	√	√	—
U Po Chu	√	√	√	—
Non-executive Directors*				
Lucas Ignatius Loh Jen Yuh *(also alternate director to Leow Juan Thong, Jason until 30 September 2014 (Note))*	√	√	√	√
Leow Juan Thong, Jason (Note)	√	√	√	√
Independent Non-executive Directors				
Ku Moon Lun	√	√	√	√
Lam Bing Kwan	√	√	√	√
Law Kin Ho	√	√	√	√
Mak Wing Sum, Alvin	√	√	√	√
Shek Lai Him, Abraham	√	√	√	√

Note: Mr. Leow resigned as a NED and Mr. Loh ceased to act as the alternate director to Mr. Leow with effect from 1 October 2014.

* *Mr. Chan Boon Seng has been appointed a NED and the alternate director to Mr. Loh with effect from 1 October 2014.*

(4) Board Committees

The Executive Committee comprising members appointed by the Board amongst the EDs was established on 18 November 2005 with written terms of reference to assist the Board in monitoring the ongoing management of the Company's business and in implementing the Company's objectives in accordance with the strategy and policies approved by the Board. The Board has also delegated its authority to the following Committees to assist it in the implementation of its functions:

(4.1) Remuneration Committee

The Board established on 18 November 2005 a Remuneration Committee which currently comprises five members, including three INEDs, namely Messrs. Lam Bing Kwan (Chairman), Ku Moon Lun and Law Kin Ho, an ED, Mr. Chew Fook Aun, and a NED, Mr. Lucas Ignatius Loh Jen Yuh (alternate: Mr. Chan Boon Seng) who became a member on 1 October 2014. Mr. Leow Juan Thong, Jason was a member until his resignation as a NED with effect from 1 October 2014 and therefore his cessation as a member of the Remuneration Committee on the same date.

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

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

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

(b) **Work performed by the Remuneration Committee**

The Remuneration Committee held a meeting during the Year to discuss the payment of discretionary bonuses to, and review of remuneration packages of, EDs and other remuneration-related matters.

(4) Board Committees (continued)

(4.1) Remuneration Committee (continued)

(c) **Attendance record at the Remuneration Committee meetings**

The attendance record of individual members at the Remuneration Committee meeting held during the Year is set out below:

Committee Members	Number of Meeting Attended/ Number of Meeting Held
Executive Director	
Chew Fook Aun	1/1
Non-executive Directors*	
Leow Juan Thong, Jason (Note 1)	1/1
(alternate: Lucas Ignatius Loh Jen Yuh (Note 2))	
Independent Non-executive Directors	
Ku Moon Lun	1/1
Lam Bing Kwan	1/1
Law Kin Ho	1/1

Notes:

1. *Mr. Leow ceased to be a member of the Remuneration Committee with effect from 1 October 2014.*
2. *Mr. Loh has been appointed a member of the Remuneration Committee with effect from 1 October 2014.*

* *Mr. Chan Boon Seng has been appointed a NED and the alternate director to Mr. Loh with effect from 1 October 2014.*

(4.2) Audit Committee

The Board established an Audit Committee on 31 March 2000 which currently comprises three members, including two of the INEDs, namely Mr. Law Kin Ho (Chairman) and Mr. Lam Bing Kwan, and a NED, Mr. Lucas Ignatius Loh Jen Yuh (alternate: Mr. Chan Boon Seng) who became a member on 1 October 2014. Mr. Leow Juan Thong, Jason was a member until his resignation as a NED with effect from 1 October 2014 and therefore his cessation as a member of the Audit Committee on the same date.

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

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

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

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

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

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 three meetings during the Year. It has reviewed the audited results of the Company for the year ended 31 July 2013, the unaudited interim results of the Company for the six months ended 31 January 2014 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 Group's internal audit plan and the budget for the ensuing year and put forward relevant recommendations to the Board for approval.

On 15 October 2014, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditors. It also reviewed this Corporate Governance Report and certain internal control review reports on the Company prepared by an independent external risk advisory firm ("**Independent Advisor**").

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

(c) Attendance record at the Audit Committee meetings

The attendance record of individual members at the Audit Committee meetings held during the Year is set out below:

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Non-executive Director*	
Leow Juan Thong, Jason (Note 1)	
(alternate: Lucas Ignatius Loh Jen Yuh (Note 2))	3/3 (Note 3)
Independent Non-executive Directors	
Lam Bing Kwan	3/3
Law Kin Ho	3/3

Notes:

1. *Mr. Leow ceased to be a member of the Audit Committee with effect from 1 October 2014.*
2. *Mr. Loh has been appointed a member of the Audit Committee with effect from 1 October 2014.*
3. *Including a meeting attended by Mr. Leow's alternate.*

* *Mr. Chan Boon Seng has been appointed a NED and the alternate director to Mr. Loh with effect from 1 October 2014.*

(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. Chew Fook Aun was the Chairman of the Company while Mr. Lam Hau Yin, Lester acted as the Chief Executive Officer of the Company.

(6) Non-Executive Directors

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

(7) Nomination Of Directors

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies 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. Chan Boon Seng, a NED with effect from 1 October 2014.

(8) Board Diversity Policy

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

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

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

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

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

(9) Securities Transactions by Directors And Designated Employees

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

(10) Independent Auditors' Remuneration

For the Year, the fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors, Ernst & Young, Certified Public Accountants, Hong Kong amounted to HK$3,115,000 and HK$641,000, respectively. The non-audit services mainly consist of tax advisory, review and other reporting services.

(11) Directors' Responsibility for Preparing Financial Statements

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

(12) Independent Auditors' Reporting Responsibility

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

(13) Internal Controls

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

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

(14) Company Secretary

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

(15) Shareholders' Rights

(15.1) Procedures for Shareholders to convene an extraordinary general meeting ("EGM(s)")

Pursuant to the Articles of Association, registered Shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**EGM Requisitionists**") can deposit a written request to convene an EGM at the Company's principal place of business in Hong Kong ("**Principal Office**"), which is presently situated at 11/F., Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention of the Company Secretary.

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

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

(15) Shareholders' Rights (continued)

(15.1) Procedures for Shareholders to convene an extraordinary general meeting ("EGM(s)") (continued)

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

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

There are no provisions under the Articles of Association or the Companies Law of the Cayman Islands regarding procedures for Shareholders to put forward proposals at a general meeting other than a proposal of a person for election as a Director. Shareholders may follow the procedures set out in Paragraph (15.1) to convene an EGM for any business specified in such written request.

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

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section (Shareholders' Rights sub-section) of the Company's website at www.laifung.com.

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

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

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

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

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

(16) Communication with Shareholders

(16.1) Shareholders' Communication Policy

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

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

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

(ii) financial highlights, press releases and results roadshows presentations are also posted on the Company's website;

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

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

(v) participate in roadshows and investors' conferences to meet Shareholders/investors, media and financial analysts;

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

(vii) the Registrar serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

(16) Communication with Shareholders (continued)

(16.2) Attendance record at general meetings

During the Year, the Company held an AGM and two EGMs and the attendance record of individual Directors at these meetings is set out below:

Directors	Annual General Meeting	Extraordinary General Meetings
	Number of Meeting(s) Attended/ Number of Meeting(s) Held	
Executive Directors		
Chew Fook Aun	1/1	2/2
Lam Kin Ming	0/1	0/2
Lam Kin Hong, Matthew	1/1	0/2
Lam Hau Yin, Lester	1/1	1/2
Cheng Shin How	1/1	2/2
Lau Shu Yan, Julius	1/1	2/2
U Po Chu	0/1	0/2
Non-executive Directors*		
Lucas Ignatius Loh Jen Yuh *(also alternate director to Leow Juan Thong, Jason until 30 September 2014 (Note 1))*	0/1	0/2
Leow Juan Thong, Jason (Note 2)	0/1	0/2
Independent Non-executive Directors		
Ku Moon Lun	1/1	2/2
Lam Bing Kwan	1/1	2/2
Law Kin Ho	1/1	2/2
Mak Wing Sum, Alvin	1/1	2/2
Shek Lai Him, Abraham	1/1	2/2

Notes:

1. *Mr. Loh ceased to act as the alternate director to Mr. Leow with effect from 1 October 2014.*
2. *Mr. Leow resigned as a NED on 1 October 2014.*

* *Mr. Chan Boon Seng has been appointed a NED and the alternate director to Mr. Loh with effect from 1 October 2014.*

(16.3) Details of the last general meeting

The last general meeting of the Company was an EGM held on Tuesday, 17 December 2013 at 10:00 a.m. at Gloucester Room II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong ("**December 2013 EGM**"). At the December 2013 EGM, an ordinary resolution relating to the ratification of the subscription agreement dated 25 September 2013 regarding the subscription for shares in and assignment of loan to Rosy Commerce Holdings Limited ("**Rosy Commerce**") and approval of the entering into of a shareholders' agreement in relation to Rosy Commerce was duly passed by a vast majority of the total votes cast. Further details of the December 2013 EGM are contained in the Company's circular dated 26 November 2013 and the announcement dated 17 December 2013 regarding the poll result of the December 2013 EGM were published on both the websites of the Company and the Stock Exchange.

(17) Investor Relations

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

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

Month	Event	Organizer	Location
August 2013	Investors luncheon	Bank of China International	Hong Kong
October 2013	Post full year results non-deal roadshow	UBS	Hong Kong
October 2013	Post full year results non-deal roadshow	UOB Kay Hian	Singapore
October 2013	Post full year results non-deal roadshow	DBS	New York/ Los Angeles/ Denver/ San Francisco
October 2013	Post full year results non-deal roadshow	UBS	Paris/London
November 2013	Post full year results non-deal roadshow	CIMB	Kuala Lumpur
November 2013	Post full year results non-deal roadshow	UOB Kay Hian	Taipei
December 2013	Post full year results non-deal roadshow	UBS	Sydney
January 2014	The Pulse of Asia Conference	DBS	Singapore
February 2014	Investors luncheon	China Merchants Securities	Hong Kong
March 2014	Post results non-deal roadshow	Daiwa Securities	Hong Kong
April 2014	Post results non-deal roadshow	HSBC	Utrecht/ Amsterdam/ Paris/London
April 2014	Post results non-deal roadshow	Daiwa Securities	New York/ San Francisco/ Los Angeles

(17) Investor Relations (continued)

Month	Event	Organizer	Location
May 2014	The Pulse of Asia Conference	DBS	Hong Kong
May 2014	Barclays Select Series 2014: Asia Financial and Property Conference	Barclays	Hong Kong
June 2014	Deal roadshow — eSun Holdings Limited CNY secured guaranteed notes	ANZ/DBS/ HSBC/UBS	Singapore/ Hong Kong
July 2014	Deal roadshow — Lai Sun Garment (International) Limited CNY secured guaranteed notes	BNP/DBS/HSBC/ Standard Chartered Bank	Singapore/ Hong Kong

During the year under review, the Company also had research reports published as follows:

Firm	Analyst	Publication Date
DBS	Andy YEE, Danielle WANG, Carol WU & Ken HE	10 October 2013
HSBC	Keith CHAN	10 October 2013

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

Executive Directors

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

Mr. Chew Fook Aun, Chairman, aged 52, has been appointed the Chairman of the Board and a member of the Executive Committee of the Company with effect from 1 November 2012. He was appointed an Executive Director of the Company on 5 June 2012 and is a member of the Remuneration Committee of the Company. Mr. Chew is also a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD as well as an executive director of eSun. Prior to joining the Lai Sun Group, Mr. Chew was an executive director and the group chief financial officer of Esprit Holdings Limited ("**Esprit**") from 1 February 2009 to 1 May 2012, an executive director and the chief financial officer of The Link Management Limited acting as manager of The Link Real Estate Investment Trust (the "**Link REIT**") from February 2007 to January 2009. He was also the chief financial officer of Kerry Properties Limited ("**Kerry Properties**") from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and an executive director of Kyard Limited in charge of the property portfolio of a private family office from 2004 to 2007. The issued shares of Esprit and Kerry Properties and the issued units of the Link REIT are listed and traded on the Main Board of the Stock Exchange.

Mr. Chew has over 25 years of experience in accounting, auditing and finance in the United Kingdom ("**UK**") and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Institute of Chartered Accountants in England and Wales. He was also a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a member of the corruption prevention advisory committee of the Independent Commission Against Corruption and the standing committee on company law reform of the Companies Registry, and a council member of the Financial Reporting Council, all being organisations established in Hong Kong. He also served as a member of the advisory committee of the Securities and Futures Commission from June 2007 to May 2013.

Dr. Lam Kin Ming, Deputy Chairman, aged 77, was appointed an Executive Director of the Company in September 1997. Dr. Lam is the chairman and an executive director of LSG, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of Crocodile Garments Limited ("**CGL**"), a company listed on the Main Board of the Stock Exchange. Dr. Lam received an Honorary Doctoral Degree from the International American University in the United States of America in 2009 and was admitted as Honorary Doctorate of Management of the Lincoln University in the United States of America in February 2014. He has extensive experience in property development and investment and garment businesses, and has been involved in the management of the garment business since 1958. Dr. Lam is the elder brother of Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong ("**SFO**")) and Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and an uncle of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

Executive Directors (continued)

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

Save as disclosed above, Dr. Lam has not held any other directorships in listed public companies in the last three years. As at the date of this Annual Report, Dr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 46, was appointed an Executive Director of the Company in December 2001. Mr. Lam is an executive director of LSG and CGL. He graduated from University College London of the University of London in the United Kingdom with a Bachelor of Science Degree and underwent training as a solicitor with Reed Smith Richards Butler, an international law firm. Mr. Lam is a founding partner of a Hong Kong law firm CWL Partners and a member of The Law Society of Hong Kong and The Law Society of England and Wales.

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

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

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

Mr. Lam Hau Yin, Lester, Chief Executive Officer, aged 33, was appointed an Executive Director of the Company in April 2005 and is a member of the Executive Committee of the Company. He is also an executive director of LSG, LSD and eSun as well as an alternate director to Madam U Po Chu in her capacity as an executive director of LSG. He holds a Bachelor of Science in Business Administration Degree from the Northeastern University in Boston of the United States of America. He has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment. He is a son of Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the SFO), a nephew of Dr. Lam Kin Ming (Deputy Chairman of the Company) and Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and a grandson of Madam U Po Chu (Executive Director of the Company).

EXECUTIVE DIRECTORS (CONTINUED)

The Company does not have any service contract with Mr. Lam. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Lam presently receives a remuneration of HK$1,340,400 per annum and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Lam has not held any other directorships in listed public companies in the last three years. As at the date of this Annual Report, except for his personal interest in 2,794,443 shares in eSun and a share option to subscribe for 160,959,129 shares in the Company and 12,432,121 shares in eSun pursuant to the respective share option scheme of the Company and eSun, Mr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Mr. Cheng Shin How, aged 48, was appointed an Executive Director of the Company in June 2007. Prior to joining the Company, he was the Regional Director of the Hong Kong and Macau office of CapitaLand Limited ("**CapitaLand**", together with its subsidiaries, "**CapitaLand Group**"). Mr. Cheng joined CapitaLand Group in 1999 and has been involved in CapitaLand Group's real estate investment in Hong Kong, Macau and the Mainland of China. Prior to joining CapitaLand Limited, Mr. Cheng worked with CB Richard Ellis, an international property consultancy firm where he was involved in property valuation, development and investment consultancy. He has been involved in the PRC business since 1993. Mr. Cheng graduated with an Honours Degree in Land Management from the University of Reading, United Kingdom.

Mr. Lau Shu Yan, Julius, aged 58, was appointed an Executive Director of the Company in April 2005 and is a member of the Executive Committee of the Company. He is also an executive director and the chief executive officer of LSD. Mr. Lau has over 20 years of experience in the property development and investment industries in Hong Kong and the PRC holding senior management positions. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of The Real Estate Developers Association of Hong Kong.

The Company and Mr. Lau had entered into a service contract with no fixed term but such contract is determinable by either the Company or Mr. Lau by serving the other party not less than 3 months' written notice or payment in lieu thereof. In accordance with the provisions of the Articles of Association, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Lau presently receives a remuneration of HK$1,567,500 per annum and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Lau has not held any other directorships in listed public companies in the last three years and does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, except for his personal interest in 12,917,658 shares in the Company and a share option to subscribe for 48,287,738 shares in the Company pursuant to a share option scheme of the Company, Mr. Lau does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Executive Directors (continued)

Madam U Po Chu, aged 89, was appointed an Executive Director of the Company in February 2003. She is an executive director of LSG and also a non-executive director of LSD and eSun. Madam U has over 55 years of experience in the garment manufacturing business and had been involved in the printing business in the mid-1960's. She started to expand the business to fabric bleaching and dyeing in the early 1970's and became involved in property development and investment in the late 1980's. Madam U is the mother of Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the SFO), and the grandmother of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh, aged 48, was appointed a Non-executive Director of the Company in July 2010. He has been appointed a member of each of the Audit Committee and the Remuneration Committee of the Company with effect from 1 October 2014. He was the alternate director to Mr. Leow Juan Thong, Jason, a former Non-executive Director of the Company who resigned with effect from 1 October 2014. Consequential to the resignation of Mr. Leow, Mr. Loh ceased to be the alternate director to Mr. Leow. Mr. Loh is currently a Director and Chief Executive Officer of CapitaLand China Holdings Pte Ltd ("**CapitaLand China**"). CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd. which is a substantial shareholder of the Company. CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**", together with its subsidiaries, "**CapitaLand Group**"), one of Asia's largest listed real estate companies, headquartered and listed in Singapore. Mr. Loh has more than 10 years of experience in PRC's real estate market. He joined the CapitaLand Group in September 2001 and has been based in PRC since August 2004. Prior to his current appointment as Chief Executive Officer of CapitaLand China, Mr. Loh was a Deputy Chief Executive Officer, the Chief Investment Officer as well as Regional General Manager (South China) of CapitaLand China. He also held several appointments within the CapitaLand Group, including Managing Director for China of The Ascott Limited in the PRC.

Prior to joining the CapitaLand Group, Mr. Loh was an Associate Director for Private Equity Investment at Temasek Holdings (Private) Limited, which is a substantial shareholder of CapitaLand, leading its private equity investment business in the Asia Pacific region. Mr. Loh began his career in 1991 as a real estate appraiser in Singapore. He holds a Bachelor of Science (Estate Management) Degree from the National University of Singapore and a Master's Degree in Business Administration from the Oklahoma City University in the United States of America. He attended the Advanced Management Program at Harvard Business School in 2013. Mr. Loh is also a director of Beautiwin Limited and Guangzhou Beautiwin Real Estate Development Co., Ltd, two joint venture companies in which each of the Company and CapitaLand China has an indirect 50% and 47.5% interest, respectively. Mr. Loh has been re-designated from an alternate director to a non-executive director and appointed the vice-chairman of Central China Real Estate Limited ("**Central China**") with effect from 1 October 2014. The issued shares of Central China are listed and traded on the Main Board of the Stock Exchange.

Mr. Chan Boon Seng, aged 60, was appointed a Non-executive Director of the Company on 1 October 2014. Mr. Chan is also the alternate director to Mr. Lucas Ignatius Loh Jen Yuh, a Non-executive Director of the Company. He is currently a director, the Deputy Chief Executive Officer, the Chief Development Officer and the Chief Executive Officer, Raffles City Chongqing of CapitaLand China Holdings Pte Ltd ("**CapitaLand China**"), the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd which is a substantial shareholder of the Company. CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**", together with its subsidiaries, "**CapitaLand Group**"), one of Asia's largest listed real estate companies, headquartered and listed in Singapore. CapitaLand China is a long-term real estate developer of high quality homes, commercial properties and mixed-use developments in China. Prior to joining CapitaLand Group, Mr. Chan was with L&M International Pte Ltd, Dragages at Travaux Publics (a member of Bouygues Group), Societe Generale D'Enterprises Construction, and Public Works Department of Singapore. He graduated with a French Engineering Degree in Civil Engineering from Ecole Nationale Des Travaux Publics De L'Etat, and he further obtained a Master of Science in Construction Project Management from The University of Hong Kong.

Non-executive Directors (continued)

Mr. Chan is currently a director of Beautiwin Limited, a joint venture company in which each of the Company and CapitaLand China has an indirect 50% interest. The Company does not have any service contract with Mr. Chan. However, in accordance with the provisions of the Articles of Association, he will retire from office as director at the forthcoming AGM and is eligible for election thereat. If elected, he will be subject to retirement by rotation once every three years since then and will be eligible for re-election at future AGMs. Mr. Chan does not receive any emoluments from the Company.

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

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

Independent Non-executive Directors

Mr. Ku Moon Lun, aged 63, was appointed an Independent Non-executive Director of the Company in June 2006 and is a member of the Remuneration Committee of the Company. He has more than 35 years of experience in the real estate industry. He was an executive director of Davis Langdon & Seah International ("**DLSI**"), a property consultant firm, until the end of 2005 where he was responsible for formulating the policies and steering the direction of the DLSI group of companies. He was also the chairman of the board of directors of Davis Langdon & Seah Hong Kong Limited from 1995 to 2004. Mr. Ku was previously the chairman of Premas Hong Kong Limited, a facilities management company, from 2000 to 2002 and icFox International, an information technology company, from 2000 to 2003. Currently, Mr. Ku is an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Kerry Properties Limited, the issue shares of which are listed and traded on the Main Board of the Stock Exchange. He is also a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority. Mr. Ku is a fellow member of the Hong Kong Institute of Surveyors.

Mr. Lam Bing Kwan, aged 64, was appointed an Independent Non-executive Director of the Company in July 2001 and is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration Degree in 1974. Having been actively involved in property development and investment in the People's Republic of China since the mid-1980's, he has substantial experience in this industry. Mr. Lam has served on the boards of directors of a number of listed companies in Hong Kong for over 10 years and is currently an independent non-executive director of LSG, LSD and eForce Holdings Limited as well as a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange.

Mr. Law Kin Ho, aged 47, was appointed an Independent Non-executive Director of the Company in March 2009 and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. He has extensive experience in the auditing and accounting fields in Hong Kong and is currently a practicing certified public accountant in Hong Kong. Prior to starting his own practice, Mr. Law worked with Yuanta Securities (Hong Kong) Company Limited, the Stock Exchange and Ernst & Young. He was an independent non-executive director of Coastal Greenland Limited, a company listed on the main Board of the Stock Exchange, from July 2002 to December 2012.

Independent Non-executive Directors (continued)

Mr. Mak Wing Sum, Alvin, aged 62, was appointed an Independent Non-executive Director of the Company in November 2012. He is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of I.T Limited, Luk Fook Holdings (International) Limited, Hong Kong Television Network Limited and Goldpac Group Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. Mr. Mak is also an independent non-executive director of Crystal International Limited. After working in Citibank for over 26 years, Mr. Mak retired on 1 May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he had held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong's corporate finance business, regional asset management business and was the Chief Financial Officer of North Asia. Before joining Citibank in 1985, Mr. Mak was an audit group manager at Coopers & Lybrand (now known as PricewaterhouseCoopers). He worked for Coopers & Lybrand for eight years, five of which was in Toronto, Canada. He graduated from the University of Toronto with a Bachelor of Commerce degree in 1976.

Mr. Shek Lai Him, Abraham, aged 69, was appointed an Independent Non-executive Director of the Company in December 2012. He was appointed as Justice of the Peace in 1995 and awarded the Gold Bauhinia Star in July 2013. He has been a member of the Legislative Council for the Hong Kong Special Administrative Region of the People's Republic of China ("**PRC**"), representing the real estate and construction functional constituency since 2000. Mr. Shek acts as an independent non-executive director of a number of companies listed on the Main Board of the Stock Exchange, including Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, ITC Corporation Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, Dorsett Hospitality International Limited (formerly known as Kosmopolito Hotels International Limited), China Resources Cement Holdings Limited, Cosmopolitan International Holdings Limited, Eagle Asset Management (CP) Limited acting as the manager of Champion Real Estate Investment Trust and Regal Portfolio Management Limited acting as the manager of Regal Real Estate Investment Trust. Moreover, he is the chairman and an independent non-executive director of Chuang's China Investments Limited as well as the vice chairman and an independent non-executive director of ITC Properties Group Limited. Mr. Shek was an independent non-executive director of Titan Petrochemicals Group Limited and an independent non-executive director of Hsin Chong Construction Group Ltd. (until 11 May 2014).

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

Note:

Dr. Lam Kin Ming, Mr. Lam Hau Yin, Lester, Mr. Lau Shu Yan, Julius and Mr. Chan Boon Seng will retire as Directors in accordance with the Articles of Association at the forthcoming AGM and being eligible, offer themselves for election/re-election thereat. Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2014 ("**Year**").

Principal Activities

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

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

Results and Dividends

Details of the profit of the Group for the Year and the state of affairs of the Company and of the Group as at 31 July 2014 are set out in the consolidated financial statements and their accompanying notes on pages 72 to 160.

No interim dividend was paid or declared in respect of the Year (2013: Nil).

The board of Directors ("**Board**") has recommended the payment of a final dividend of HK$0.0031 per ordinary share in respect of the Year (2013: HK$0.003 per ordinary share) for the shareholders' approval at the forthcoming annual general meeting of the Company ("**AGM**").

Directors

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

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

Non-executive Directors ("NEDs")
Lucas Ignatius Loh Jen Yuh *(Note)*
Chan Boon Seng (appointed with effect from 1 October 2014)
(also alternate director to Lucas Ignatius Loh Jen Yuh)
Leow Juan Thong, Jason (resigned on 1 October 2014)

Independent Non-executive Directors ("INEDs")
Ku Moon Lun
Lam Bing Kwan
Law Kin Ho
Mak Wing Sum, Alvin
Shek Lai Him, Abraham

Note:

Mr. Lucas Ignatius Loh Jen Yuh ceased to act as the alternate director to Mr. Leow Juan Thong, Jason with effect from 1 October 2014.

Directors (continued)

In accordance with Article 99 of the Articles of Association of the Company ("**Articles of Association**"), Mr. Chan Boon Seng (appointed by the Board as a NED with effect from 1 October 2014) will retire at the forthcoming AGM and, being eligible, offers himself for election.

In accordance with Article 116 of the Articles of Association, Dr. Lam Kin Ming, Mr. Lam Hau Yin, Lester and Mr. Lau Shu Yan, Julius (together with Mr. Chan Boon Seng, "**Retiring Directors**") will retire from office by rotation at the forthcoming AGM. Being eligible, they offer themselves for re-election.

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

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

Biographical Details of Directors

Brief biographical particulars of the current Directors are set out on pages 47 to 52 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

Directors' Service Contracts

No Director proposed for election/re-election at the forthcoming AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Significant Contracts

Save as disclosed in note 39(a) to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

Directors' Interests in Competing Businesses

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

Mr. Chew Fook Aun, Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius, Mr. Cheng Shin How, Mr. Leow Juan Thong, Jason (up to 30 September 2014 as he resigned as a NED with effect from 1 October 2014), Mr. Lucas Ignatius Loh Jen Yuh and Mr. Chan Boon Seng (with effect from 1 October 2014) (together, "**Interested Directors**") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in the Mainland of China.

Directors' Interests in Competing Businesses (continued)

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

Arrangement for Directors to Acquire Shares or Debentures

Other than the share option schemes adopted by the Company as disclosed in the sections headed "Share Option Schemes" and "Directors' Interests" of this Report below and in note 31 to the financial statements as well as the share option scheme adopted by eSun Holdings Limited, at no time during the Year was the Company or any of its holding companies and its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Option Schemes

2003 Share Option Scheme

The Company adopted a share option scheme on 21 August 2003 ("**2003 Share Option Scheme**"). The 2003 Share Option Scheme was terminated on 18 December 2012, notwithstanding that the share options which have been granted and remained outstanding as of that date shall continue to follow the provisions of the 2003 Share Option Scheme. Particulars of the 2003 Share Option Scheme and a summary of the movements of the outstanding share options during the Year under the 2003 Share Option Scheme are set out in note 31 to the financial statements.

2012 Share Option Scheme

The Company adopted a new share option scheme on 18 December 2012 ("**2012 Share Option Scheme**"). Particulars of the 2012 Share Option Scheme and details of the grant of share options and a summary of the movements of the outstanding share options during the Year under the 2012 Share Option Scheme are set out in note 31 to the financial statements.

DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2014 and their respective close associates (as defined in the Listing Rules) were interested or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as known to the Directors:

(1) The Company

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

Name of Director	Capacity and nature of interests	Number of Shares	Number of underlying Shares *(Note)*	Total	Approximate % of total issued Shares
Chew Fook Aun	Beneficial owner	Nil	80,479,564	80,479,564	0.50
Lam Hau Yin, Lester	Beneficial owner	Nil	160,959,129	160,959,129	1
Lau Shu Yan, Julius	Beneficial owner	12,917,658	48,287,738	61,205,396	0.38
Cheng Shin How	Beneficial owner	Nil	32,191,825	32,191,825	0.20

Note: The interests in underlying Shares represented interests in share options granted to the Directors under the share option schemes of the Company. Particulars of which are set out in note 31 to the financial statements.

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

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

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

DIRECTORS' INTERESTS (CONTINUED)

(2) Associated Corporation

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

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

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

Notes:

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

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

Save as disclosed above, as at 31 July 2014, none of the Directors and chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, recorded in the Register of Directors and Chief Executive, notified under the Securities Code, or otherwise known to the Directors.

Substantial Shareholders' Interests

As at 31 July 2014, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded, other than a Director or the chief executive of the Company, in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

(A) Long positions in the Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate % of Shares in issue
eSun Holdings Limited ("**eSun**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 1)*	51.39
Lai Sun Development Company Limited ("**LSD**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 1)*	51.39
Lai Sun Garment (International) Limited ("**LSG**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 1)*	51.39
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 2)*	51.39
Merit Worth Limited ("**MWL**")	Beneficial owner and owner of controlled corporation	Corporate	8,274,270,422 *(Note 3)*	51.39
CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**")	Owner of controlled corporation	Corporate	3,220,000,000 *(Note 4)*	20
CapitaLand LF (Cayman) Holdings Co., Ltd ("**CapitaLand Cayman**")	Beneficial owner	Corporate	3,220,000,000	20
CapitaLand Limited	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20
CapitaLand Residential Limited ("**CapitaLand Residential**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20
Temasek Holdings (Private) Limited ("**Temasek**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 4)*	20
Silver Glory Securities Limited ("**SGS**")	Beneficial owner	Corporate	3,889,038,698 *(Note 3)*	24.15

Substantial Shareholders' Interests (continued)

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

Notes:

1. *These interests in the Company represented all the Shares beneficially owned by MWL (4,385,231,724 Shares or approximately 27.23% of the total issued Shares) and SGS (3,889,038,698 Shares or approximately 24.15% of the total issued Shares), both being wholly-owned subsidiaries of eSun. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 51.97% by LSG. As such, both LSD and LSG were deemed to be interested in the same 8,274,270,422 Shares held by eSun.*

2. *Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 Shares held by eSun by virtue of his personal and deemed interests in approximately 42.64% of the issued share capital of LSG.*

3. *SGS is wholly owned by MWL which in turn is wholly owned by eSun. Therefore, MWL was deemed to be interested in the 3,889,038,698 Shares held by SGS and eSun was deemed to be interested in the 8,274,270,422 Shares held and deemed to be held by MWL.*

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

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

Name	Capacity	Number of underlying Shares	Approximate % of Shares in issue
Lam Kin Ngok, Peter	Beneficial owner	16,095,912 *(Note)*	0.10

Note: The interests in underlying Shares represented interests in a share option granted to Dr. Lam Kin Ngok, Peter under the share option scheme of the Company. Particulars of which are set out in note 31 to the financial statements.

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 July 2014, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Controlling Shareholder's Interests in Significant Contracts

Save as disclosed in note 26 to the financial statements and the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined by the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Connected Transactions

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

1. Acquisition of interest in Farron Assets Limited

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

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

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

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

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

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

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

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

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

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

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

The Transaction was approved by the independent shareholders of the Company and the shareholders of eSun at the respective general meetings held on 17 December 2013. Completion took place on 19 December 2013.

Further details of the Transaction are set out in the circular of the Company dated 26 November 2013.

Subsequent to the completion of the Transaction, SHIL advanced proportionate shareholders' loans amounting to HK$81,492,000 to Rosy Commerce.

3. Other connected transactions

During the Year, certain subsidiaries of eSun provided advertising and promotion services to the Group. Total fees for such services amounted to RMB1,157,000 (equivalent to approximately HK$1,461,000). In addition, an executive director of the Company, Mr. Lau Shu Yan, Julius, purchased a serviced apartment unit from the Group at a price of RMB1,557,000 (equivalent to approximately HK$1,966,000). These transactions are exempt from announcement, reporting and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

Continuing Connected Transactions

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

1. Ascott Management Agreement

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

Pursuant to the Ascott Management Agreement,

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

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

Ascott is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**") and CapitaLand is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, Ascott is an associate (as defined under the Listing Rules) of CapitaLand and therefore is a connected person of the Company under Rule 14A.07 of the Listing Rules, and the transactions contemplated under the Ascott Management Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The Directors expect that the total fees payable by Li Xing to Ascott during the initial term of the Ascott Management Agreement will not exceed RMB19,000,000 per annum.

For the Year, such fees paid or payable to Ascott amounted to RMB7,585,000 (equivalent to approximately HK$9,574,000).

2. Cinema Management Agreement

The Company announced on 4 October 2010 that on 19 September 2005, 廣東五月花電影城有限公司 (Guangdong May Flower Cinema Limited) ("**May Flower**") (an indirect wholly-owned subsidiary of the Company as at the date of the announcement) entered into a management agreement with Media Idea International Limited ("**Media Idea**"), pursuant to which Media Idea agreed to manage the cinema located at 6th and 7th Floors, May Flower Plaza, No. 68 Zhongshanwu Road, Yuexiu District, Guangzhou, the PRC ("**Cinema**") for May Flower for a ten-year period from 1 September 2005 to 31 August 2015 (the "**Cinema Management Agreement**"). The Cinema Management Agreement provides for Media Idea to receive a fixed fee of RMB60,000 per month and a variable fee equivalent to 20% of the annual net profit of the Cinema.

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

Although the transactions contemplated under the Cinema Management Agreement ("**Cinema Management Transactions**") did not constitute continuing connected transactions for the Company at the time the Cinema Management Agreement was entered into in September 2005, they have, with effect from the Completion, become continuing connected transactions of the Company pursuant to the then Rule 14A.41 (the current Rule 14A.60(1)) of the Listing Rules.

The Company announced on 12 November 2012 that it would dispose of all its entire equity interest in May Flower to eSun. Upon completion of the disposal on 29 November 2013, May Flower ceased to be a subsidiary of the Company and accordingly the Cinema Management Transactions ceased to be continuing connected transactions of the Company under the Listing Rules with effect from 29 November 2013.

For the Year, total fees paid or payable to Media Idea amounted to HK$303,000.

3. Memorandum of Agreement regarding letting and/or licensing of premises

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

Continuing Connected Transactions (continued)

3. Memorandum of Agreement regarding letting and/or licensing of premises (continued)

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

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

The Company had adopted a maximum aggregate annual value ("**Cap Amount**") of (i) HK$6,600,000 for the financial year ended 31 July 2014 in respect of Transactions with the LSG Group and the LSD Group, and (ii) HK$9,600,000 for the financial year ended 31 July 2014 in respect of Transactions with the eSun Group (including MAGHL Group but excluding the Group).

On 14 February 2014, in view of the expiry of the Original MOA on 31 July 2014, each party to the Original MOA considered appropriate to renew the Original MOA by entering into an agreement ("**Renewal MOA**") to renew the term of the Original MOA for a period of three years commencing on 1 August 2014 and expiring on 31 July 2017. The Company had adopted a Cap Amount of (i) HK$3,900,000, HK$4,200,000 and HK$4,600,000 for the respective financial years ending 31 July 2015, 2016 and 2017 in respect of Transactions with the LSG Group and the LSD Group, and (ii) HK$9,700,000, HK$10,400,000 and HK$11,300,000 for the respective financial years ending 31 July 2015, 2016 and 2017 in respect of Transactions with the eSun Group (including MAGHL Group but excluding the Group).

Details of the Renewal MOA are set out in an announcement dated 17 February 2014 jointly published by the Company, LSG, LSD, eSun and MAGHL.

For the Year, rental and management fee income received or receivable from, and rental and management fee paid or payable to LSD Group amounted to HK$152,000 and HK$2,557,000, respectively.

For the Year, rental and management fee income received or receivable from the eSun Group (including MAGHL Group but excluding the Group) amounted to HK$4,458,000.

4. Breakfast Agreement

The Company announced on 24 May 2013 that on 16 April 2010, Li Xing, Triple Pass Limited ("**Triple Pass**")/韵港餐飲(上海)有限公司 (Wan Kong Catering (Shanghai) Limited) ("**Wan Kong**") and Ascott entered into the catering services agreement, as supplemented and amended by the supplemental agreements dated 6 July 2011, 7 December 2012 and 14 August 2013, in respect of the Serviced Residence ("**Breakfast Agreement**").

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

The Lease Agreement was for a fixed term of 3 years from 15 May 2010 to 14 May 2013 with an option exercisable by the lessee to renew for a further term of two years and three years. The Breakfast Agreement was extended up to 31 August 2013.

Triple Pass and Wan Kong are both non-wholly owned subsidiaries of LSD. The transactions contemplated under the Breakfast Agreement have become, with effect from the Approval Date, continuing connected transactions of the Company pursuant to the then Rule 14A.41 (the current Rule 14A.60(1)) of the Listing Rules.

For the period from 1 August 2013 to 31 August 2013, total charges paid or payable to Triple Pass/Wan Kong amounted to HK$172,000.

The continuing connected transactions listed under paragraphs 1 to 4 above have been reviewed by the INEDs who have confirmed that the transactions have been entered into:

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

(b) on normal commercial terms or better; and

(c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group to the Board in accordance with the relevant clauses of Rule 14A.56 of the Listing Rules and confirming that nothing has come to their attention that causes them to believe the continuing connected transactions under paragraphs 1 to 4 above:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(iii) have exceeded the cap (if any).

Continuing Connected Transactions (continued)

Moreover, Ernst & Young have included an additional paragraph in their letter to draw attention to the fact that (i) the Cinema Management Transactions were under a pre-existing management agreement with Media Idea which became a connected person of the Group as defined under the then Rule 14A.11 (the current Rule 14A.07) of the Listing Rules on 30 September 2010, and no maximum aggregate annual value had been disclosed in any previous announcements of the Company; and (ii) the continuing connected transactions contemplated under the Breakfast Agreement were under a pre-existing management agreement with the subsidiaries of LSD which became connected persons of the Group as defined under the then Rule 14A.11 (the current Rule 14A.07) of the Listing Rules on 30 October 2012, and no maximum aggregate annual value had been disclosed in any previous announcements of the Company.

In addition, during the Year, there were sharing of corporate salaries and administrative expenses on a cost basis allocated from and to the LSG Group and the eSun Group excluding the Group. These continuing connected transactions are exempt from announcement, reporting and shareholders' approval requirements pursuant to Rule 14A.98 of the Listing Rules.

Property, Plant and Equipment and Investment Properties

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

Properties Under Development

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

Fixed Rate Senior Notes

On 4 April 2007, the Group issued the 9.125% senior notes due 2014 ("**2007 Senior Notes**") with an aggregate principal amount of US$200,000,000. The Company fully redeemed all of its outstanding 2007 Senior Notes on 4 April 2014.

On 25 April 2013, the Group issued the 6.875% senior notes due 2018 ("**2013 Senior Notes**") with an aggregate principal amount of CNY1,800,000,000. Details for each of the 2007 Senior Notes and the 2013 Senior Notes are set out in note 28 to the financial statements.

Share Capital

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

Reserves

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

Distributable Reserves

As at 31 July 2014, the Company's reserves available for distribution amounted to HK$218,947,000 which comprised retained earnings and exchange fluctuation reserves.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$4,066,482,000 may be applied for paying distributions or dividends to members provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2014 are set out in note 19 to the financial statements.

Donations For Charitable and Other Purposes

During the Year, the Group made donations for charitable or other purposes totaling HK$2,266,000.

Pre-Emptive Rights

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

Summary of Financial Information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the Financial Summary of this Annual Report on page 25.

Major Customers and Suppliers

During the Year, turnover or sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover. During the Year, the Group's purchases from its five largest suppliers accounted for approximately 56% of the Group's total purchases, while the largest supplier accounted for approximately 22% of the Group's total purchases for the Year.

None of the Directors or any of their associates or any Shareholders, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest suppliers for the Year.

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

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

Disclosure Pursuant to Paragraph 13.21 of Chapter 13 of the Listing Rules (continued)

As at 31 July 2014, the aggregate outstanding loan balances of these facilities amounted to approximately HK$1,739,730,000 with the last instalment repayment falling due in March 2016.

Purchase, Sale or Redemption of Listed Securities

On 4 April 2014, the Company fully redeemed all of its outstanding 2007 Senior Notes. Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

Public Float

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

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 30 to 46 of this Annual Report.

Independence of Independent Non-Executive Directors

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

Review by Audit Committee

The Audit Committee of the Company comprises three members, namely Messrs. Law Kin Ho, Lam Bing Kwan, both INEDs of the Company and Lucas Ignatius Loh Jen Yuh, a NED. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the Year.

Independent Auditors

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

On behalf of the Board

Chew Fook Aun
Chairman
Hong Kong
16 October 2014

Taxation of Holders Of Shares

(a) Hong Kong

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

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

(b) Cayman Islands

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

(c) Consultation with professional advisers

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

Key Dates

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

	For Financial Year 2013/2014
Annual results announcement	16 October 2014
Latest time and date for lodging transfer documents with the Hong Kong branch share registrar ("**Registrar**") to ascertain entitlement to attending and voting at the 2014 Annual General Meeting ("**AGM**")	4:30 p.m. on 4 December 2014
2014 AGM	9 December 2014
Dividend ex-entitlement for shares	16 December 2014
Closure of Hong Kong branch register of members	18 and 19 December 2014
Record date for entitlement to the proposed final dividend	19 December 2014
Latest time and date for lodging form of election for scrip dividend with the Registrar	4:30 p.m. on 20 January 2015
Payment of final dividend	30 January 2015

	For Financial Year 2014/2015
Interim results announcement	on or before 31 March 2015
Annual results announcement	on or before 31 October 2015

EY 安永

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

We have audited the consolidated financial statements of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 72 to 160, which comprise the consolidated and company statements of financial position as at 31 July 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

16 October 2014

Consolidated Income Statement

Year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
TURNOVER	5	**1,207,302**	1,894,938
Cost of sales		**(461,633)**	(897,317)
Gross profit		**745,669**	997,621
Other income and gains	5	**213,255**	158,361
Selling and marketing expenses		**(46,009)**	(69,188)
Administrative expenses		**(294,235)**	(306,707)
Other operating expenses, net		**(41,812)**	(7,334)
Fair value losses on cross currency swaps	24	**(64,439)**	—
Fair value gains on investment properties	16	**1,138,045**	660,708
PROFIT FROM OPERATING ACTIVITIES	7	**1,650,474**	1,433,461
Finance costs	6	**(322,343)**	(197,338)
Share of profits of joint ventures		**154,897**	107,066
PROFIT BEFORE TAX		**1,483,028**	1,343,189
Tax	10	**(366,109)**	(530,622)
PROFIT FOR THE YEAR		**1,116,919**	812,567
ATTRIBUTABLE TO:			
Owners of the Company	11	**1,099,727**	757,045
Non-controlling interests		**17,192**	55,522
		1,116,919	812,567
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	13		
Basic		**HK$0.068**	HK$0.047
Diluted		**HK$0.068**	HK$0.047

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

Consolidated Statement of Comprehensive Income

Year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**1,116,919**	812,567
OTHER COMPREHENSIVE INCOME/(EXPENSES) TO BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Reversal of impairment of investment properties under construction		**9,782**	20,684
Release of exchange fluctuation reserve upon disposal of a subsidiary	33	**(1,439)**	—
Exchange differences arising on translation to presentation currency		**(75)**	276,685
Share of other comprehensive income/(expenses) of joint ventures		**(159)**	9,330
Net gain/(loss) on cash flow hedges	24	**53,105**	(59,761)
		61,214	246,938
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,178,133**	1,059,505
ATTRIBUTABLE TO:			
Owners of the Company		**1,162,147**	998,828
Non-controlling interests		**15,986**	60,677
		1,178,133	1,059,505

Consolidated Statement of Financial Position

31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,499,769**	1,491,574
Prepaid land lease payments	17	**5,354**	5,543
Investment properties	16	**13,479,025**	11,377,034
Properties under development	15	**662,386**	513,517
Investments in joint ventures	20	**590,758**	436,340
Deposit for acquisition of land use right		**89,765**	—
Goodwill	18	**426**	1,032
Total non-current assets		**16,327,483**	13,825,040
CURRENT ASSETS			
Properties under development	15	**572,906**	718,861
Completed properties for sale		**1,157,773**	1,094,541
Debtors, deposits and prepayments	21	**174,641**	171,326
Prepaid tax		**43,250**	46,859
Pledged and restricted time deposits and bank balances	22	**490,690**	2,057,388
Cash and cash equivalents	22	**2,072,368**	3,608,327
Total current assets		**4,511,628**	7,697,302
CURRENT LIABILITIES			
Creditors and accruals	23	**580,273**	668,657
Deposits received and deferred income		**218,974**	201,094
Interest-bearing bank loans, secured	25	**708,382**	617,470
Tax payable		**166,660**	490,502
Fixed rate senior notes	28	**—**	1,435,052
Total current liabilities		**1,674,289**	3,412,775
NET CURRENT ASSETS		**2,837,339**	4,284,527
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,164,822**	18,109,567
NON-CURRENT LIABILITIES			
Long-term deposits received		**92,564**	77,021
Interest-bearing bank loans, secured	25	**1,604,858**	1,774,856
Advances from a former substantial shareholder	26	**58,688**	58,621
Loans from a fellow subsidiary	27	**152,760**	—
Fixed rate senior notes	28	**2,232,738**	2,223,610
Derivative financial instruments	24	**25,162**	43,712
Deferred tax liabilities	29	**2,203,747**	1,819,897
Total non-current liabilities		**6,370,517**	5,997,717
		12,794,305	12,111,850

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	**1,610,190**	1,609,591
Share premium account	30	**4,066,482**	4,065,862
Asset revaluation reserve		**66,609**	56,925
Share option reserve		**29,677**	30,188
Hedge reserve		**(6,656)**	(59,761)
Exchange fluctuation reserve		**1,994,853**	1,995,222
Capital reserve		**155,496**	25,974
Statutory reserve		**173,403**	133,360
Retained earnings		**4,523,464**	3,513,185
Proposed final dividend	12	**49,916**	48,288
		12,663,434	11,418,834
Non-controlling interests		**130,871**	693,016
		12,794,305	12,111,850

Chew Fook Aun
Director

Lam Hau Yin, Lester
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2014

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 August 2012		1,609,591	4,065,862	36,448	3,678	—	1,714,155	25,974	99,742	2,837,592	45,069	10,438,111	632,339	11,070,450
Profit for the year		—	—	—	—	—	—	—	—	757,045	—	757,045	55,522	812,567
Other comprehensive income/(expenses) for the year, net of tax:														
Reversal of impairment of investment properties under construction		—	—	20,477	—	—	—	—	—	—	—	20,477	207	20,684
Exchange differences arising on translation to presentation currency		—	—	—	—	—	271,737	—	—	—	—	271,737	4,948	276,685
Share of other comprehensive income of joint ventures		—	—	—	—	—	9,330	—	—	—	—	9,330	—	9,330
Net loss on cash flow hedges	24	—	—	—	—	(59,761)	—	—	—	—	—	(59,761)	—	(59,761)
Total comprehensive income/(expenses) for the year, net of tax		—	—	20,477	—	(59,761)	281,067	—	—	757,045	—	998,828	60,677	1,059,505
Equity-settled share option arrangements		—	—	—	26,964	—	—	—	—	—	—	26,964	—	26,964
Release of reserve upon lapse of share options		—	—	—	(454)	—	—	—	—	454	—	—	—	—
Transfer to statutory reserve		—	—	—	—	—	—	—	21,789	(21,789)	—	—	—	—
Share of statutory reserve of joint ventures		—	—	—	—	—	—	—	11,829	(11,829)	—	—	—	—
Final 2012 dividend paid		—	—	—	—	—	—	—	—	—	(45,069)	(45,069)	—	(45,069)
Proposed final 2013 dividend	12	—	—	—	—	—	—	—	—	(48,288)	48,288	—	—	—
As at 31 July 2013 and 1 August 2013		1,609,591	4,065,862	56,925	30,188	(59,761)	1,995,222	25,974	133,360	3,513,185	48,288	11,418,834	693,016	12,111,850
Profit for the year		—	—	—	—	—	—	—	—	1,099,727	—	1,099,727	17,192	1,116,919
Other comprehensive income/(expenses) for the year, net of tax:														
Reversal of impairment of investment properties under construction		—	—	9,684	—	—	—	—	—	—	—	9,684	98	9,782
Exchange differences arising on translation to presentation currency		—	—	—	—	—	1,229	—	—	—	—	1,229	(1,304)	(75)
Release of reserve upon disposal of a subsidiary		—	—	—	—	—	(1,439)	—	—	—	—	(1,439)	—	(1,439)
Share of other comprehensive expenses of joint ventures		—	—	—	—	—	(159)	—	—	—	—	(159)	—	(159)
Net gain on cash flow hedges	24	—	—	—	—	53,105	—	—	—	—	—	53,105	—	53,105
Total comprehensive income/(expenses) for the year, net of tax		—	—	9,684	—	53,105	(369)	—	—	1,099,727	—	1,162,147	15,986	1,178,133
Acquisition of additional interests in subsidiaries from non-controlling shareholders	19	—	—	—	—	—	—	129,522	—	—	—	129,522	(548,464)	(418,942)
Dividend paid to a non-controlling shareholder		—	—	—	—	—	—	—	—	—	—	—	(29,667)	(29,667)
Release of reserve upon lapse of share options		—	—	—	(511)	—	—	—	—	511	—	—	—	—
Shares issued in lieu of cash dividend	30	599	620	—	—	—	—	—	—	—	—	1,219	—	1,219
Transfer to statutory reserve		—	—	—	—	—	—	—	36,685	(36,685)	—	—	—	—
Share of statutory reserve of joint ventures		—	—	—	—	—	—	—	3,358	(3,358)	—	—	—	—
Final 2013 dividend paid		—	—	—	—	—	—	—	—	—	(48,288)	(48,288)	—	(48,288)
Proposed final 2014 dividend	12	—	—	—	—	—	—	—	—	(49,916)	49,916	—	—	—
As at 31 July 2014		**1,610,190**	**4,066,482**	**66,609**	**29,677**	**(6,656)**	**1,994,853**	**155,496**	**173,403**	**4,523,464**	**49,916**	**12,663,434**	**130,871**	**12,794,305**

Consolidated Statement of Cash Flows

Year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,483,028**	1,343,189
Adjustments for:			
Fair value gains on investment properties	16	**(1,138,045)**	(660,708)
Finance costs	6	**322,343**	197,338
Share of profits of joint ventures		**(154,897)**	(107,066)
Interest income	5	**(28,721)**	(25,579)
Depreciation	7	**73,607**	66,821
Amortisation of prepaid land lease payments	7	**197**	193
Foreign exchange differences, net	7	**(27,224)**	(42,075)
Reversal of impairment of properties under development	7	**—**	(6,974)
Loss on disposal of items of property, plant and equipment	7	**461**	37
Equity-settled share option expense	31	**—**	11,594
Gain on disposal of a subsidiary	33	**(6,672)**	—
Fair value losses on cross currency swaps	24	**64,439**	—
Impairment of goodwill	18	**606**	2,368
		589,122	779,138
Decrease in completed properties for sale		**309,659**	642,960
Increase in properties under development		**(383,547)**	(264,159)
Increase in debtors, deposits and prepayments		**(50,441)**	(2,920)
Increase/(decrease) in creditors and accruals, and short term deposits received and deferred income		**37,721**	(116,422)
Increase in long term deposits received		**15,543**	8,976
Increase in deposit for acquisition of land use right		**(89,765)**	—
Cash generated from operations		**428,292**	1,047,573
Tax indemnity received	10	**24,302**	—
Mainland China taxes paid, net		**(331,106)**	(186,649)
Net cash flow from operating activities		**121,488**	860,924
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**28,721**	25,579
Acquisition of subsidiaries	34	**—**	2,736
Purchases of items of property, plant and equipment		**(86,095)**	(76,307)
Additions to investment properties		**(881,529)**	(161,729)
Repayment of loans from/(advances of loans to) joint ventures		**320**	(63)
Decrease/(increase) in pledged and restricted time deposits and bank balances		**1,566,698**	(1,114,253)
Disposal of a subsidiary	33	**8,845**	—
Net cash flow from/(used in) investing activities		**636,960**	(1,324,037)

Consolidated Statement of Cash Flows

Year ended 31 July 2014

	Notes	**2014 HK$'000**	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans, net of direct costs		**147,798**	1,881,303
Repayment of bank loans		**(243,878)**	(1,474,102)
Net proceeds from issue of fixed rate senior notes (the "**2013 Notes**")	28	**—**	2,205,883
Realised exchange gain from conversion of the 2013 Notes	28	**—**	30,987
Redemption of fixed rate senior notes (the "**2007 Notes**")	28	**(1,441,027)**	—
Loans from a fellow subsidiary	27	**152,760**	—
Interest and bank financing charges paid		**(416,597)**	(238,037)
Dividend paid		**(47,069)**	(45,069)
Acquisition of non-controlling interests	19	**(418,942)**	—
Dividends paid to a non-controlling shareholder of a subsidiary		**(29,667)**	—
Net cash flow from/(used in) financing activities		**(2,296,622)**	2,360,965
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,538,174)**	1,897,852
Cash and cash equivalents at beginning of year		**3,608,327**	1,695,551
Effect of foreign exchange rate changes, net		**2,215**	14,924
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,072,368**	3,608,327
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	22	**989,953**	1,562,608
Non-pledged and non-restricted time deposits	22	**1,082,415**	2,045,719
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**2,072,368**	3,608,327

Statement of Financial Position

31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**7,774,218**	6,863,146
CURRENT ASSETS			
Deposits and prepayments	21	**25,741**	35,157
Pledged and restricted bank balance	22	**18,302**	1,702,423
Cash and cash equivalents	22	**1,158,607**	1,694,886
Total current assets		**1,202,650**	3,432,466
CURRENT LIABILITIES			
Creditors and accruals	23	**45,925**	88,894
Due to subsidiaries	19	**390**	390
Fixed rate senior notes	28	**—**	1,435,052
Interest-bearing bank loan, secured	25	**246,685**	—
Total current liabilities		**293,000**	1,524,336
NET CURRENT ASSETS		**909,650**	1,908,130
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,683,868**	8,771,276
NON-CURRENT LIABILITIES			
Fixed rate senior notes	28	**2,232,738**	2,223,610
Interest-bearing bank loan, secured	25	**493,371**	734,090
Derivative financial instruments	24	**25,162**	43,712
Deferred tax liabilities	29	**13,957**	17,710
Total non-current liabilities		**2,765,228**	3,019,122
		5,918,640	5,752,154
EQUITY			
Issued capital	30	**1,610,190**	1,609,591
Reserves	32(b)	**4,258,534**	4,094,275
Proposed final dividend	12	**49,916**	48,288
		5,918,640	5,752,154

Chew Fook Aun
Director

Lam Hau Yin, Lester
Director

1. Corporate Information

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

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

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

In the opinion of the directors, the holding company and ultimate holding company of the Company is eSun Holdings Limited ("**eSun**"), which was incorporated in Bermuda and is listed in Hong Kong.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction and derivative financial instruments, which have been measured at fair value as further explained in the accounting policies for investment properties and derivative financial instruments in note 2.4 to the financial statements. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 Impact of New and Revised HKFRSs

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

Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012
HKFRS 1 Amendments	Government Loans
HKFRS 7 Amendments	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Other than as further explained below regarding the impact of HKFRS 13 "Fair Value Measurement", the application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. HKFRS 13 does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of the investment properties and the derivative financial instruments are included in note 16 and note 41, respectively, to the financial statements.

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

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

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

2.3 Issued But Not Yet Effective HKFRSs

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

HKFRS 9	Financial Instruments[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
HKFRS 11 Amendments	Accounting for Acquisitions of Interest in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
HKAS 16 and HKAS 41 Amendments	Agriculture: Bearer Plants[3]
HKAS 19 (2011) Amendments	Defined Benefit Plans: Employee Contributions[2]
HKAS 27 (2011) Amendments	Equity Method in Separate Financial Statements[3]
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

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

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 July 2015. The Group is in the process of making an assessment of the impact of these changes.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 three elements of control listed above.

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

Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. 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 other comprehensive income of joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. 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.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

Business combinations from 1 August 2009

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS39 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.

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.

Business combinations and goodwill (continued)

Business combinations from 1 August 2009 (continued)

Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

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

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

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

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

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

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

Fair value measurement

The Group measures its investment properties and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than completed properties for sale, properties under development, 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 of disposal, 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 assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Investment properties

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

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

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

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

Properties under development

Properties under development represent properties being developed for sale and are stated at 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 costs to be incurred in selling the property.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interests earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

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 or a reclassification of a financial asset out of the fair value through profit or loss category.

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

Available-for-sale financial investments

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

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

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

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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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.

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Available-for-sale financial investments

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

The Group's financial liabilities include creditors and accruals, deposits received and interest-bearing bank loans, advances from a former substantial shareholder, loans from a fellow subsidiary, 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:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

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

Loans and borrowings

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

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

Financial guarantee contracts

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

2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, 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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

The effectiveness of the cash flow hedge is assessed at the time the Group prepares its annual or interim financial statements.

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.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment affects is met.

Current versus non-current classification

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

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Cash and cash equivalents

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

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

2.4 Summary of Significant Accounting Policies (continued)

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

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

Mainland China land appreciation tax ("LAT")

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

Revenue recognition

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payments

The Company operates a share option scheme for the purposes as detailed in note 31 to the financial statements. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("**market conditions**"), if applicable.

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Borrowing costs

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

Dividend

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

Interim dividend is simultaneously proposed and declared, because the Company's articles of association grant the board of directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange prevailing as at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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

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

3. Significant Accounting Judgements and Estimates

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

Judgements

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

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

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

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

(i) 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.

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

If the fair value of an investment property under construction is at present not reliably measurable, such a property is stated at cost until either its fair value becomes reliably measurable 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 measured 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.

(iii) Impairment of non-financial assets

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

(iv) Income tax

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

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

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

(i) Estimation of fair value of investment properties

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

Further details, including the key assumptions used for fair value measurement, a sensitivity analysis and the carrying amounts of investment properties, are given in note 16 to the financial statements.

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

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

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

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

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

(iv) Impairment of non-financial assets

The Group determines whether a non-financial asset is impaired at least on an annual basis. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the previous estimation.

(v) Fair value of derivative financial instruments

Where fair value of derivative financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement including considerations of inputs such as expected exposure at default, credit spread and loss given default ratio. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

4. Operating Segment Information

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

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

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

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

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

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

4. Operating Segment Information (continued)

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

	Property development		Property investment		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**640,928**	1,372,194	**566,374**	522,744	**1,207,302**	1,894,938
Other revenue	**2,139**	1,960	**123,747**	110,950	**125,886**	112,910
Total	**643,067**	1,374,154	**690,121**	633,694	**1,333,188**	2,007,848
Segment results	**252,169**	509,833	**1,422,084**	962,057	**1,674,253**	1,471,890
Interest income from bank deposits					**28,721**	25,579
Unallocated gains					**58,648**	19,872
Fair value losses on cross currency swaps					**(64,439)**	—
Equity-settled share option expenses — unallocated					**—**	(11,594)
Unallocated expenses, net					**(46,709)**	(72,286)
Profit from operating activities					**1,650,474**	1,433,461
Finance costs					**(322,343)**	(197,338)
Share of profits of joint ventures	**154,897**	107,066	**—**	—	**154,897**	107,066
Profit before tax					**1,483,028**	1,343,189
Tax					**(366,109)**	(530,622)
Profit for the year					**1,116,919**	812,567
Segment assets/liabilities:						
Segment assets	**2,464,699**	2,375,951	**14,966,049**	12,840,651	**17,430,748**	15,216,602
Investments in joint ventures	**590,758**	436,340	**—**	—	**590,758**	436,340
Unallocated assets					**2,817,605**	5,869,400
Total assets					**20,839,111**	21,522,342
Segment liabilities	**445,957**	413,295	**309,129**	324,120	**755,086**	737,415
Unallocated liabilities					**7,289,720**	8,673,077
Total liabilities					**8,044,806**	9,410,492

During the year, no single customer accounted for over 10% of the Group's total turnover (2013: Nil).

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Other segment information:						
Depreciation	**2,409**	2,075	**65,236**	56,678	**67,645**	58,753
Corporate and other unallocated depreciation					**5,962**	8,068
					73,607	66,821
Capital expenditure	**4,443**	6,260	**919,100**	146,212	**923,543**	152,472
Corporate and other unallocated capital expenditure					**4,825**	5,244
					928,368	157,716
Fair value gains on investment properties	**—**	—	**1,138,045**	660,708	**1,138,045**	660,708
Reversal of impairment of properties under development/investment properties under construction*	**—**	6,974	**13,042**	27,578	**13,042**	34,552
Loss on disposal of items of property, plant and equipment	**288**	4	**173**	33	**461**	37

* There was no reversal of impairment of properties under development recognised in profit or loss during the year ended 31 July 2014 (2013: HK$6,974,000). Reversal of impairment of investment properties under construction of HK$13,042,000 (2013: HK$27,578,000) was recognised in other comprehensive income during the year.

5. Turnover, Other Income and Gains

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

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

	Group	
	2014 HK$'000	2013 HK$'000
Turnover:		
Sale of properties	**640,928**	1,372,194
Rental income from investment properties and serviced apartments	**566,374**	522,744
	1,207,302	1,894,938
Other income and gains:		
Property management fee income	**103,976**	99,397
Interest income from bank deposits	**28,721**	25,579
Consultancy, design and related fee income	**44,587**	1,460
Others	**35,971**	31,925
	213,255	158,361

6. FINANCE COSTS

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

	Notes	Group 2014 HK$'000	Group 2013 HK$'000
Interest on:			
Bank loans wholly repayable within five years		**130,669**	90,521
Bank loan repayable beyond five years		**4,296**	—
2007 Notes (as disclosed in note 28)		**87,588**	131,509
2013 Notes (as disclosed in note 28)		**142,006**	37,467
Amortisation of:			
Bank loans		**14,768**	—
2007 Notes	28	**5,975**	7,799
2013 Notes	28	**6,573**	1,678
Bank financing charges and direct costs		**25,842**	15,961
		417,717	284,935
Less: Capitalised in properties under development	15	**(40,543)**	(71,724)
Capitalised in investment properties under construction	16	**(38,467)**	(15,873)
Capitalised in construction in progress	14	**(16,364)**	—
		(95,374)	(87,597)
Total finance costs		**322,343**	197,338

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 7.4% (2013: 8.9%) has been applied to the expenditure on the individual assets for the year ended 31 July 2014.

7. Profit From Operating Activities

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

	Notes	Group 2014 HK$'000	2013 HK$'000
Cost of completed properties sold		**311,178**	782,357
Outgoings in respect of rental income		**150,455**	114,960
Total cost of sales		**461,633**	897,317
Depreciation#	14	**73,607**	66,821
Amortisation of prepaid land lease payments		**4,662**	9,276
Capitalised in properties under development	15	**(4,465)**	(9,083)
	17	**197**	193
Minimum lease payments under operating leases in respect of land and buildings		**9,274**	9,620
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(5,472)**	(5,483)
		3,802	4,137
Employee benefit expense (including directors' remuneration — note 8):			
Salaries, wages and benefits		**240,199**	213,084
Pension scheme contributions *		**831**	688
Equity-settled share option expenses	31	**—**	26,964
		241,030	240,736
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(67,461)**	(75,108)
		173,569	165,628
Auditors' remuneration to auditors of the Company		**3,115**	3,067
Foreign exchange differences, net **		**(27,224)**	(42,075)
Reversal of impairment of properties under development **	15	**—**	(6,974)
Loss on disposal of items of property, plant and equipment #		**461**	37
Gain on disposal of a subsidiary **	33	**6,672**	—

7. Profit From Operating Activities (continued)

\# The depreciation charge of HK$61,779,000 (2013: HK$51,753,000) for serviced apartments and related leasehold improvements and the loss on disposal of items of property, plant and equipment of HK$461,000 (2013: HK$37,000) are included in "Other operating expenses, net" on the face of the consolidated income statement.

* As at 31 July 2014, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2013: Nil).

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

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**" and the "**Stock Exchange**") and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) , is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Fees	**1,250**	1,017
Other emoluments:		
Salaries, allowances and benefits in kind	**20,124**	20,091
Equity-settled share option expense	**—**	13,714
Pension scheme contributions	**119**	114
	20,243	33,919
	21,493	34,936
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(11,405)**	(19,382)
	10,088	15,554

For the year ended 31 July 2014, no directors were granted share options.

For the year ended 31 July 2013, three directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The share options vested on the date of grant and hence the fair value of such options were determined and recognised in the income statement on the date of grant and is included in the above directors' remuneration disclosures.

8. Directors' Remuneration (continued)

(a) Independent non-executive directors

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

	2014 HK$'000	2013 HK$'000
Lam Bing Kwan	**250**	225
Ku Moon Lun	**250**	225
Law Kin Ho	**250**	225
Mak Wing Sum, Alvin	**250**	188
Shek Lai Him, Abraham	**250**	154
	1,250	1,017

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014					
Executive directors:					
Lam Kin Ming	—	1,140	—	—	1,140
Lam Kin Hong, Matthew	—	1,140	—	57	1,197
Lam Hau Yin, Lester	—	1,557	—	15	1,572
U Po Chu	—	4,370	—	—	4,370
Chew Fook Aun	—	3,871	—	15	3,886
Lau Shu Yan, Julius	—	1,727	—	16	1,743
Cheng Shin How	—	6,319	—	16	6,335
	—	20,124	—	119	20,243
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason	—	—	—	—	—
	—	—	—	—	—
Total	—	20,124	—	119	20,243

8. Directors' Remuneration (continued)

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

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

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

9. Five Highest Paid Employees

The five highest paid employees during the year included three directors (2013: five), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2013: nil) non-director highest paid employees are as follows:

	Group 2014 HK$'000
Salaries, allowances and benefits in kind	5,175
Capitalised in properties under development/ investment properties under construction/ construction in progress	(4,061)
	1,114

The remuneration of the non-director highest paid employees fell within the band of HK$2,500,001 to HK$3,000,000 for the year ended 31 July 2014.

10. Tax

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2013: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Current — Mainland China			
Corporate income tax			
Charge for the year		**64,104**	117,391
Underprovision in prior years		**29,195**	—
		93,299	117,391
LAT			
Charge for the year		**11,151**	201,477
Overprovision in prior years		**(116,778)**	—
		(105,627)	201,477
Deferred	29	**402,739**	211,754
Tax indemnity	39	**(24,302)**	—
Total tax charge for the year		**366,109**	530,622

10. Tax (continued)

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

	Group	
	2014 HK$'000	2013 HK$'000
Profit before tax	**1,483,028**	1,343,189
Tax at the statutory tax rate	**370,757**	335,797
Adjustments for tax rates of other jurisdictions	**23,685**	15,123
Provision for LAT	**11,151**	201,477
Tax effect of provision for LAT	**(2,788)**	(50,369)
Profits attributable to joint ventures	**(38,724)**	(26,767)
Income not subject to tax	**(2,454)**	(780)
Other temporary differences	**40,825**	—
Expenses and losses not deductible for tax	**50,281**	19,130
Tax losses not recognised	**9,163**	7,872
Utilisation of previously unrecognised tax losses	**—**	(825)
Tax indemnity	**(24,302)**	—
Write-back of LAT provision in prior years	**(116,778)**	—
Tax effect of write-back of LAT provision in prior years	**29,195**	—
Withholding tax at 5% on the distributable earnings of the subsidiaries established in Mainland China	**16,098**	29,964
Tax charge at the Group's effective tax rate	**366,109**	530,622

During the year, LAT provision of a total of HK$116,778,000 made in prior years was written-back for a completed property project of the Group in accordance with the tax notification issued by the tax authority.

Tax indemnity

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

10. Tax (continued)

Tax indemnity (continued)

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Group as set out in the Company's prospectus dated 18 November 1997. During the year, an amount of HK$24,302,000 was received by the Group under the aforesaid indemnities (2013: Nil).

11. Profit Attributable to Owners of The Company

The consolidated profit attributable to owners of the Company for the year ended 31 July 2014 included a profit of HK$160,450,000 (2013: HK$72,378,000) which had been dealt with in the financial statements of the Company (note 32(b)).

12. Dividend

	2014 **HK$'000**	2013 HK$'000
Proposed final — HK$0.0031 (2013: HK$0.003) per ordinary share	**49,916**	48,288

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

On 22 November 2013, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.003 payable in cash with a scrip dividend alternative (the "**Scrip Dividend Scheme**") for the year ended 31 July 2013 (the "**2013 Final Dividend**"). During the year, 5,986,301 new shares were issued by the Company at a deemed price of HK$0.2036 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the Scrip Dividend Scheme to settle HK$1,219,000 of the 2013 Final Dividend. The remaining of the 2013 Final Dividend of HK$47,069,000 was satisfied by cash.

Further details of the Scrip Dividend Scheme are set out in the Company's circular dated 13 December 2013.

13. Earnings Per Share Attributable to Owners of The Company

The calculation of basic earnings per share amounts was based on the profit for the year attributable to owners of the Company of HK$1,099,727,000 (2013: HK$757,045,000), and the weighted average number of ordinary shares of 16,099,127,518 (2013: 16,095,912,956) in issue during the year.

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

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

	2014 **HK$'000**	2013 HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**1,099,727**	757,045

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**16,099,127,518**	16,095,912,956
Effect of dilution — weighted average number of ordinary shares:		
Share options	**20,981,054**	22,464,900
	16,120,108,572	16,118,377,856

14. Property, Plant and Equipment

Group

	Notes	Leasehold buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
As at 1 August 2012		109,726	768,933	256,426	31,580	17,378	6,895	—	1,190,938
Additions		—	7,046	32,507	8,870	711	1,220	—	50,354
Acquisition of subsidiaries	34	—	—	—	171	—	130	—	301
Disposals		—	—	—	(378)	—	(54)	—	(432)
Transfer from completed properties for sale		—	416,942	—	—	—	—	—	416,942
Transfer from properties under development	15	—	—	—	—	—	—	238,441	238,441
Exchange realignment		1,586	7,507	6,243	640	260	141	—	16,377
As at 31 July 2013 and 1 August 2013		111,312	1,200,428	295,176	40,883	18,349	8,332	238,441	1,912,921
Finance cost capitalised	6	—	—	—	—	—	—	16,364	16,364
Additions		—	30,716	10,099	5,911	2,129	4,144	20,955	73,954
Disposals		—	—	—	(601)	(1,108)	(170)	—	(1,879)
Disposal of a subsidiary	33	—	—	(16,436)	(5,615)	—	(444)	—	(22,495)
Exchange realignment		74	820	405	68	12	31	270	1,680
As at 31 July 2014		**111,386**	**1,231,964**	**289,244**	**40,646**	**19,382**	**11,893**	**276,030**	**1,980,545**
Accumulated depreciation:									
As at 1 August 2012		25,471	226,825	55,148	23,919	13,174	5,237	—	349,774
Depreciation provided during the year	7	2,709	20,145	37,745	3,616	1,581	1,025	—	66,821
Acquisition of subsidiaries	34	—	—	—	24	—	13	—	37
Disposals		—	—	—	(345)	—	(50)	—	(395)
Exchange realignment		508	2,012	1,795	500	186	109	—	5,110
As at 31 July 2013 and 1 August 2013		28,688	248,982	94,688	27,714	14,941	6,334	—	421,347
Depreciation provided during the year	7	2,745	26,297	38,252	3,859	1,125	1,329	—	73,607
Disposals		—	—	—	(536)	(748)	(134)	—	(1,418)
Disposal of a subsidiary	33	—	—	(10,050)	(2,466)	—	(285)	—	(12,801)
Exchange realignment		16	18	(10)	11	5	1	—	41
As at 31 July 2014		**31,449**	**275,297**	**122,880**	**28,582**	**15,323**	**7,245**	**—**	**480,776**
Net book value:									
As at 31 July 2014		**79,937**	**956,667**	**166,364**	**12,064**	**4,059**	**4,648**	**276,030**	**1,499,769**
As at 31 July 2013		82,624	951,446	200,488	13,169	3,408	1,998	238,441	1,491,574

14. Property, Plant and Equipment (continued)

As at 31 July 2014, the Group's leasehold buildings with carrying amounts of HK$41,837,000 (2013: HK$43,606,000) and HK$38,100,000 (2013: HK$39,018,000) are situated in Mainland China and Hong Kong, respectively, and they were held under medium term leases.

As at 31 July 2014, the Group's serviced apartments, which are situated in Mainland China, with carrying amounts of HK$872,573,000 (2013: HK$867,811,000) and HK$84,094,000 (2013: HK$83,635,000) were held under medium and long term leases, respectively.

As at 31 July 2014, a leasehold building and certain serviced apartments (including related leasehold improvements) with carrying amounts of HK$38,461,000 (2013: HK$39,549,000) and HK$677,369,000 (2013: HK$727,105,000), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(a) to the financial statements.

As at 31 July 2013, construction in progress with a carrying amount of HK$238,441,000 was pledged to a bank to secure a bank borrowing of the Group as further set out in note 25(b) to the financial statements.

15. Properties Under Development

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Carrying amount as at 1 August		**1,232,378**	1,426,175
Finance costs capitalised	6	**40,543**	71,724
Additions		**383,547**	270,219
Transfer to completed properties for sale		**(422,345)**	(335,803)
Transfer to property, plant and equipment	14	**—**	(238,441)
Reversal of impairment	7	**—**	6,974
Exchange realignment		**1,169**	31,530
Carrying amount as at 31 July		**1,235,292**	1,232,378
Amount classified as current assets		**(572,906)**	(718,861)
Non-current portion		**662,386**	513,517

No impairment/reversal of impairment was recognised in the income statement for the year ended 31 July 2014 (2013: reversal of HK$6,974,000). Reversal of impairment in the prior year represented the write-up of a property under development of the Group to its net realisable value.

All properties under development are situated in Mainland China and were held under long term leases as at 31 July 2014 and 2013.

As at 31 July 2014, certain properties under development with an aggregate carrying amount of HK$141,019,000 (2013: HK$858,501,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(c) to the financial statements.

15. Properties Under Development (continued)

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

		Group	
	Note	**2014 HK$'000**	2013 HK$'000
Carrying amount as at 1 August		**349,272**	544,976
Addition		**22,546**	—
Amortised during the year	7	**(4,465)**	(9,083)
Transfer to completed properties for sale		**(100,079)**	(35,160)
Transfer to property, plant and equipment		**—**	(164,876)
Exchange realignment		**(84)**	13,415
Carrying amount as at 31 July		**267,190**	349,272

16. Investment Properties

	Group	
	2014 HK$'000	2013 HK$'000
Completed investment properties	**9,812,300**	8,883,100
Investment properties under construction, at fair value	**1,592,000**	1,223,000
Investment properties under construction, at cost *	**2,074,725**	1,270,934
Total	**13,479,025**	11,377,034

* 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 measurable.

		Group	
	Note	**2014 HK$'000**	2013 HK$'000
Carrying amount as at 1 August		**11,377,034**	10,289,369
Finance costs capitalised	6	**38,467**	15,873
Additions		**854,414**	107,362
Transfer from completed properties for sale		**50,692**	10,725
Net gain from fair value adjustments		**1,138,045**	660,708
Reversal of impairment		**13,042**	27,578
Exchange realignment		**7,331**	265,419
Carrying amount as at 31 July		**13,479,025**	11,377,034

16. INVESTMENT PROPERTIES (CONTINUED)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Long term leases	**275,800**	210,000
Medium term leases	**13,203,225**	11,167,034
	13,479,025	11,377,034

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

A reversal of impairment of HK$13,042,000 (2013: HK$27,578,000) was recognised in other comprehensive income for the year ended 31 July 2014, which represented the write-up of a parcel of land in Shanghai, Mainland China, to its recoverable amount which was its value in use estimated using a discount rate of 6.15% (2013: 6.15%).

As at 31 July 2014, certain investment properties with an aggregate carrying amount of HK$9,278,650,000 (2013: HK$8,096,000,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 25(d) to the financial statements.

Valuation processes of the Group

Each year, the Group's management appoints an external valuer to be responsible for the external valuations of the Group's properties (the "**Property Valuers**"). Selection criteria of an external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the Property Valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The valuation techniques used in prior years has been consistently applied in current year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's completed investment properties and investment properties under construction stated at fair value were revalued by Knight Frank Petty Limited, an independent professionally qualified valuer.

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

The Group's investment properties consist of commercial properties in Mainland China.

For completed investment properties, valuations are based on income capitalisation method. This method is based on capitalisation of the net income and the reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

For investment properties under construction stated at fair value, the Group has valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development plans. Valuations are based on residual method, which is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

16. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (continued)

Information about fair value measurement using significant unobservable inputs (Level 3)

Description	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties				
Commercial properties	Income capitalisation method	Average unit market rent per month (HK$/sq.m)	31 — 385	note 1
		Capitalisation rate	3.25% — 7.50%	note 2
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m)	25,000 — 44,000	note 3
		Developer's profit margin	5%	note 4
		Budgeted costs to completion (HK$)	584,847,000	note 5

Notes:

1. The higher the market rent, the higher the fair value
2. The higher the capitalisation rate, the lower the fair value
3. The higher the gross development value, the higher the fair value
4. The higher the developer's profit margin, the lower the fair value
5. The higher the budgeted costs to completion, the lower the fair value

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

17. PREPAID LAND LEASE PAYMENTS

		Group	
	Note	**2014 HK$'000**	2013 HK$'000
Carrying amount as at 1 August		**5,543**	5,600
Amortised during the year	7	**(197)**	(193)
Exchange realignment		**8**	136
Carrying amount as at 31 July		**5,354**	5,543

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

18. Goodwill

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

	Group	
	2014	2013
	HK$'000	HK$'000
Cost:		
As at 1 August and 31 July	**4,561**	4,561
Accumulated impairment:		
As at 1 August	**(3,529)**	(1,161)
Impairment during the year	**(606)**	(2,368)
As at 31 July	**(4,135)**	(3,529)
Carrying amount	**426**	1,032

19. Investments In Subsidiaries

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**144,270**	144,270
Due from subsidiaries	**7,629,948**	6,718,876
	7,774,218	6,863,146

The amounts due from subsidiaries of HK$7,629,948,000 (2013: HK$6,718,876,000) were unsecured, interest-free and had no fixed terms of repayment, except for an aggregate amount of HK$1,785,043,000 (2013: HK$997,914,000) which bore interest at approximately 7.4% (2013: 8.9%) per annum.

The amounts due to subsidiaries of HK$390,000 (2013: HK$390,000) included in the Company's current liabilities were unsecured, interest-free and repayable on demand.

19. Investments In Subsidiaries (continued)

Details of the principal subsidiaries as at 31 July 2014 are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Canvex Limited	Hong Kong	HK$2	—	100	Property investment
Eastern Power Limited	Hong Kong	HK$100,000	—	100	Investment holding
Eternal Medal Limited	Hong Kong	HK$1	—	100	Investment holding
Farron Assets Limited ("**Farron Assets**") *	British Virgin Islands/ Hong Kong	US$1,000	—	100	Investment holding
Fore Bright Limited	Hong Kong	HK$1	—	100	Investment holding
Frank Light Development Limited	Hong Kong	HK$19,999,999	—	100	Investment holding
Gentle Code Limited	Hong Kong	HK$1	—	100	Investment holding
Gentle Holdings Limited	Hong Kong	HK$1	—	100	Investment holding
Goldthorpe Limited *	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Good Strategy Limited	British Virgin Islands/ Mainland China	US$1	—	100	Property investment
Grand Wealth Limited	Hong Kong	HK$2	—	100	Investment holding
Grosslink Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Guangzhou Gentle Code Real Estate Company Limited @ *	PRC/Mainland China	US$22,830,000##	—	100	Property investment
Guangzhou Gentle Real Estate Company Limited @ *	PRC/Mainland China	US$17,080,000##	—	100	Property development
Guangzhou Grand Wealth Properties Limited µ *	PRC/Mainland China	HK$280,000,000##	—	100	Property development and investment
Guangzhou Guang Bird Property Development Limited µ *	PRC/Mainland China	US$46,000,000##	—	100	Property development and investment

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Honghui Real Estate Development Company Limited µ *	PRC/Mainland China	RMB79,733,004##	—	100	Property development and investment
Guangzhou Jadepress Real Estate Company Limited @ *	PRC/Mainland China	US$19,150,000##	—	100	Property development and investment
Guangzhou Jieli Real Estate Company Limited @ *	PRC/Mainland China	HK$168,000,000##	—	100	Property investment
Hankey Development Limited	Hong Kong	HK$10,000	—	100	Investment holding
Jadepress Limited	Hong Kong	HK$1	—	100	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Lai Fung Company Limited	Hong Kong	HK$20	100	—	Investment holding
Manful Concept Limited	Hong Kong	HK$2	—	100	Investment holding
Nicebird Company Limited	Hong Kong	HK$2	—	100	Investment holding
Shanghai Hankey Real Estate Development Company Limited ("**Shanghai Hankey**")#	PRC/Mainland China	US$10,800,000##	—	99	Property investment
Shanghai HKP Property Management Limited # *	PRC/Mainland China	US$150,000##	—	100	Property management
Shanghai Hu Xin Real Estate Development Company Limited #	PRC/Mainland China	US$40,000,000##	—	95	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited ("**Shanghai Li Xing**") *	PRC/Mainland China	US$36,000,000##	—	100	Property investment
Shanghai Wa Yee Real Estate Development Company Limited # *	PRC/Mainland China	US$10,000,000##	70	25	Property development and investment

19. Investments In Subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Zhabei Plaza Real Estate Development Company Limited #	PRC/Mainland China	US$12,000,000##	—	99	Property development and investment
Sunlite Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Wide Angle Development Limited	Hong Kong	HK$2	—	100	Investment holding
Winfield Concept Limited	Hong Kong	HK$10,000	—	80	Investment holding
Zhongshan Bao Li Properties Development Company Limited ("**Zhongshan Bao Li**") @ *	PRC/Mainland China	HK$460,000,000##	—	100	Property development and investment
廣州高樂物業管理有限公司 ø *	PRC/Mainland China	RMB1,100,000##	—	100	Property management
上海麗港物業管理有限公司 ø *	PRC/Mainland China	RMB500,000##	—	100	Property management
中山高樂物業管理有限公司 ø *	PRC/Mainland China	RMB500,000##	—	100	Property management
珠海橫琴麗新文創天地有限公司("**麗新文創**") @ *	PRC/Mainland China	RMB900,000,000##	—	80	Property development

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

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

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

\## The registered capital of these subsidiaries were fully paid up, except for 麗新文創 and Zhongshan Bao Li of which the paid-up capital were RMB598,000,600 (2013: Nil) and HK$280,000,000 (2013: HK$200,000,000), respectively, as at 31 July 2014. Subsequent to the reporting date, the registered capital of Zhongshan Bao Li of HK$50,000,000 has been paid up

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

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

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

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 July 2014, the entire equity interests in certain subsidiaries were pledged to secure fixed rate senior notes and certain bank borrowings of the Company on a pari passu basis (note 28 and note 25(f)).

As at 31 July 2014, certain subsidiaries had jointly and severally guaranteed the obligations of the Company in connection with the fixed rate senior notes and certain bank borrowings (note 28 and note 25(h)).

Acquisition of non-controlling interests

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

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

On 17 December 2013, Hankey Development Ltd. ("**Hankey**"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with 上海不夜城聯合發展(集團)有限公司 ("**上海不夜城**"), an independent third party of the Group, to acquire 上海不夜城's 2% interest in Shanghai Hankey. The transaction was completed on 8 July 2014. Shanghai Hankey was a direct 97%-owned subsidiary of Hankey right before the completion of transaction and became a direct 99%-owned subsidiary of Hankey upon completion of the transaction.

The following summarised the effect of the changes in the Group's ownership interest on the equity attributable to owners of the Company:

	HK$'000
Considerations paid for acquisition of non-controlling interests	418,942
Decrease in non-controlling interests	(548,464)
Increase in equity attributable to owners of the Company	(129,522)

20. INVESTMENTS IN JOINT VENTURES

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets, other than goodwill	**355,909**	201,171
Due from joint ventures	**234,849**	235,169
	590,758	436,340

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

Particulars of the Group's joint ventures as at 31 July 2014 are as follows:

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

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

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

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

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

20. Investments In Joint Ventures (continued)

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

	2014 HK$'000	2013 HK$'000
Assets and liabilities		
Current assets (including cash and cash equivalents of HK$725,262,000 (2013: HK$41,770,000))	**1,573,682**	1,714,776
Non-current assets	**1,270,304**	851,361
Total assets	**2,843,986**	2,566,137
Current and total liabilities	**(2,067,891)**	(2,115,401)
Current financial liabilities (excluding creditors and accruals)	**(469,465)**	(470,013)

	2014 HK$'000	2013 HK$'000
Profit and total comprehensive income for the year		
Revenue (including interest income of HK$4,911,000 (2013: HK$3,345,000))	**1,069,446**	871,103
Cost of sales	**(447,101)**	(324,537)
Expenses (including depreciation expenses of HK$964,000 (2013: HK$1,952,000))	**(29,223)**	(58,329)
Tax	**(267,183)**	(261,929)
Profit for the year	**325,939**	226,308
Other comprehensive income/(expenses) for the year, net of tax	**(580)**	19,878
Total comprehensive income for the year, net of tax	**325,359**	246,186
Less: Non-controlling interests	**(15,883)**	(13,393)
	309,476	232,793

20. Investments In Joint Ventures (continued)

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

	2014 HK$'000	2013 HK$'000
Net assets of the Beautiwin Group	**776,095**	450,736
Less: Non-controlling interests	**(64,276)**	(48,393)
	711,819	402,343
The Group's 50% interests in the Beautiwin Group	**355,909**	201,171
Amount due from the Beautiwin Group	**234,849**	235,169
Carrying amount of the Group's interests in the Beautiwin Group as recorded in the consolidated financial statements	**590,758**	436,340

21. Debtors, Deposits and Prepayments

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

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

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

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Trade receivables, net				
Within one month	**61,319**	57,697	**—**	—
One to three months	**2,303**	2,935	**—**	—
Over three months	**1,726**	—	**—**	—
	65,348	60,632	**—**	—
Other receivables, deposits and prepayments	**109,293**	110,694	**25,741**	35,157
Total	**174,641**	171,326	**25,741**	35,157

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

	Note	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Cash and bank balances		**1,364,204**	3,324,504	**337,052**	2,263,698
Less: Pledged and restricted bank balances					
Pledged for banking facilities *		**(6,067)**	(6,023)	**—**	—
Pledged for bank loans	25(e)	**(226,332)**	(6,027)	**(18,302)**	—
Restricted **		**(141,852)**	(1,749,846)	**—**	(1,702,423)
Non-pledged and non-restricted cash and bank balances		**989,953**	1,562,608	**318,750**	561,275
Time deposits		**1,198,854**	2,341,211	**839,857**	1,133,611
Less: Restricted **		**(116,439)**	(295,492)	**—**	—
Non-pledged and non-restricted time deposits		**1,082,415**	2,045,719	**839,857**	1,133,611
Cash and cash equivalents		**2,072,368**	3,608,327	**1,158,607**	1,694,886

* 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 2014, the balance was HK$89,760,000 (2013: Nil).

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 2014, the balance amounted to HK$35,339,000 (2013: HK$34,536,000).

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 2014, the balance amounted to HK$133,192,000 (2013: HK$308,379,000), including time deposits of HK$116,439,000 (2013: HK$295,492,000).

As at 31 July 2013, an amount of HK$1,702,423,000 (equivalent to approximately US$218,259,000) of the Company's bank balance was deposited into a trust account for the purpose of settling interest and principal of the 2007 Notes (as disclosed in note 28) as and when they were due from settlement. The Company cannot recover any of the trust property until the remaining interest and principal outstanding from the 2007 Notes has been settled in full. Along with the settlement of the remaining interest and principal of the 2007 Notes on the maturity date, the trust account balance was nil as at 31 July 2014.

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

The conversion of Renminbi ("**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. As at 31 July 2014, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$1,117,246,000 (2013: HK$1,892,933,000).

23. Creditors and Accruals

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

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade payables				
Within one month	**102,207**	31,489	**—**	—
One to three months	**3,872**	1,110	**—**	—
Over three months	**79**	2,012	**—**	—
	106,158	34,611	**—**	—
Accruals and other payables	**474,115**	634,046	**45,925**	88,894
Total	**580,273**	668,657	**45,925**	88,894

Trade payables of the Group were interest-free and were due for settlement pursuant to the terms of the relevant agreements.

As at 31 July 2013, the balance included an amount of HK$17,572,000 due to a fellow subsidiary of the Company which was unsecured, interest-free and repayment on demand.

24. Derivative Financial Instruments

	Group and Company	
	2014 HK$'000	2013 HK$'000
Financial liabilities — Cross currency swap agreements (the "**CCS**")	**25,162**	43,712

24. Derivative Financial Instruments (continued)

The movements in the financial liabilities arising from the CCS during the year are as follows:

	2014 HK$'000	2013 HK$'000
Carrying amounts as at 1 August	**43,712**	—
Fair value losses/(gains) charged/(credited) to the hedge reserve during the year (note a)	**(82,989)**	43,712
Fair value losses charged to the consolidated income statement during the year (note b)	**64,439**	—
Carrying amount as at 31 July	**25,162**	43,712

Cross Currency Swaps — cash flow hedges

On 25 April 2013, the Group entered into the CCS with financial institutions for 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 28 to the financial statements.

Pursuant to the terms of the CCS, the Company receives interest payments semi-annually at a fixed rate of 6.875% per annum on the aggregate notional amount of RMB1,800,000,000 during the period from 25 April 2013 to 25 April 2018 right before each Interest Payment Date (as defined in note 28) 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 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 were designated as hedging instruments in respect of the 2013 Notes and the CCS balances vary with the changes in foreign exchange forward rates.

24. Derivative Financial Instruments (continued)

The effectiveness of the cash flow hedges is assessed semi-annually by the Group. The assessment results of the cash flow hedges are set out as follows:

(a) As at 31 January 2014 and 31 July 2013, the cash flow hedges of the 2013 Notes were assessed to be highly effective and a net gain on the cash flow hedges of HK$53,105,000 (2013: a net loss of HK$59,761,000) is included in the hedge reserve as follows:

	2014 HK$'000	2013 HK$'000
Total fair value gains/(losses) included in the hedge reserve	**82,989**	(43,712)
Transferred from the hedge reserve to the consolidated income statement for the exchange losses of the 2013 Notes	**(29,884)**	(16,049)
Net gain/(loss) on cash flow hedges	**53,105**	(59,761)

(b) As at 31 July 2014, the cash flow hedges of the 2013 Notes were assessed to be ineffective and did not qualify for hedge accounting. Fair value losses of HK$64,439,000 (2013: Nil) arising from changes in the fair values of the CCS between 1 February 2014 and 31 July 2014 are charged to the income statement for the year ended 31 July 2014.

25. Interest-Bearing Bank Loans, Secured

Group

	2014		2013	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Secured bank loans:				
Current	**2.75 — 8.30**	**708,382**	2.75 — 8.30	617,470
Non-current	**2.75 — 8.30**	**1,604,858**	2.75 — 8.30	1,774,856
		2,313,240		2,392,326
Maturity profile:				
Within one year		**708,382**		617,470
In the second year		**1,457,874**		329,018
In the third to fifth years, inclusive		**87,962**		1,445,838
Beyond five years		**59,022**		—
		2,313,240		2,392,326

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

Company

	2014		2013	
	Effective interest rate (%)	HK$'000	Effective interest rate (%)	HK$'000
Secured bank loan:				
Current	**4.67**	**246,685**	—	—
Non-current	**4.67**	**493,371**	4.86	734,090
		740,056		734,090
Maturity profile:				
Within one year		**246,685**		—
In the second year		**493,371**		244,697
In the third to fifth years, inclusive		**—**		489,393
		740,056		734,090

HK Interpretation 5 "*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*" requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("**repayment on demand clause**") shall be classified in total by the borrower as current in the statement of financial position. A term loan of the Group in the amount of HK$376,979,000 (2013: HK$123,535,000) includes a repayment on demand clause under the relevant loan agreement, among which a balance of nil (2013: HK$23,121,000) that is repayable after one year from the end of the reporting period has been classified as a current liability. For the purpose of the above analysis, such loan is included within current secured bank loans and analysed into bank loans repayable within one year.

On 28 March 2013, the Company (i) as borrower and, inter alias, the banks named therein as lenders entered into an offshore facility agreement in relation to facilities of HK$2,500,000,000 (the "**Offshore Facility**"); and (ii) as guarantor and, inter alias, certain subsidiaries of the Company as borrowers and banks named therein as lenders entered into an onshore facility agreement in relation to facilities of approximately HK$1,050,000,000 equivalent (the "**Onshore Facility**"). The entire Onshore Facility were drawn and fully applied for refinancing of bank loans of certain subsidiaries of the Company during the year ended 31 July 2013. As at 31 July 2014, HK$1,014,326,000 was outstanding under the Onshore Facility.

The purposes of the Offshore Facility are mainly for financing investments in property related projects and/or repayment of borrowings of the Group. As at 31 July 2014, HK$750,000,000 (2013: HK$750,000,000) was drawn and outstanding under the Offshore Facility.

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

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

(a) mortgages over a leasehold building and certain serviced apartments (including related leasehold improvements) of the Group with carrying amounts of HK$38,461,000 (2013: HK$39,549,000) and HK$677,369,000 (2013: HK$727,105,000) (note 14), respectively;

(b) mortgage over a construction in progress of the Group of HK$238,441,000 as at 31 July 2013 (note 14);

(c) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$141,019,000 (2013: HK$858,501,000) (note 15);

(d) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$9,278,650,000 (2013: HK$8,096,000,000) (note 16);

(e) charges over bank balances of the Group with an aggregate carrying amount of HK$226,332,000 (2013: HK$6,027,000) (note 22);

(f) charges over the entire equity interests in certain subsidiaries of the Company shared on a pari passu basis with the holders of fixed rate senior notes (note 19 and note 28);

(g) corporate guarantees provided by the Company (note 35(a)); and

(h) corporate guarantees provided by certain subsidiaries of the Company (note 19).

26. Advances From a Former Substantial Shareholder

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

27. Loans from a Fellow Subsidiary

The fellow subsidiary, as a shareholder of a subsidiary of the Company, agreed that no demand for settlement of the loans would be made to that subsidiary within one year from the end of the reporting period. The loans were unsecured and interest-free.

28. FIXED RATE SENIOR NOTES

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

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

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

No 2007 Notes were repurchased during the year. The 2007 Notes has been fully redeemed on the maturity date during the year.

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

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

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

No 2013 Notes were repurchased during the year (2013: Nil).

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

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

Upon and after the redemption of the 2007 Notes in April 2014, the guarantees provided by certain subsidiaries of the Company were released from the Intercreditor Agreement.

28. Fixed Rate Senior Notes (continued)

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

	Group and Company	
	2014 HK$'000	2013 HK$'000
2007 Notes		
Carrying amount as at 1 August	**1,435,052**	1,427,253
Redemption of the 2007 Notes	**(1,441,027)**	—
Amortisation of the 2007 Notes (note 6)	**5,975**	7,799
Carrying amount as at 31 July	**—**	1,435,052
Current portion	**—**	1,435,052
2013 Notes		
Carrying amount as at 1 August	**2,223,610**	—
Newly issued 2013 Notes	**—**	2,243,270
Issue expenses	**—**	(37,387)
Amortisation of the 2013 Notes (note 6)	**6,573**	1,678
Exchange realignment	**2,555**	16,049
Carrying amount as at 31 July	**2,232,738**	2,223,610
Portion classified as non-current	**(2,232,738)**	(2,223,610)
Current portion	**—**	—

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

In connection with the 2013 Notes, the Company entered into the CCS (as defined in note 24) with financial institutions, which have effectively converted the 2013 Notes into fixed rate US$ denominated loans. Taking into account of the effects 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 HK$30,987,000 was recognised in the consolidated income statement for the year ended 31 July 2013. For the year ended 31 July 2014, an unrealised exchange gain on the 2013 Notes of HK$27,329,000 was recognised in the consolidated income statement. Details of the CCS are set out in note 24 to the financial statements.

29. DEFERRED TAX

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

Group

	Depreciation allowance in excess of related depreciation and development costs HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
As at 1 August 2012	338,566	174,295	1,036,327	41,000	(23,230)	—	1,566,958
Deferred tax charged/(credited) to the income statement during the year (note 10)	43,649	(46,559)	165,177	29,964	19,523	—	211,754
Deferred tax charged to the asset revaluation reserve during the year	—	6,894	—	—	—	—	6,894
Deferred tax utilised during the year	—	—	—	(5,964)	—	—	(5,964)
Exchange realignment	8,999	3,762	27,792	—	(298)	—	40,255
As at 31 July 2013 and 1 August 2013	391,214	138,392	1,229,296	65,000	(4,005)	—	1,819,897
Deferred tax charged/(credited) to the income statement during the year (note 10)	40,614	(18,009)	284,511	4,035	2,981	88,607	402,739
Deferred tax charged to the asset revaluation reserve during the year	—	3,260	—	—	—	—	3,260
Deferred tax utilised during the year	—	—	—	(22,303)	—	—	(22,303)
Exchange realignment	260	222	90	—	(18)	(400)	154
As at 31 July 2014	**432,088**	**123,865**	**1,513,897**	**46,732**	**(1,042)**	**88,207**	**2,203,747**

As at 31 July 2014, the Group had tax losses arising in Mainland China of HK$76,584,000 (2013: HK$39,932,000) 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 may not be probable that taxable profits will be available against which the tax losses could be utilised.

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

29. Deferred Tax (continued)

Company

	Withholding tax HK$'000
As at 1 August 2012	22,105
Deferred tax utilised during the year	(4,395)
As at 31 July 2013 and 1 August 2013	17,710
Deferred tax utilised during the year	(3,753)
As at 31 July 2014	**13,957**

30. Share Capital

Shares

	2014 HK$'000	2013 HK$'000
Authorised: 20,000,000,000 (2013: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid: 16,101,899,257 (2013: 16,095,912,956) ordinary shares of HK$0.10 each	**1,610,190**	1,609,591

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

	Number of authorised shares	**Number of issued shares**	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
As at 1 August 2012, 31 July 2013 and 1 August 2013	20,000,000,000	16,095,912,956	1,609,591	4,065,862	5,675,453
Shares issued in lieu of cash dividend (note 12)	—	5,986,301	599	620	1,219
As at 31 July 2014	**20,000,000,000**	**16,101,899,257**	**1,610,190**	**4,066,482**	**5,676,672**

Share options

Details of the Company's share option schemes are included in note 31 to the financial statements.

31. Share Option Schemes

2003 Share Option Scheme

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

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

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

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

The exercise price of the share options is determined by the directors of the Company, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

31. Share Option Schemes (continued)

2012 Share Option Scheme

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

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

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

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

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

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

31. Share Option Schemes (continued)

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

		Number of underlying shares comprised in share options					
Name or category of participants	Date of grant of share options*	As at 1 August 2013	Granted during the year	Lapsed during the year	As at 31 July 2014	Exercise period of share options	Exercise price of share options ** (per share)
Director							
Chew Fook Aun	12/6/2012	80,479,564	—	—	80,479,564	12/6/2012-11/6/2020	HK$0.133
Lam Hau Yin, Lester	18/1/2013	160,959,129	—	—	160,959,129	18/1/2013-17/1/2023	HK$0.228
Lau Shu Yan, Julius	18/1/2013	48,287,738	—	—	48,287,738	18/1/2013-17/1/2023	HK$0.228
Cheng Shin How	18/1/2013	32,191,825	—	—	32,191,825	18/1/2013-17/1/2023	HK$0.228
		321,918,256	—	—	321,918,256		
Other Eligible Participants (in aggregate)							
Batch 1	18/1/2013	209,287,738***	—	(9,000,000)	200,287,738	18/1/2013-17/1/2023	HK$0.228
Batch 2	26/7/2013	16,000,000	—	—	16,000,000	26/7/2013-25/7/2023	HK$0.190
		225,287,738	—	(9,000,000)	216,287,738		
		547,205,994	—	(9,000,000)	538,205,994		

* The share options vested on the date of grant.

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

*** Dr. Lam Kin Ngok, a substantial shareholder of the Company (pursuant to Part XV of the Securities and Futures Ordinance) was granted a share option to subscribe for a total of 16,095,912 shares of the Company on 18 January 2013.

Other than the lapse of share options comprising 9,000,000 underlying shares in accordance with the terms of the 2012 Share Option Scheme, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2003 Share Option Scheme and 2012 Share Option Scheme during the year. The closing prices of the Company's shares immediately before the dates of grant of share options, i.e. as at 18 January 2013 and 26 July 2013, were HK$0.227 and HK$0.192, respectively. The fair value of the share options granted during the year ended 31 July 2013 was HK$26,964,000 of which the Group recognised a share option expense of HK$26,964,000 (note 7) and HK$11,594,000 (before and after capitalisation to properties under development/investment properties under construction, respectively) for the year ended 31 July 2013.

31. Share Option Schemes (continued)

The fair value of equity-settled share options granted during the year ended 31 July 2013 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
Dividend yield (%)	1.795	1.795
Expected volatility (%)	55.355	55.355
Historical volatility (%)	55.355	55.355
Risk-free interest rate (%)	1.012	1.012
Expected life of options (years)	10	10
Closing share price (HK$ per share)	0.190	0.228

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

As at 31 July 2014, a total of 538,205,994 underlying shares comprised in share options were outstanding, of which 80,479,564 underlying shares relate to a share option granted under the 2003 Share Option Scheme and 457,726,430 underlying shares relate to share options granted under the 2012 Share Option Scheme, represented approximately 0.5% and 2.8% of the Company's shares in issue, respectively, as at that date.

As at the date of approval of these financial statements, (i) a maximum number of 80,479,564 shares are available for issue in relation to the underlying shares comprised in the subsisting option granted under the 2003 Share Option Scheme and remained outstanding, representing 0.5% of the Company's shares in issue as at that date; and (ii) further options to subscribe for a maximum of 1,153,864,865 shares in the Company could be granted under the 2012 Share Option Scheme, together with the 457,726,430 underlying shares comprised in the share options granted under the 2012 Share Option Scheme and remained outstanding as at 31 July 2014 and the lapse of a share option comprising 2,000,000 underlying shares in accordance with the terms of the 2012 Share Option Scheme subsequent to 31 July 2014, a total number of 1,609,591,295 shares are available for issue under the 2012 Share Option Scheme, representing approximately 10% of the Company's shares in issue as at the date of approval of these financial statements.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 76 of the financial statements.

Pursuant to the relevant laws and regulations in the PRC, the subsidiaries and the joint venture of the Company, which are registered in the PRC, are required to transfer a certain percentage of their net profit after tax (after offsetting any prior years' losses, if any) to statutory reserve funds which are restricted as to use, until the balance of the statutory reserve funds reaches 50% of their respective registered capital.

(b) Company

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Hedge reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 August 2012		4,065,862	3,678	(9,558)	—	43,000	4,102,982
Profit for the year	11	—	—	—	—	72,378	72,378
Equity-settled share option arrangements		—	26,964	—	—	—	26,964
Release of reserve upon lapse of share options		—	(454)	—	—	454	—
Net loss on cash flow hedges	24	—	—	—	(59,761)	—	(59,761)
Proposed final 2013 dividend	12	—	—	—	—	(48,288)	(48,288)
As at 31 July 2013 and 1 August 2013		4,065,862	30,188	(9,558)	(59,761)	67,544	4,094,275
Profit for the year	11	—	—	—	—	160,450	160,450
Release of reserve upon lapse of share options		—	(511)	—	—	511	—
Net gain on cash flow hedges	24	—	—	—	53,105	—	53,105
Shares issued in lieu of cash dividend	30	620	—	—	—	—	620
Proposed final 2014 dividend	12	—	—	—	—	(49,916)	(49,916)
As at 31 July 2014		**4,066,482**	**29,677**	**(9,558)**	**(6,656)**	**178,589**	**4,258,534**

33. DISPOSAL OF A SUBSIDIARY

On 12 November 2012, the Company entered into a sale and purchase agreement with eSun, the ultimate holding company of the Company, to sell the entire equity interest in Guangdong May Flower Cinema Limited (the "**May Flower Cinema**") and the amount owed by May Flower Cinema to the Group at a total consideration of HK$13,600,000. The disposal was completed on 29 November 2013. The net assets of May Flower Cinema as at the date of disposal are as follows:

Net assets disposed of:	Notes	HK$'000
Property, plant and equipment	14	9,694
Cash and cash equivalents		4,526
Debtors, deposits and prepayments		34,746
Prepaid tax		419
Creditor and accruals		(47,768)
Net assets		1,617
The amounts due to the subsidiaries of the Company		6,521
Release of exchange fluctuation reserve		(1,439)
Transaction costs		229
Gain on disposal	7	6,672
Satisfied by cash		13,600

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of May Flower Cinema is as follows:

	HK$'000
Cash consideration	13,600
Cash and cash equivalents disposed of	(4,526)
Transaction costs	(229)
Net inflow of cash and cash equivalents in respect of the disposal of May Flower Cinema	8,845

34. Acquisition of Subsidiaries

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

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

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

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

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

35. Contingent Liabilities

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

	Company	
	2014 HK$'000	2013 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**1,391,305**	1,056,005

As at 31 July 2014, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$1,391,305,000 (2013: HK$1,056,005,000).

(b) The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2014, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$97,206,000 (2013: HK$114,944,000).

36. Operating Lease Arrangements

(a) As lessor

Certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2013: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2014, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Within one year	**400,000**	385,137
In the second to fifth years, inclusive	**695,704**	670,241
After five years	**216,323**	257,048
	1,312,027	1,312,426

In addition, the operating lease arrangements for certain investment properties of the Group are contingent based on the turnover of the tenants pursuant to the terms and conditions as set out in the respective agreements. As the future turnover of the tenants could not be accurately determined, the relevant contingent rent has not been included above.

36. Operating Lease Arrangements (continued)

(b) As lessee

The Group leased certain office properties under operating lease arrangements with lease terms up to two years (2013: two years).

As at 31 July 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Within one year	**1,599**	441
In the second to fifth years, inclusive	**546**	47
	2,145	488

37. Commitments

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments as at the end of the reporting period:

	Group	
	2014 HK$'000	2013 HK$'000
Contracted, but not provided for:		
Construction and compensation costs	**546,828**	449,680
Authorised, but not contracted for:		
Construction and resettlement costs	**3,354,158**	421,241

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

38. Pledge of Assets

Details of the Group's bank loans and fixed rate senior notes, which were secured by certain assets of the Group, are included in note 25 and note 28 to the financial statements, respectively.

39. Related Party Transactions

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

(a) Transactions with related parties

	Notes	Group 2014 HK$'000	2013 HK$'000
Lai Sun Garment (International) Limited ("**LSG**") and its subsidiaries (the "**LSG Group**"):			
Rental and management fee expenses paid or payable	(i)	**2,557**	2,233
Rental and management fee income received or receivable	(ii)	**152**	889
Charges paid or payable relating to the serving of food and beverages to the occupants of the serviced apartments	(iii)	**172**	1,642
Tax indemnity received	(iv)	**24,302**	—
Sharing of corporate salaries on a cost basis allocated from		**17,907**	14,074
Sharing of administrative expenses on a cost basis allocated from		**5,619**	13,088
Sharing of corporate salaries on a cost basis allocated to		**1,883**	1,241
Sharing of administrative expenses on a cost basis allocated to		**563**	554

39. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

	Notes	Group 2014 HK$'000	Group 2013 HK$'000
eSun and its subsidiaries (the "**eSun Group**") excluding the Group:			
Advertising and promotion fees paid or payable	(v)	**1,461**	1,348
Management fee paid or payable	(vi)	**303**	891
Rental and management fee income received or receivable	(vii)	**4,458**	563
Consideration for acquisition of a company paid	(viii)	**—**	120,209
Consideration for disposal of partial interest in a subsidiary received	(ix)	**72,423**	—
Consideration for disposal of a company received	(x)	**13,600**	—
Advance of loans received	(xi)	**81,492**	—
Sharing of corporate salaries on a cost basis allocated from		**1,934**	1,482
Sharing of administrative expenses on a cost basis allocated from		**229**	98
Sharing of corporate salaries on a cost basis allocated to		**1,041**	—
Sharing of administrative expenses on a cost basis allocated to		**277**	81
A subsidiary of CapitaLand Limited:			
Management and other service fees paid or payable	(xii)	**9,574**	9,061
A director of the Company:			
Sales proceeds of a serviced apartment unit received or receivable	(xiii)	**1,966**	—

39. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes:

(i) The related companies are LSD and a subsidiary of LSD, which are the subsidiaries of LSG. eSun, an associate of LSD, is the ultimate holding company of the Company. The Company is therefore also an associate of LSD. The terms of the rent and management fee were determined based on the agreements entered into between the Group and the related companies.

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

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

(iv) The related company is LSD and further details of this transaction are set out in note 10 to the financial statements.

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

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

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

(viii) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. Pursuant to a sale and purchase agreement entered into on 21 December 2012, the Company purchased from the related company the entire issued share capital of Favor Move and all the rights attached thereto, together with the shareholder's loan advanced to Favor Move, at a total consideration of HK$120,209,000.

(ix) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. Pursuant to a subscription agreement entered into on 25 September 2013, the Group disposed to the related company 20% of the equity interest in Rosy Commerce Holdings Limited ("**RCHL**", an indirect wholly-owned subsidiary of the Company) together with 20% of the shareholder's loan advanced to RCHL, at a total consideration of HK$72,423,000. The transaction was completed on 19 December 2013 ("**Completion Date**") and further details of which are set out in a circular of the Company dated 26 November 2013.

(x) The related company is eSun and further details of this transaction are set out in note 33 to the financial statements.

39. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

(xi) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. Subsequent to the Completion Date as mentioned in note (ix), the related company advanced loans amounting to HK$81,492,000 to RCHL.

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

(xiii) The related party is an executive director of the Company, Mr. Julius Lau. Mr. Julius Lau purchased a serviced apartment unit from the Group based on the agreement entered into between the Group and Mr. Julius Lau.

Certain of the above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and their details are disclosed in the Report of the Directors.

(b) Outstanding balances with related parties

Details of the advances from a former substantial shareholder of the Company and loans from a fellow subsidiary are included in notes 26 and 27 to the financial statements.

(c) Compensation of key management personnel of the Group

	2014 HK$'000	2013 HK$'000
Short term employee benefits	**21,374**	21,108
Pension scheme contributions	**119**	114
Equity-settled share option expense	**—**	13,714
Total	**21,493**	34,936

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

40. Financial Instruments by Category

Financial assets

The Group's and the Company's financial assets as at 31 July 2014 and 2013 were categorised as loans and receivables.

Financial liabilities

Group

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
2014			
Creditors and accruals	**—**	**493,717**	**493,717**
Deposits received	**—**	**116,208**	**116,208**
Interest-bearing bank loans, secured	**—**	**2,313,240**	**2,313,240**
Advances from a former substantial shareholder	**—**	**58,688**	**58,688**
Loans from a fellow subsidiary	**—**	**152,760**	**152,760**
Fixed rate senior notes	**—**	**2,232,738**	**2,232,738**
Derivative financial instruments	**25,162**	**—**	**25,162**
	25,162	**5,367,351**	**5,392,513**
2013			
Creditors and accruals	—	578,109	578,109
Deposits received	—	96,150	96,150
Interest-bearing bank loans, secured	—	2,392,326	2,392,326
Advances from a former substantial shareholder	—	58,621	58,621
Fixed rate senior notes	—	3,658,662	3,658,662
Derivative financial instruments	43,712	—	43,712
	43,712	6,783,868	6,827,580

40. Financial Instruments by Category (continued)

Financial liabilities (continued)

Company

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
2014			
Creditors and accruals	**—**	**45,925**	**45,925**
Due to subsidiaries	**—**	**390**	**390**
Interest-bearing bank loan, secured	**—**	**740,056**	**740,056**
Fixed rate senior notes	**—**	**2,232,738**	**2,232,738**
Derivative financial instruments	**25,162**	**—**	**25,162**
	25,162	**3,019,109**	**3,044,271**
2013			
Creditors and accruals	—	88,894	88,894
Due to subsidiaries	—	390	390
Interest-bearing bank loan, secured	—	734,090	734,090
Fixed rate senior notes	—	3,658,662	3,658,662
Derivative financial instruments	43,712	—	43,712
	43,712	4,482,036	4,525,748

41. Fair Values and Fair Value Hierarchy of Financial Instruments

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

	Carrying amounts		Fair values	
	31 July 2014 HK$'000	31 July 2013 HK$'000	**31 July 2014 HK$'000**	31 July 2013 HK$'000
Financial liabilities				
Derivative financial instruments	**25,162**	43,712	**25,162**	43,712
2007 Notes	**—**	1,435,052	**—**	1,474,718
2013 Notes	**2,232,738**	2,223,610	**2,199,063**	2,031,354
	2,257,900	3,702,374	**2,224,225**	3,549,784

41. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

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

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

(i) The fair values of fixed rate senior notes are based on quoted market prices; and

(ii) Derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values.

Other than the above financial liabilities, the carrying amounts of the Group's and the Company's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2014 and 31 July 2013.

Fair value hierarchy

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

	Valuation Techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments — CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	HK$2.9 million to HK$18 million	1
		Expected exposure at default — the Company	HK$19.5 million to HK$54 million	2
		Credit spread — counterparty	25.74 basis point to 105.01 basis point	3
		Credit spread — the Company	227.709 basis point to 356.645 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	70%	6

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

41. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value

As at 31 July 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	—	**25,162**	**25,162**

The Group did not have any financial assets measured at fair value as at 31 July 2014.

During the year, the fair value measurements of the derivative financial instruments transferred from Level 2 to Level 3 as the financial effect arising from unobservable inputs became more significant during the year ended 31 July 2014. The movement in the financial liabilities arising from the CCS is disclosed in note 24 to the financial statements.

Liabilities for which fair values are disclosed

The Group's financial liabilities for which fair values are disclosed includes fixed rate senior notes, fair value of which are based on quoted market prices and are categorised in Level 1.

42. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise pledged and restricted time deposits and bank balances and cash and cash equivalents. Management will, based on the Group's projected cash flow requirements, determine the types and the levels of these financial assets with a view to maintaining an appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial assets. The Group's principal financial liabilities are bank loans and fixed rate senior notes.

The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment purposes. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. Management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts relatively conservative strategies on its risk management. During the year ended 31 July 2013, the Group entered into cross currency swap agreements to manage the foreign currency risk arising from the Group's fixed rate senior notes. The Group does not hold or issue derivative financial instruments for trading purposes.

42. Financial Risk Management Objectives and Policies (continued)

The policies are summarised as follows:

(a) Foreign currency risk

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

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

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

		Group		Company	
	Change in exchange rate	Impact on post-tax profit HK$'000	Impact on equity* HK$'000	Impact on post-tax profit HK$'000	Impact on equity HK$'000
2014					
If US$/HK$ weakens against RMB	**5%**	**53,457**	**44,363**	**39,641**	**39,641**
If US$/HK$ strengthens against RMB	**5%**	**(52,159)**	**(43,928)**	**(39,641)**	**(39,641)**
2013					
If US$/HK$ weakens against RMB	5%	35,320	25,063	21,038	21,038
If US$/HK$ strengthens against RMB	5%	(33,961)	(24,681)	(21,038)	(21,038)

* excluding amounts attributable to non-controlling interests

(b) Interest rate risk

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

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

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the post-tax profit (through the impact on floating rate borrowings, net of amounts capitalised to properties under development, investment properties under construction and construction in progress) 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
2014					
	+0.25%	**(3,782)**	**(3,782)**	**(2,184)**	**(2,184)**
	-0.25%	**3,581**	**3,581**	**1,904**	**1,904**
2013					
	+0.25%	(2,488)	(2,332)	—	—
	-0.25%	2,488	2,332	—	—

* excluding amounts attributable to non-controlling interests

(c) Liquidity risk

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

42. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

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

Group

	Less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2014				
Creditors and accruals	**493,717**	**—**	**—**	**493,717**
Deposits received	**23,644**	**92,564**	**—**	**116,208**
Interest-bearing bank loans, secured	**848,829**	**1,702,474**	**259,807**	**2,811,110**
Advances from a former substantial shareholder	**—**	**58,688**	**—**	**58,688**
Loans from a fellow subsidiary	**—**	**152,760**	**—**	**152,760**
Fixed rate senior notes	**155,504**	**2,687,351**	**—**	**2,842,855**
Inflows of derivative financial instruments	**(155,504)**	**(2,687,351)**	**—**	**(2,842,855)**
Outflows of derivative financial instruments	**139,547**	**2,656,421**	**—**	**2,795,968**
	1,505,737	**4,662,907**	**259,807**	**6,428,451**
2013				
Creditors and accruals	578,109	—	—	578,109
Deposits received	19,129	77,021	—	96,150
Interest-bearing bank loans, secured	719,829	1,948,893	—	2,668,722
Advances from a former substantial shareholder	—	58,621	—	58,621
Fixed rate senior notes	1,685,113	2,839,642	—	4,524,755
Inflows of derivative financial instruments	(155,328)	(2,839,642)	—	(2,994,970)
Outflows of derivative financial instruments	139,547	2,795,968	—	2,935,515
	2,986,399	4,880,503	—	7,866,902

As detailed in note 25 to the financial statements, a term loan in the amount of HK$376,979,000 (2013: HK$123,535,000) is included in the current portion of the interest-bearing bank loans. 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 12 months". Notwithstanding the repayment on demand clause, the directors believe that the loan will be repaid in accordance with the maturity date as set out in the loan agreement. In accordance with the terms of the term loan, the maturity profile of the loan as at 31 July 2014 was spread with, based on the contractual undiscounted payments, HK$396,106,000 (2013: HK$105,498,000) and nil (2013: HK$23,358,000) repayable less than 12 months and in 1 to 5 years, respectively.

42. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 35(b) to the financial statements. The earliest period in which the guarantee could be called is less than 12 months.

Company

	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
2014			
Creditors and accruals	**45,925**	**—**	**45,925**
Due to subsidiaries	**390**	**—**	**390**
Interest-bearing bank loan, secured	**280,995**	**509,650**	**790,645**
Fixed rate senior notes	**155,504**	**2,687,351**	**2,842,855**
Inflows of derivative financial instruments	**(155,504)**	**(2,687,351)**	**(2,842,855)**
Outflows of derivative financial instruments	**139,547**	**2,656,421**	**2,795,968**
	466,857	**3,166,071**	**3,632,928**
2013			
Creditors and accruals	88,894	—	88,894
Due to subsidiaries	390	—	390
Interest-bearing bank loan, secured	36,423	792,244	828,667
Fixed rate senior notes	1,685,113	2,839,642	4,524,755
Inflows of derivative financial instruments	(155,328)	(2,839,642)	(2,994,970)
Outflows of derivative financial instruments	139,547	2,795,968	2,935,515
	1,795,039	3,588,212	5,383,251

(d) Credit risk

The Group maintains various credit policies for different business operations as described in note 21. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

(e) Capital management

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

42. Financial Risk Management Objectives and Policies (continued)

(e) Capital management (continued)

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

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

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

Group

	2014 HK$'000	2013 HK$'000
Interest-bearing bank loans, secured	**2,313,240**	2,392,326
Advances from a former substantial shareholder	**58,688**	58,621
Fixed rate senior notes	**2,232,738**	3,658,662
Loans from a fellow subsidiary	**152,760**	—
Less:		
Pledged and restricted time deposits and bank balances	**(490,690)**	(2,057,388)
Cash and cash equivalents	**(2,072,368)**	(3,608,327)
Net debt	**2,194,368**	443,894
Net assets attributable to owners of the Company	**12,663,434**	11,418,834
Gearing ratio	**17%**	4%

43. 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.

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 16 October 2014.

NOTICE IS HEREBY GIVEN THAT the annual general meeting ("**AGM**") of the members ("**Members**") of Lai Fung Holdings Limited ("**Company**") will be held at Gloucester Room II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 9 December 2014 at 9:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements for the year ended 31 July 2014 ("**Year**") and the reports of the directors and the independent auditors of the Company thereon;

2. To declare a final dividend;

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

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

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

Ordinary Resolutions

(A) "**THAT**:

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

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

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

(i) the conclusion of the next annual general meeting of the Company;

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

(iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles of Association of the Company to be held."

(B) "**THAT**:

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

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

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

(i) a Rights Issue or Open Offer (each as hereinafter defined); or

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

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

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

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

(d) for the purposes of this Resolution,

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

(i) the conclusion of the next annual general meeting of the Company;

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

(iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles of Association of the Company to be held; and

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

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. 5(A) and 5(B) in the notice convening this meeting, the general mandate granted to the directors of the Company ("**Directors**") and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the share capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this Resolution."

6. As special business, to consider and, if thought fit, pass the following resolution as a Special Resolution:

Special Resolution

"**THAT**:

(a) the existing Memorandum and Articles of Association of the Company be and are hereby amended as follows:

(1) by deleting Clause 2 of the Memorandum of Association in its entirety and replacing it with the following:

"The Registered Office of the Company shall be at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands or at such other place in the Cayman Islands as the Board may from time to time decide."

(2) by deleting Clause 3 of the Memorandum of Association in its entirety and replacing it with the following:

"The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the laws of the Cayman Islands."

(3) by deleting Clause 4 of the Memorandum of Association in its entirety and replacing it with the word "Removed";

(4) by replacing the words "Companies Law (1995 Revision)" wherever they appear in the existing Memorandum and Articles of Association of the Company with the words "Companies Law (2013 Revision)";

(5) by replacing the words "Section 192" in Clause 7 of the Memorandum of Association with the words "Section 174";

(6) by deleting the existing definition of "Associate" in Article 2 of the Articles of Association in its entirety and replacing it with the following:

""associate" shall have the meaning ascribed to it by the Listing Rules as modified from time to time; "

(7) by inserting the following definition of "close associate" immediately after the existing definition of "the Chairman" in Article 2 of the Articles of Association:

""close associate" shall have the meaning ascribed to it by the Listing Rules as modified from time to time;"

(8) by deleting the existing definition of "the Companies Ordinance" in Article 2 of the Articles of Association in its entirety and replacing it with the following:

""the Companies Ordinance" shall mean the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as in force from time to time;"

(9) by inserting the following definitions of "Electronic Record" and "Electronic Transactions Law " immediately after the existing definition of "dollars" in Article 2 of the Articles of Association:

""Electronic Record" has the same meaning as in the Electronic Transactions Law;

"Electronic Transactions Law" shall mean the Electronic Transactions Law (2003 Revision) of the Cayman Islands;"

(10) by deleting the existing definition of "writing" or "printing" and its immediately following paragraph in Article 2 of the Articles of Association in their entirety and replacing them with the following:

""writing" or "printing" shall include writing, printing, lithograph, photograph, type-writing and every other mode of representing words or figures in a legible and non-transitory form including where the representation takes place in the form of electronic display and including in the form of an Electronic Record;

reference to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and any requirements as to execution or signature under these Articles can be satisfied in the form of an electronic signature as defined in the Electronic Transactions Law, and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not, and any requirements as to delivery under these Articles includes delivery in the form of an Electronic Record;

sections 8 and 19(3) of the Electronic Transactions Law shall not apply;"

(11) by inserting the words "a nominal or par value of" immediately before the words "HK$0.10 each" in Article 3 of the Articles of Association;

(12) by inserting the following article immediately after Article 7 of the Articles of Association:

"7A. The Board may accept the surrender for no consideration of any fully paid share."

(13) by replacing the words "on 14 days' notice being given by advertisement published in the newspapers" with the words "by giving a notice in accordance with the Listing Rules" in Articles 15(c) and 44 of the Articles of Association respectively;

(14) by inserting the following paragraph immediately after paragraph (d) of Article 15 of the Articles of Association:

"(e) In lieu of, or apart from, closing the register pursuant to other provisions in these Articles, the Board may fix in advance a date as the record date for any such determination of members entitled to receive notice of, or to vote at any general meeting of the members or any adjournment thereof, or for the purpose of determining the members entitled to receive payment of any dividend or distribution, or in order to make a determination of members for any other purpose."

(15) by replacing the words "without payment to receive, within the relevant time limit as prescribed in the Law or as the Exchange may from time to time determine, whichever is shorter, after allotment or lodgment of transfer" with the words "to receive, within any relevant time limit as prescribed in the Law or as the Exchange may from time to time determine, whichever is shorter, without payment after allotment or, subject to payment of any fees which may be payable pursuant to Article 43, after lodgment of transfer" in the first sentence of Article 16 of the Articles of Association;

(16) by deleting Article 43 of the Articles of Association in its entirety and replacing it with the following:

"43. Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued, on payment by the transferee of such fee as provided in Article 41(f), to the transferee in respect of the shares transferred to him, and if any of the shares included in the certificate so given up shall be retained by the transferor, a new certificate in respect thereof shall be issued to him on payment by the transferor of such fee as provided in Article 41(f). The Company shall also retain the instrument(s) of transfer."

(17) by inserting the following article immediately after Article 71 of the Articles of Association:

"71A. Any general meeting may be held with the Members present at the meeting being present at more than one place provided that such technology is used which enables the Members in different places to listen, speak and vote at the meeting. The meeting shall be deemed to take place at the meeting location at which the Chairman is present."

(18) by deleting Article 99 of the Articles of Association in its entirety and replacing it with the following:

"99. The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire at such meeting by rotation pursuant to Article 116."

(19) by replacing the words "a special resolution" in Article 106(vii) of the Articles of Association with the words "an ordinary resolution";

(20) by replacing the words "associate(s)" and "associates" wherever they appear in Article 107 of the Articles of Association with the words "close associates (and if required by the Listing Rules, his other associates)";

(21) by deleting paragraph (c) of Article 112 of the Articles of Association in its entirety and replacing it with the following:

"(c) The Company shall not make any loan, directly or indirectly, to any Director or his close associate(s) if and to the extent that it would be prohibited by the Companies Ordinance if the Company were a company incorporated in Hong Kong."

(22) by replacing the words "special resolution" in paragraph (a) of Article 122 of the Articles of Association with the words "ordinary resolution";

(23) by deleting the words "provided that notice need not be given to any Director or alternate Director for the time being absent from Hong Kong" in the last sentence of Article 124 of the Articles of Association;

(b) the amended and restated Memorandum and Articles of Association of the Company which consolidate all of the proposed amendments referred to in sub-paragraph (a) of this Resolution and all previous amendments made pursuant to resolutions passed by the shareholders of the Company, a copy of which has been tabled at the meeting marked "A" and initialled by the chairman of the meeting for identification purpose, be and are hereby approved and adopted as the amended and restated Memorandum and Articles of Association of the Company in substitution for and to the exclusion of the Memorandum and Articles of Association of the Company in force immediately before the passing of this Resolution; and

(c) any director or the company secretary of the Company be and is hereby authorised to do all such acts as he or she deems fit to effect the amendments to the Memorandum and Articles of Association of the Company and to make relevant registrations and filings in connection with sub-paragraphs (a) and (b) of this Resolution in accordance with the applicable laws and regulations of the Cayman Islands and Hong Kong."

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

Hong Kong, 10 November 2014

Registered Office:	*Principal Place of Business in Hong Kong:*
P.O. Box 309	11th Floor
Ugland House	Lai Sun Commercial Centre
Grand Cayman	680 Cheung Sha Wan Road
KY1-1104	Kowloon
Cayman Islands	Hong Kong

Notes:

(1) A Member entitled to attend and vote at the AGM convened by the above notice ("**Notice**") or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more shares of HK$0.10 each in the share capital of the Company ("**Shares**"), more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company ("**Articles of Association**"). A proxy need not be a Member.

(2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited ("**Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or any of its adjourned meeting should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.

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

(3) To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Thursday, 4 December 2014 for registration.

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

(5) The proposed final dividend of HK$0.0031 per Share as recommended by the Board is subject to the approval of the Members at the AGM. The record date for the proposed final dividend is at the close of business on Friday, 19 December 2014. For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Thursday, 18 December 2014 and Friday, 19 December 2014, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Registrar for registration no later than 4:30 p.m. on Wednesday, 17 December 2014.

(6) Concerning agenda item 3 of this Notice,

(i) in accordance with Article 99 of the Articles of Association, Mr. Chan Boon Seng (appointed by the Board as a non-executive Director on 1 October 2014) will retire at the AGM and, being eligible, offer himself for election;

(ii) in accordance with Article 116 of the Articles of Association, Dr. Lam Kin Ming, Mr. Lam Hau Yin, Lester and Mr. Lau Shu Yan, Julius will retire from office as Directors by rotation at the AGM and, being eligible, offer themselves for re-election; and

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

(7) Concerning agenda item 4 of this Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed independent auditors of the Company for the year ending 31 July 2015 ("**Year 2015**"). Members should note that in practice, independent auditors' remuneration for the Year 2015 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditors' remuneration as operating expenses for the Year 2015, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for the Year 2015 is required, and is hereby sought, at the AGM.

(8) A circular containing details regarding Ordinary Resolutions Nos. 5(A) to 5(C) and Special Resolution No. 6 will be sent to Members together with the Annual Report of the Company for the Year.

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

(10) The Chinese translation of the Notice is for reference only, and in case of any inconsistency, the English version shall prevail.

(11) If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 7:00 a.m. and 5:00 p.m. on the date of the AGM, the AGM will be postponed and the Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice posted on the respective websites of the Company and the Stock Exchange.

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

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

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