eSun Holdings Limited
豐德麗控股有限公司

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

Stock Code 股份代號: 571

ANNUAL REPORT 年度報告

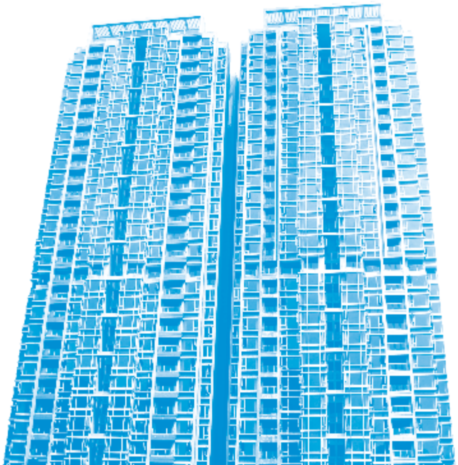
Year ended 31 July 2014 二零一四年七月三十一日止

"... we are

accelerating our pace

of growth ...."

"... 我們正在加快增長步伐 ..."



Cover Photo

Eastern Place Phase V residential portion – A property of the Company's subsidiary Lai Fung Holdings Limited located at Guangzhou, Mainland China

封面圖片

本公司附屬公司麗豐控股有限公司位於中國廣州之物業 – 東風廣場第五期住宅部份

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CORPORATE INFORMATION

PLACE OF INCORPORATION

Bermuda

BOARD OF DIRECTORS

Executive Directors

Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Chew Fook Aun
Lam Hau Yin, Lester
Yip Chai Tuck

Non-executive Directors

U Po Chu
Andrew Y. Yan

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Chew Fook Aun
Lui Siu Tsuen, Richard

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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

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

COMPANY SECRETARY

Wong Lai Chun

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

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

571/2,000 shares

Notes

CNY650,000,000 8.375% secured guaranteed notes due 2018 (Stock Code: 85978) issued by eSun International Finance Limited, a direct wholly-owned subsidiary of the Company, are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited

WEBSITE

www.esun.com

INVESTOR RELATIONS

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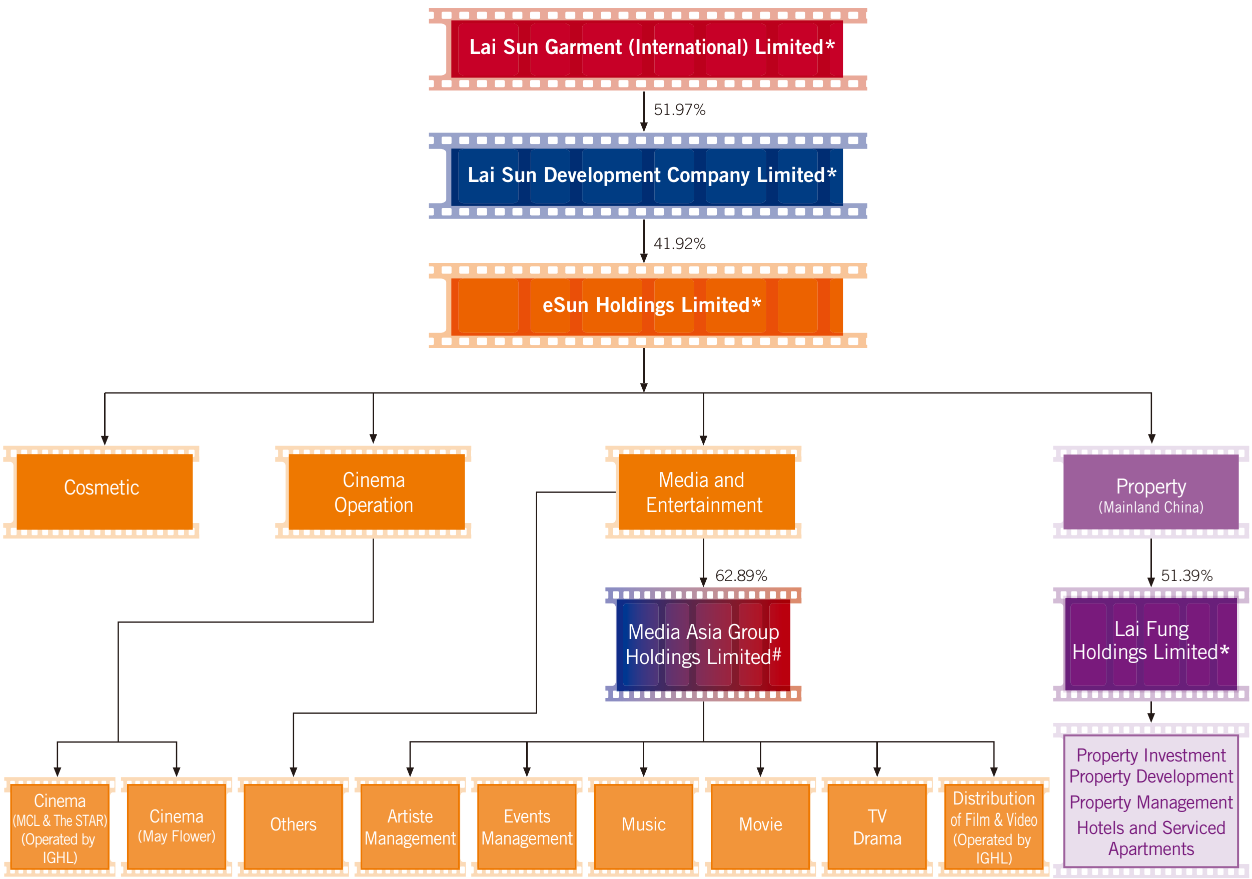
CORPORATE PROFILE

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

Since 9 June 2011, Media Asia Group Holdings Limited ("**MAGHL**", formerly known as "Rojam Entertainment Holdings Limited") has become a subsidiary of the Company. MAGHL is a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (Stock Code: 8075). The Company currently holds about 62.89% of the issued shares in MAGHL which has diversified to engage in entertainment businesses including music, film, artiste management, television drama and entertainment consultancy services, and which primarily focuses on Mainland China and Macau markets.

In addition, the Company's 51.39%-owned subsidiary Lai Fung Holdings Limited is a company listed on the Main Board of the Stock Exchange (Stock Code: 1125), which is engaged in property development for sale and property investment for rental purposes in Mainland China.

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



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

Corporate Structure as at 16 October 2014

CHAIRMAN'S STATEMENT

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

Low Chee Keong
Chairman

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

OVERVIEW OF FINAL RESULTS

During the year under review, the fundamental business of the Group delivered an encouraging set of results against challenging operating conditions. This set of results includes the full year effect of consolidating Intercontinental Group Holdings Limited ("**IGHL**") which was acquired in August 2013.

For the year ended 31 July 2014, the Group recorded a turnover of HK$2,344.8 million, representing a 10.9% decrease from HK$2,631.7 million of last year. The gross profit increased by approximately 18.0% to HK$921.4 million (2013: HK$780.7 million).

Net profit attributable to owners of the Company was approximately HK$268.6 million (2013: net loss of HK$17.2 million). Basic earnings per share was HK$0.216 (2013: basic loss per share: HK$0.014). The turnaround is mainly due to the substantial increase in revaluation of the Group's investment properties during the year. Excluding the effect of property revaluations, net loss attributable to owners of the Company for the year decreased to approximately HK$163.5 million (2013: HK$249.1 million). This is primarily due to improved performance from the media and entertainment businesses which offset the weaker performance from the film production and distribution businesses and positive contributions from IGHL. Loss per share attributable to owners of the Company excluding the effect of property revaluations decreased from HK$0.200 to HK$0.132 per share, correspondingly.

	For the year ended 31 July	
Profit attributable to owners of the Company (HK$'million)	**2014**	2013
Reported	**268.6**	(17.2)
Less: adjustments in respect of investment properties		
Revaluation of properties	**577.2**	326.3
Deferred tax on investment properties	**(144.3)**	(81.6)
Non-controlling interests' share of revaluation movements less deferred tax	**(0.8)**	(12.8)
Net loss after tax excluding revaluation gains of investment properties	**(163.5)**	(249.1)

CHAIRMAN'S STATEMENT

Equity attributable to owners of the Company as at 31 July 2014 amounted to HK$8,926.2 million, up from HK$8,306.9 million as at 31 July 2013. Net asset value per share attributable to owners of the Company increased to HK$7.2 per share as at 31 July 2014 from HK$6.7 per share as at 31 July 2013.

FINAL DIVIDEND

The board of directors of the Company ("**Board**") does not recommend the payment of a dividend for the year ended 31 July 2014 (2013: Nil).

BUSINESS REVIEW AND OUTLOOK

Media and Entertainment/Film Production and Distribution/Cinema Operation

The Mainland China entertainment market continues to grow at an unprecedented pace. The Group continues to expand its media and entertainment businesses in Mainland China, maximising income from its film, television, music, live entertainment and talent management in this fast growing market. The Group is well positioned to capitalise on this trend with its solid foundation in the industry and gathered good momentum for the year ended 31 July 2014.

- Films – continued drive to increase original production of films which appeal to the Chinese language audience and foresees a solid distribution pipeline in the year to come with a slate of films currently in development and production. Emphasis will be put on focusing on increasing production capabilities and derive more fee related income from the production.

- TV – expanded its activities in production and investments in quality television drama series in line with the continued strong demand for good programmes from TV stations and online video websites in Mainland China as well as a way to provide exposure and training for the Group's stable of artistes. The Group will focus on developing scripts of early episodes of different series as a way to secure investors' and TV stations' interests early therefore to secure distribution and co-development opportunities. Moreover, the Group is also looking to move into other types of TV programmes such as variety shows and reality series which shall create synergy with the Group's other media and entertainment businesses.

- Live Entertainment – successfully produced and promoted a large number of major concerts in Hong Kong and Mainland China performed by prominent local, Asian and international artistes during the year under review. The Group is expanding its activities and continues to be a driving force in this area whilst exploring other types of live entertainment such as musicals and theatrical performances in addition to concerts.

CHAIRMAN'S STATEMENT

Some of our Artistes...

- Artiste Management – expanded the Chinese artiste roster as well as collaborated with high profile Asian artistes such as top Korean music groups. With the diverse projects including film, TV, music and live events which ensure maximum commercial value and appeal, the Group is in a good position to attract stars and develop new talents.

- Music – as international music labels are coming to a mutually acceptable licensing model with major Chinese music portals, the long awaited pay model for digital music is taking shape. With a vast and well-known Chinese music library under management and a continual supply of new hits, the Group is poised to capitalise on this new economic model.

- Cinema – acquisition of IGHL and its subsidiaries (collectively known as "**IGHL Group**") bolstered the Group's ambition in this segment and supplemented the film distribution segment of the Group in Hong Kong and Mainland China.

The popularity of Korean artistes and related entertainment products becomes a worldwide phenomenon. The Group has taken a number of strategic moves to seize the opportunities. In September 2014, Media Asia Group Holdings Limited ("**MAGHL**", together with its subsidiaries, "**MAGHL Group**") entered into an agreement with SM Entertainment Group ("**SM**"), the market leader in music and artiste management businesses in Korea, and the Fubon Group, a leading financial and communications conglomerate in Taiwan, to set up a media and entertainment investment fund to invest in film and TV projects with main focus on Mainland China and global Chinese language audience. The fund will provide strong financial support for the production of projects under development by the Group's Film and TV Divisions led by Mr. Gordon Chan, a famed Director and Producer, and Mr. Tommy Leung, ex-TVB Head of Drama Production who joined the Group during the year respectively. The Group believes that a strong artiste roster will complement its media and entertainment businesses and has extended the alliance with SM to act as the exclusive management agent of Zhang Li Yin, f(x) and EXO in Mainland China, in addition to Super Junior.

In summary, the Group believes that its integrated media platform comprising film, TV, music, talent and events management, live entertainment and cinemas presents the most balanced and synergistic approach to growing a Chinese entertainment powerhouse. The Group will continue to optimise its resources and strive towards this goal.

Mainland China Property Market

2013/14 may be summarised as a year of consolidation for the Group. 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.

Lai Fung Holdings Limited's ("**Lai Fung**", together with its subsidiaries, "**Lai Fung Group**") regional focus coupled with the rental-led strategy that Lai Fung 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 increase 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 Lai Fung Group.

The control measures implemented by the Chinese Government slowed sales across the sector and affected different participants to different degrees. Lai Fung Group is affected without exception but to a lesser extent as it is blessed with a quality rental portfolio. Nevertheless, Lai Fung 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 that it is important to prepare Lai Fung Group for the challenges and opportunities ahead.

CHAIRMAN'S STATEMENT

Shanghai Hong Kong Plaza

Guangzhou Dolce Vita — Residential Blocks

STARR Hotel Shanghai

Lai Fung 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 the Company, with 80% held by Lai Fung Group and 20% held by the Company. 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 Lai Fung 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. Lai Fung 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. Lai Fung Group expects to develop this into a high end luxury residential project.

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 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.

Lai Fung 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. As at 31 July 2014, Lai Fung Group has a landbank of approximately 10.5 million square feet. Lai Fung Group will continue its prudent and flexible approach in growing its landbank.

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

CHAIRMAN'S STATEMENT

Guangzhou May Flower Plaza

Shanghai May Flower Plaza — The Mid-town

Zhongshan Palm Spring — Townhouses

The Group's consolidated cash position of HK$4,218.9 million (HK$1,328.9 million excluding Lai Fung Group and MAGHL Group) with a net debt to equity ratio of 16.7% as at 31 July 2014 provide the Group full confidence and the means to review opportunities more actively. The successful issue of the Company's RMB650 million secured guaranteed notes in June 2014 which are listed on The Stock Exchange of Hong Kong Limited demonstrated the Group's strength and bolstered its liquidity further. However, the Group will continue its prudent and flexible approach in growing the landbank and managing its financial position.

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.

I am delighted to welcome Mr. Yip Chai Tuck who joined the Board as an Executive Director on 14 February 2014. I would also like to thank Dr. Lam Kin Ngok, Peter, who left the Board during the year, for his valuable contributions to the Company during his tenure.

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

Low Chee Keong
Chairman
Hong Kong
16 October 2014

FINANCIAL SUMMARY AND HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 July 2014 HK$'000	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000	Period from 1 January 2011 to 31 July 2011 HK$'000	Year ended 31 December 2010 HK$'000
TURNOVER	**2,344,796**	2,631,699	702,151	316,285	459,020
PROFIT BEFORE TAX	**934,921**	502,883	1,102,672	518,327	844,044
Income tax expense	**(286,533)**	(305,820)	(16,661)	(112)	(1,267)
PROFIT FOR THE YEAR/PERIOD	**648,388**	197,063	1,086,011	518,215	842,777
Attributable to:					
Owners of the Company	**268,618**	(17,208)	1,161,588	524,538	853,278
Non-controlling interests	**379,770**	214,271	(75,577)	(6,323)	(10,501)
	648,388	197,063	1,086,011	518,215	842,777

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

FINANCIAL SUMMARY AND HIGHLIGHTS

Assets, Liabilities and Non-controlling Interests

	31 July 2014 HK$'000	31 July 2013 HK$'000	31 July 2012 HK$'000	31 July 2011 HK$'000	31 December 2010 HK$'000
Property, plant and equipment	**2,836,175**	2,736,990	2,051,020	77,639	80,032
Properties under development	**644,353**	495,504	1,253,651	–	–
Investment properties	**13,909,411**	11,867,497	10,786,016	–	–
Film rights	**37,360**	47,225	47,317	54,614	60,624
Film products	**80,298**	101,223	74,235	77,277	86,765
Music catalogs	**16,371**	20,665	31,999	48,287	92,530
Goodwill	**123,440**	10,435	10,182	–	–
Other intangible assets	**–**	64,018	71,467	–	–
Investments in joint ventures	**1,136,546**	1,092,289	1,115,588	74,303	1,037,169
Investments in associates	**32,842**	17,856	6,035	4,467,382	4,345,306
Available-for-sale investments	**154,553**	158,491	166,209	78,969	77,946
Long-term deposits, prepayments and other receivables	**156,124**	89,147	78,211	88,764	99,747
Forward contract	**–**	–	–	8,336	–
Pledged and restricted time deposits	**204,957**	–	–	–	–
Deferred tax assets	**5,421**	–	–	–	329
Current assets	**7,189,555**	10,304,361	8,026,791	2,670,195	1,497,134
TOTAL ASSETS	**26,527,406**	27,005,701	23,718,721	7,645,766	7,377,582
Current liabilities	**(2,323,937)**	(3,907,528)	(3,212,071)	(349,704)	(700,188)
Long-term deposits received, put option, finance lease payables, bank and other borrowings, derivative financial instruments, convertible notes, guaranteed notes and fixed rate senior notes	**(4,990,148)**	(4,414,137)	(2,300,535)	(320,270)	(161,635)
Deferred tax liabilities	**(2,633,212)**	(2,367,086)	(2,339,330)	(61)	–
TOTAL LIABILITIES	**(9,947,297)**	(10,688,751)	(7,851,936)	(670,035)	(861,823)
NON-CONTROLLING INTERESTS	**(7,653,924)**	(8,010,030)	(7,868,885)	(138,245)	(317,000)
Equity attributable to owners of the Company	**8,926,185**	8,306,920	7,997,900	6,837,486	6,198,759

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

FINANCIAL SUMMARY AND HIGHLIGHTS

FINANCIAL HIGHLIGHTS

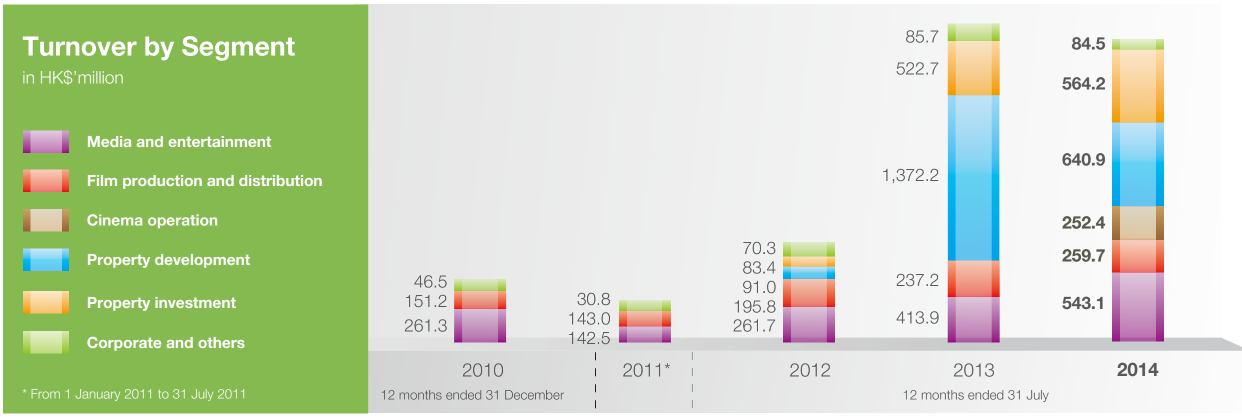
Results		**Year ended 31 July 2014**	Year ended 31 July 2013	Approximate percentage change
Turnover	(HK$'M)	**2,344.8**	2,631.7	-11%
Gross profit	(HK$'M)	**921.4**	780.7	18%
Gross profit margin	(%)	**39.3%**	29.7%	
Operating profit	(HK$'M)	**1,265.2**	751.8	68%
Operating profit margin	(%)	**53.96%**	28.57%	
Profit/(loss) attributable to owners of the Company	(HK$'M)			
– excluding the effect of property revaluations		**(163.5)**	(249.1)	34%
– including the effect of property revaluations		**268.6**	(17.2)	N/A
Net profit margin	(%)			
– excluding the effect of property revaluations		**-7%**	-9%	
– including the effect of property revaluations		**11%**	-1%	
Basic earnings/(loss) per share	(HK$)			
– excluding the effect of property revaluations		**(0.132)**	(0.200)	34%
– including the effect of property revaluations		**0.216**	(0.014)	N/A
Net assets attributable to owners of the Company	(HK$'M)	**8,926.2**	8,306.9	7%
Net borrowings/(cash)	(HK$'M)	**1,489.9**	(361.3)	N/A
Net asset value per share	(HK$)	**7.1799**	6.6818	7%
Share price as at 31 July	(HK$)	**0.89**	1.15	-23%
Price earnings ratio	(times)			
– excluding the effect of property revaluations		**N/A**	N/A	
– including the effect of property revaluations		**4.1**	N/A	
Market capitalisation as at 31 July	(HK$'M)	**1,106.5**	1,429.7	-23%
Return on shareholders' equity	(%)			
– excluding the effect of property revaluations		**-2%**	-3%	
– including the effect of property revaluations		**3%**	0%	
Gearing – net debt to equity	(%)	**17%**	N/A	
Interest cover (Note 1)	(times)			
– excluding the effect of property revaluations		**N/A**	N/A	
– including the effect of property revaluations		**0.65**	N/A	
EBITDA (Note 2)/Interest expenses	(times)	**0.9**	1.5	
Current ratio	(times)	**3.1**	2.6	
Discount to net asset value	(%)	**88%**	83%	

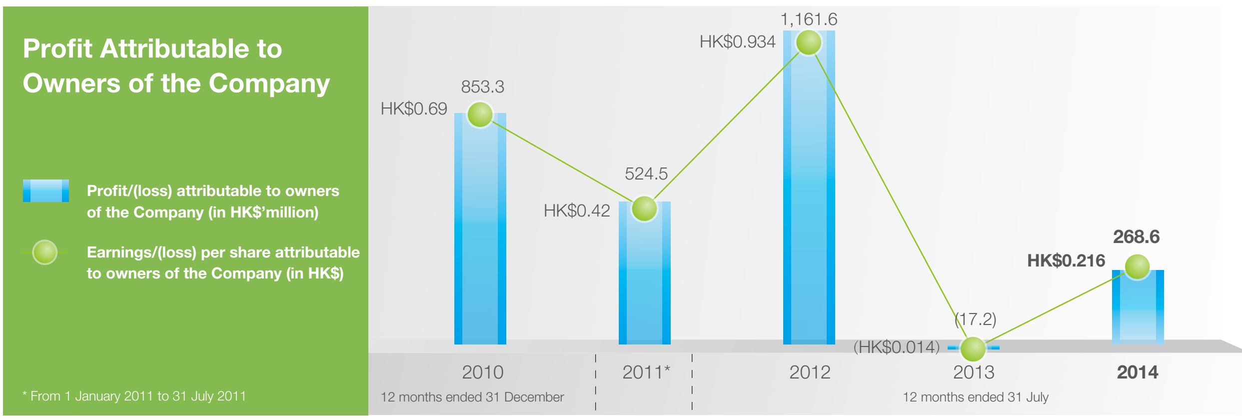
Notes:

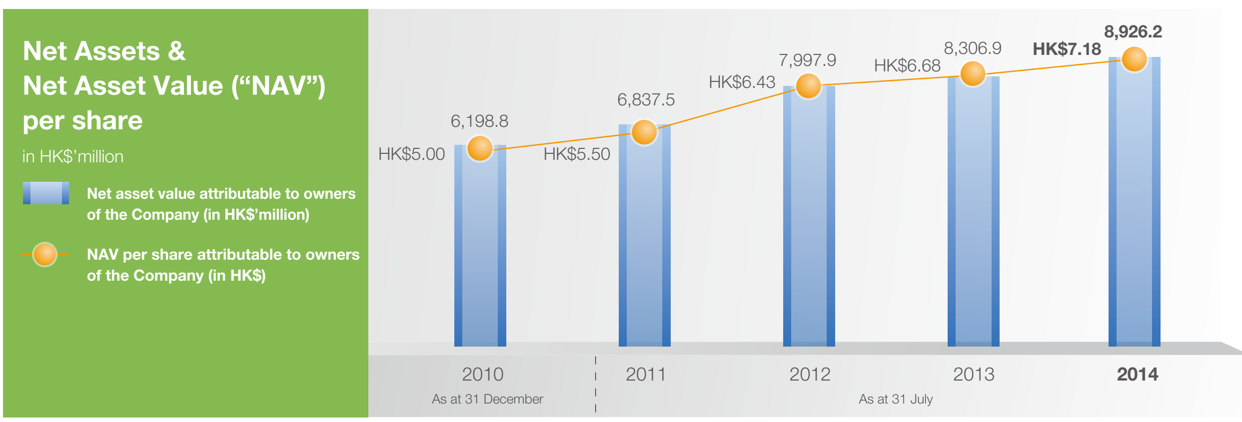
1. *Calculated as profit attributable to owners of the Company over cash interest expenses*

2. *EBITDA = Operating profit – Property revaluation gain/loss + Depreciation + Amortisation*

FINANCIAL SUMMARY AND HIGHLIGHTS







MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Media and Entertainment

During the year under review, this segment recorded a turnover of HK$543.1 million (2013: HK$413.9 million) and segment results turned from a loss of HK$29.2 million to a profit of HK$34.7 million.

Live Entertainment

During the year under review, the Group organised and invested in 117 (2013: 116) shows by Asian and internationally renowned artistes, including Super Junior, EXO, Girls' Generation, Andy Lau, S.H.E, Big Four, Grasshopper, Ekin Cheng, Ivana Wong, Anthony Wong, Denise Ho, Paula Tsui, Tsai Chin, Yoga Lin and Fukuyama Masaharu.

Music Production, Distribution and Publishing

During the year under review, the Group released 91 (2013: 75) albums, including titles by Super Junior, Sammi Cheng, Anthony Wong, Mark Lui, Richie Jen, Ekin Cheng, Justin Lo, Denise Ho, Ellen Loo, C AllStar and RubberBand.

The Group is expected to continue to increase its music licensing revenue from the exploitation of the music library through new media distribution.

Artiste Management

The Group has a strong artiste management team and a sizeable number of talents and will continue to expand its profile and in tandem with our growing TV drama production and film production business. The Group has more than 39 artistes under its management.

Film Production and Distribution

During the year under review, this segment recorded a turnover of HK$259.7 million (2013: HK$237.2 million). Segment results weakened from a loss of HK$7.7 million to a loss of HK$101.8 million. The increase in turnover was primarily due to consolidation of Intercontinental Group Holdings Limited ("**IGHL**") together with its subsidiaries ("**IGHL Group**") offset by weaker than expected performance of the new releases and impairment loss on other titles.

For the year ended 31 July 2014, the Group released 8 films, namely *One Night Surprise, The Wrath of Vajra, Control, Campus Confidential, As The Light Goes Out, Last Flight, The Truth About Beauty* and *City Game* and distributed 29 films and 205 videos during the year under review. High profile titles include *Transformer 4*, *The Wind Rises, Tale of Princess Kaguya, Noah* and *Ender's Game*. During the year under review, the Group principally completed the photography of 8 films with 8 other films in the production pipeline or under development and most of them are expected to be released by 2015.

The Group has made investments in the production of 228 episodes of television dramas in Mainland China which are expected to generate return to the Group in the coming financial year. The Group has been building up its production and distribution team and expects to see a substantial growth in this business.

Cinema Operation

During the year under review, this segment recorded a turnover of HK$252.4 million. The Group currently operates 2 cinemas under the brand of "May Flower" in Mainland China and 7 cinemas under the brand of "MCL" in Hong Kong and Mainland China as well as 1 joint venture cinema in Hong Kong, offering 22 screens with 2,856 seats in Mainland China and 38 screens with 5,407 seats in Hong Kong, respectively. The cinema operation provides a complementary distribution channel for the Group's film production and distribution businesses. Details on the number of screens and seats of each cinema are as follows:

Cinema	Attributable Interest to the Group (%)	No. of Screens *(Note)*	No. of Seats *(Note)*
Mainland China			
Guangzhou May Flower Cinema City	100	7	767
Zhongshan May Flower Cinema City (opened in February 2014)	100	5	931
MCL Cinema City in Shekou	85	5	629
MCL Cinema City in Luohu	85	5	529
Subtotal		**22**	**2,856**
Hong Kong			
MCL Metro Cinema	85	7	950
MCL Telford Cinema	85	6	819
STAR Cinema	85	6	622
MCL Kornhill Cinema	85	5	792
MCL JP Cinema	85	2	658
The Grand Cinema	25.5	12	1,566
Subtotal		**38**	**5,407**
Total		**60**	**8,263**

Note: On 100% basis

Property Investment

The following details are extracted from the annual reports of Lai Fung Holdings Limited ("**Lai Fung**", together with its subsidiaries "**Lai Fung Group**") for the two years ended 31 July 2014 and 31 July 2013.

Rental Income

For the year ended 31 July 2014, Lai Fung 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$'million	For the year ended 31 July 2013 HK$'million	Approximate percentage 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
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 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 Shanghai May Flower Plaza. The decrease of the occupancy rate in the retail podium of 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 the 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.

The serviced apartments in 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 Zhongshan Palm Spring Rainbow Mall, amounting to approximately 32.7% of total gross floor area ("**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.

Property Development

The following details are extracted from Lai Fung's annual reports for the two years ended 31 July 2014 and 31 July 2013.

Recognised Sales

For the year ended 31 July 2014, Lai Fung 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 Lai Fung 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.*

MANAGEMENT DISCUSSION AND ANALYSIS

Contracted Sales

As at 31 July 2014, Lai Fung 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 Lai Fung 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
Subtotal	**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
Subtotal	**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 Lai Fung 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.*

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING

Cash and Bank Balances

As at 31 July 2014, cash and bank balances held by the Group amounted to HK$4,218.9 million (2013: HK$6,890.1 million) of which around 30% was denominated in Hong Kong dollar ("**HKD**") and United States dollar ("**USD**") currencies, and around 70% was denominated in Renminbi ("**RMB**"). Cash and bank balances held by the Group excluding cash and bank balances held by MAGHL Group and Lai Fung Group as at 31 July 2014 was HK$1,328.9 million (2013: HK$810.0 million). As HKD is pegged to USD, the Group considers that the corresponding exposure to USD exchange rate fluctuation is nominal. The conversion of RMB denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchanges control promulgated by the government authorities concerned. Apart from the cross currency swap arrangements of Lai Fung Group, the Group does not have any derivative financial instruments or hedging instruments outstanding.

Borrowings

As at 31 July 2014, the Group had outstanding consolidated total borrowings (after intra-group elimination) in the amount of HK$5,708.8 million. The borrowings of the Group (other than MAGHL and Lai Fung), MAGHL and Lai Fung, are as follows:

Group (other than MAGHL and Lai Fung)

As at 31 July 2014, the Group has guaranteed notes ("**Guaranteed Notes**") of HK$794.6 million which are denominated in RMB. The Guaranteed Notes are secured by the share charge in respect of the ordinary shares of Lai Fung and MAGHL and the interest reserve accounts, and have the benefit of a keepwell and security shortfall support deed and a deed of equity interest purchase undertaking by Lai Sun Development Company Limited, the controlling shareholder of the Company. The Guaranteed Notes bear interest of 8.375% per annum payable semi-annually in arrears on 24 June and 24 December of each year, with a maturity date of 24 June 2018 for bullet repayment. In addition, there existed unsecured other borrowings due to the late Mr. Lim Por Yen in the principal amount of HK$113.0 million which is interest-bearing at the HSBC prime rate per annum. The Group's recorded interest accruals was HK$68.6 million for the said unsecured other borrowings as at 31 July 2014. At the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from 31 July 2014.

MAGHL

During the year, the First Completion Convertible Notes with principal amount of approximately HK$189.1 million were redeemed upon maturity on 8 June 2014. As at 31 July 2014, MAGHL has unsecured and unguaranteed 3-year zero coupon Second Completion Convertible Notes with an aggregate outstanding principal amount of approximately HK$182.9 million, comprising approximately HK$44.3 million and approximately HK$138.6 million issued to the Group and other subscribers respectively. Unless previously converted, redeemed, purchased or cancelled in accordance with the terms and conditions of the Second Completion Convertible Notes, it will be redeemed by MAGHL on the maturity date of 8 June 2015 at the principal amount outstanding. For accounting purpose, after deducting the equity portion of the convertible notes from the principal amount, the resultant carrying amount of the Second Completion Convertible Notes as recorded in the Group was HK$128.0 million as at 31 July 2014 after adjusting for (i) accrued interest and (ii) intra-group elimination.

Lai Fung

As at 31 July 2014, Lai Fung Group had total borrowings in the amount of HK$4,757.4 million comprising bank loans of HK$2,313.2 million, fixed rate senior notes of HK$2,232.7 million, loan from a subsidiary of the Company of HK$152.8 million and other borrowing of HK$58.7 million. The maturity profile of Lai Fung 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Apart from the fixed rate senior notes, Lai Fung Group's other borrowings of HK$2,524.7 million were 50% denominated in RMB, 30% in HKD and 20% in USD.

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

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

Charge on Assets and Gearing

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$9,278.7 million, properties under development with a total carrying amount of approximately HK$145.5 million, serviced apartments (including related leasehold improvements) with a total carrying amount of approximately HK$1,651.1 million, a property with carrying amount of approximately HK$95.1 million and time deposits and bank balances of approximately HK$499.6 million (including HK$273.3 million deposited into an interest reserve account).

In addition, as at 31 July 2014, a revolving term loan facility in the amount of HK$60.0 million was granted by a bank to the Group. The said loan facility is subject to an annual review by the bank for renewal and is secured by a pledge of the Group's land and buildings with a carrying amount of HK$49.7 million as at 31 July 2014. Such bank loan facility had not been utilised by the Group as at 31 July 2014. As at 31 July 2014, unsecured general banking facilities in the amount of HK$84.0 million were granted by other banks to the Group. The said unsecured general banking facilities are subject to annual review by the banks for renewal and the Group had utilised letter of credit and letter of guarantee facilities for an amount of HK$15.6 million as at 31 July 2014. As such, the Group has the undrawn facilities of HK$128.4 million. The undrawn facilities of Lai Fung Group was HK$1,904.6 million as at 31 July 2014.

As at 31 July 2014, the consolidated net assets attributable to the owners of the Company amounted to HK$8,926.2 million (2013: HK$8,306.9 million). The gearing ratio, being net debt (total borrowings of HK$5,708.8 million less pledged bank balances and time deposits of HK$764.0 million and cash and cash equivalents of HK$3,454.9 million) to net assets attributable to the owners of the Company was approximately 16.7%.

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

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group as at 31 July 2014 are set out in Note 51 to the Financial Statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 July 2014, the Group employed a total of around 1,990 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

PARTICULARS OF MAJOR PROPERTIES

COMPLETED PROPERTIES HELD FOR RENTAL

Property name	Location	Group interest	Tenure	Approximate attributable gross floor area (square feet)			No. of car-parking spaces attributable to the Group
				Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	
Shanghai							
Shanghai Hong Kong Plaza	282 & 283 Huaihaizhong Road, Huangpu District	51.39%	The property is held for a term of 50 years commencing on 16 September 1992	240,728	185,357	426,085	180
May Flower Plaza	Sujiaxiang, Zhabei District	48.82%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	156,379	–	156,379	–
Northgate Plaza I *(Note)*	99 Tian Mu Road West, Zhabei District	50.88%	The property is held for a term of 50 years commencing on 15 June 1993	97,859	66,258	164,117	52
Regents Park	88 Huichuan Road, Changning District	48.82%	The property is held for a term of 70 years commencing on 4 May 1996	40,063	–	40,063	–
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	51.39%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	183,680	40,820	224,500	70
West Point	Zhongshan Qi Road, Liwan District	51.39%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	88,374	–	88,374	–
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	51.39%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses	30,480	–	30,480	–
Subtotal of completed properties held for rental:				**837,563**	**292,435**	**1,129,998**	**302**

Note: In July 2014, Lai Fung Group bought out 2% minority interest in Northgate Plaza I, increasing its 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	51.39%	The property is held for a term of 50 years commencing on 16 September 1992	299	182,043	–
STARR Hotel Shanghai	Sujiaxiang, Zhabei District, Shanghai	48.82%	The property is held for a term of 50 years commencing on 5 February 2007	239	70,226	–
STARR Resort Residence Zhongshan	Caihong Planning Area, Western District, Zhongshan	51.39%	The property is held for a term expiring on 23 October 2073	90	50,648	–
Subtotal of completed hotel properties and serviced apartments:				**628**	**302,917**	–

PARTICULARS OF MAJOR PROPERTIES

PROPERTIES UNDER DEVELOPMENT

Property name	Location	Group interest	Stage of construction	Expected completion date	Approximate site area (square feet) (Note 1)	Approximate attributable gross floor area (square feet) Commercial/ Retail	Office	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Guangzhou											
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	24.41%	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)	14,228	–	–	642,844	657,072	393
Paramount Centre	Da Sha Tou Road, Yuexiu District	51.39%	Construction work in progress	Q4 2014	17,459	2,876	–	39,789	–	42,665	24
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	51.39%	Construction work in progress	Q3 2015	186,142	53,369	278,241	–	164,129	495,739	181
Haizhu Plaza	Chang Di Main Road, Yuexiu District	51.39%	Resettlement in progress	2017-2018 (Note 3)	90,708	47,240	262,531 (Note 4)	–	–	309,771	154
Guan Lu Road Project	Guan Lu Road, Yuexiu District	51.39%	Development under planning	(Note 5)	26,178	1,438	–	–	48,097	49,535	32
Zhongshan											
Palm Spring	Caihong Planning Area, Western District	51.39%	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)	195,897	–	–	2,371,872	2,567,769	1,241
Shanghai											
Northgate Plaza II	Tian Mu Road West, Zhabei District	50.88%	Development under planning	2017-2018 (Note 6)	44,293	31,730	100,501	–	–	132,231	91
Hengqin											
Creative Culture City Phase I	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	61.11%	Development under planning (Note 7)	2018	1,401,184	1,712,583	–	–	–	1,712,583	–
Subtotal of major properties under development:						**2,059,361**	**641,273**	**39,789**	**3,226,942**	**5,967,365**	**2,116**

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 re-development proposal with the district government*
7. *In the process of finalising master layout plan with zoning of cultural, creative industrial and commercial usage*

PARTICULARS OF MAJOR PROPERTIES

COMPLETED PROPERTIES HELD FOR SALE

Property name	Location	Group interest	Approximate attributable gross floor area (square feet)				No. of car-parking spaces attributable to the Group
			Commercial/ Retail	Serviced apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan							
Palm Spring	Caihong Planning Area, Western District	51.39%	62,590 (Note)	–	138,843	201,433	–
Shanghai							
May Flower Plaza	Sujiaxiang, Zhabei District	48.82%	–	6,995	30,822	37,817	224
Regents Park, Phase II	88 Huichuan Road, Changning District	48.82%	–	–	–	–	198
Guangzhou							
King's Park	Donghua Dong Road, Yuexiu District	51.39%	1,715	–	41,435	43,150	29
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	24.41%	–	–	1,682	1,682	–
Eastern Place	787 Dongfeng East Road, Yuexiu District	51.39%	–	–	458	458	1
West Point	Zhongshan Qi Road, Liwan District	51.39%	–	–	–	–	72
Subtotal of completed properties held for sale:			**64,305**	**6,995**	**213,240**	**284,540**	**524**

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

CORPORATE GOVERNANCE REPORT

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 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 of the Company ("**NEDs**", including the independent non-executive directors ("**INEDs**")) is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Bye-laws of the Company ("**Bye-laws**"), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors ("**Board**") as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company ("**AGM**") and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**Executive Directors**"). 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 overall business and commercial strategy of the Company and its subsidiaries ("**Group**") as well as overall policies and guidelines.

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

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

(2.2) Composition of the Board

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

Executive Directors

Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Chew Fook Aun
Lam Hau Yin, Lester
Yip Chai Tuck (appointed on 14 February 2014)
Lam Kin Ngok, Peter (resigned on 14 February 2014)

Non-executive Directors

U Po Chu
Andrew Y. Yan

Independent Non-executive Directors

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

The brief biographical particulars of the existing Directors are set out in the section headed "*Biographical Details of Directors*" of this Annual Report on pages 39 to 43.

Mr. Lam Hau Yin, Lester, an Executive Director, is a grandson of Madam U Po Chu, a NED. Save as aforesaid and as disclosed in the "*Biographical Details of Directors*" section of this Annual Report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(2.3) Attendance Record at Board Meetings

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

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*	8/8
Mr. Chew Fook Aun	8/8
Mr. Lam Hau Yin, Lester	7/8
Mr. Yip Chai Tuck *(Note 1)*	6/6
Dr. Lam Kin Ngok, Peter *(Note 2)*	2/2
Non-executive Directors	
Madam U Po Chu	3/8
Mr. Andrew Y. Yan	5/8
Independent Non-executive Directors	
Mr. Low Chee Keong *(Chairman)*	7/8
Mr. Lo Kwok Kwei, David	8/8
Dr. Ng Lai Man, Carmen	8/8
Mr. Alfred Donald Yap	7/8

Notes:

1. *Mr. Yip was appointed an Executive Director on 14 February 2014.*
2. *Dr. Lam resigned as an Executive Director on 14 February 2014.*

(2.4) INEDs

The Company has also complied with Rule 3.10(2) of the Listing Rules which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs in writing an annual confirmation of his/her independence for the Year pursuant to Rule 3.13 of the Listing Rules. Up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

Mr. Low Chee Keong and Mr. Alfred Donald Yap (both INEDs) will retire by rotation as Directors at the forthcoming AGM. Being eligible, Mr. Low and Mr. Yap offer themselves for re-election. Mr. Low has served on the Board for more than 15 years (from August 1999 to May 2010 as an INED, then from June 2010 to August 2011 was re-designated as an NED and from 1 September 2011 was further re-designated as an INED) and Mr. Yap has also served on the Board as an INED for over 17 years since December 1996. Being long-serving Directors, both Mr. Low and Mr. Yap have developed an in-depth understanding of the Company's operations and business, and have expressed objective views and given independent guidance to the Company over the years.

There is no empirical evidence that the long service of Mr. Low and Mr. Yap would impair their independent judgements. The Board is satisfied that each of Mr. Low and Mr. Yap will continue to have the required character and experience to fulfil the role of an INED and considers that the re-election of each of Mr. Low and Mr. Yap as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

An Independent Board Committee ("**IBC**") comprising all the INEDs (namely, Dr. Ng Lai Man, Carmen (Chairwoman) and Messrs. Low Chee Keong, Lo Kwok Kwei, David and Alfred Donald Yap) was formed in July 2013 for the purpose of advising the Shareholders with regard to a connected transaction of the Company, details of which were set out in the Company's circular dated 30 August 2013. The IBC held a meeting during the Year and the attendance record of each Committee member at this IBC meeting is set out below:

Committee Members	**Number of Meetings Attended/ Number of Meetings Held**
Independent Non-executive Directors	
Dr. Ng Lai Man, Carmen *(Chairwoman)*	1/1
Mr. Low Chee Keong	1/1
Mr. Lo Kwok Kwei, David	1/1
Mr. Alfred Donald Yap	1/1

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

From time to time, Directors are provided with written training materials to develop and refresh their professional skills; the Group's Legal and Company Secretarial Departments also organise and arrange seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company organised for the Directors and executives an in-house workshop on the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) conducted by a leading international solicitors' firm, and arranged for the Directors to attend seminars organised by other organisations and professional bodies and/or the independent auditors of the Company ("**Independent Auditors**").

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

	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*	✓	✓	✓	✓
Mr. Chew Fook Aun	✓	✓	✓	✓
Mr. Lam Hau Yin, Lester	✓	✓	✓	–
Mr. Yip Chai Tuck *(Note)*	✓	✓	✓	✓
Non-executive Directors				
Madam U Po Chu	✓	✓	✓	–
Mr. Andrew Y. Yan	✓	✓	✓	✓
Independent Non-executive Directors				
Mr. Low Chee Keong *(Chairman)*	✓	✓	✓	✓
Mr. Lo Kwok Kwei, David	✓	✓	✓	✓
Dr. Ng Lai Man, Carmen	✓	✓	✓	✓
Mr. Alfred Donald Yap	✓	✓	✓	✓

Note: Mr. Yip was appointed an Executive Director on 14 February 2014.

(4) BOARD COMMITTEES

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

(4.1) Remuneration Committee

On 16 September 2005, the Board established a Remuneration Committee which currently comprises five members, including three INEDs, namely Mr. Low Chee Keong (Chairman), Dr. Ng Lai Man, Carmen and Mr. Alfred Donald Yap, and two Executive Directors, namely Mr. Chew Fook Aun and Mr. Lui Siu Tsuen, Richard.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of Directors and senior management. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

(a) Duties of the Remuneration Committee

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or 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 two meetings during the Year to deliberate on matters relating to the payment of discretionary bonuses to and the review of the remuneration packages of certain Executive Directors and discuss other remuneration-related matters.

(c) Attendance Record at Remuneration Committee Meetings

The attendance record of each Committee member at the Remuneration Committee meetings held during the Year is set out below:

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Mr. Chew Fook Aun	2/2
Mr. Lui Siu Tsuen, Richard	2/2
Independent Non-executive Directors	
Mr. Low Chee Keong *(Chairman)*	2/2
Dr. Ng Lai Man, Carmen	2/2
Mr. Alfred Donald Yap	2/2

(4.2) Audit Committee

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

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

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

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

On 29 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy ("**CG Policy**"). The Audit Committee has been delegated with 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.

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 judgements 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. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

(b) Work Performed by the Audit Committee

The Audit Committee held three meetings during the Year. It has reviewed the audited final 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 internal control review reports on the Company prepared by an independent external risk advisory firm ("**Independent Advisor**") as well as the Group's internal audit plan for the three years ending 31 July 2017, 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 an internal control review report on the Company prepared by the Independent Advisor.

(c) Attendance Record at Audit Committee Meetings

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

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Independent Non-executive Directors	
Dr. Ng Lai Man, Carmen *(Chairwoman)*	3/3
Mr. Low Chee Keong	3/3
Mr. Alfred Donald Yap	3/3

Note: Mr. Lo Kwok Kwei, David, an INED, participated in part of an Audit Committee meeting held during the Year for reviewing the continuing connected transactions of the Company.

(5) CHAIRMAN AND CHIEF EXECUTIVE

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

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

(6) NON-EXECUTIVE DIRECTORS

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

(7) NOMINATION OF DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. During the Year, the Executive Directors and the full Board followed such procedures in the appointment of Mr. Yip Chai Tuck as an Executive Director with effect from 14 February 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 the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the Executive Directors, the Board will set measurable objectives (in terms of gender, skills and experience) to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Executive Directors will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

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

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

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the Year or during the period from his appointment to 31 July 2014 (as for the Director appointed during the Year).

(10) INDEPENDENT AUDITORS' REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors, Ernst & Young, Certified Public Accountants of Hong Kong, for the Year amounted to HK$9,760,000 and HK$5,579,000, respectively. The non-audit services mainly consisted of certain agreed-upon procedures, tax advisory and other reporting services. An analysis of such fees is set out below:

	Audit service HK$'000	**Non-audit service** HK$'000
The Group (excluding Lai Fung Holdings Limited ("**Lai Fung**") and Media Asia Group Holdings Limited ("**MAGHL**") and their respective subsidiaries)	4,665	4,458
MAGHL and its subsidiaries	1,980	480
Lai Fung and its subsidiaries	3,115	641
Total	**9,760**	**5,579**

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

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

(12) INDEPENDENT AUDITORS' REPORTING RESPONSIBILITY

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

(13) INTERNAL CONTROLS

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

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

(14) COMPANY SECRETARY

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

(15) SHAREHOLDERS' RIGHTS

(15.1) Procedures for Shareholders to Convene Special General Meetings ("SGMs")

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

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

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

The SGM Requisitionists, or any of them representing more than one-half (50%) of the total voting rights of all of them, may themselves convene a SGM if within twenty-one (21) days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. Any reasonable expenses incurred by the SGM Requisitionists by reason of the Board's failure to duly convene a SGM shall be repaid to the SGM Requisitionists by the Company.

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

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

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office stated in paragraph (15.1) above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six (6) weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one (1) week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six (6) weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

(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.esun.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
E-mail: 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. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

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

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

(ii) 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 of Association and Bye-laws of the Company have been posted on the websites of both the Company and the Stock Exchange;

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

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

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

(16.2) Directors' Attendance at General Meetings

During the Year, the Company held an AGM and three SGMs and the attendance record of each Director at these meetings is set out below:

	Number of Meetings Attended/ Number of Meetings Held	
Directors	**Annual General Meeting**	**Special General Meetings**
Executive Directors		
Mr. Lui Siu Tsuen, Richard *(Chief Executive Officer)*	1/1	3/3
Mr. Chew Fook Aun	1/1	3/3
Mr. Lam Hau Yin, Lester	1/1	1/3
Mr. Yip Chai Tuck *(Note 1)*	–	–
Dr. Lam Kin Ngok, Peter *(Note 2)*	0/1	0/3
Non-executive Directors		
Madam U Po Chu	0/1	0/3
Mr. Andrew Y. Yan	0/1	0/3
Independent Non-executive Directors		
Mr. Low Chee Keong *(Chairman)*	1/1	3/3
Mr. Lo Kwok Kwei, David	1/1	3/3
Dr. Ng Lai Man, Carmen	1/1	3/3
Mr. Alfred Donald Yap	1/1	2/3

Notes:

1. *Mr. Yip was appointed an Executive Director on 14 February 2014.*
2. *Dr. Lam resigned as an Executive Director on 14 February 2014.*

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being the SGM held on Tuesday, 17 December 2013 at 11:00 a.m., was held at Gloucester Room II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong. At the SGM, Shareholders approved, confirmed and ratified the subscription agreement dated 25 September 2013 ("**Subscription Agreement**") entered into between Sunny Horizon Investments Limited ("**SHIL**", an indirect wholly-owned subsidiary of the Company), Lai Fung (Hengqin) Development Company Limited ("**LFHQ**", an indirect wholly-owned subsidiary of Lai Fung) and Rosy Commerce Holdings Limited ("**Rosy Commerce**") in respect of (i) the respective subscriptions for 79 and 20 new ordinary shares in Rosy Commerce by LFHQ and SHIL; (ii) the assignment by LFHQ to SHIL of 20% of the total amount of loans, advances and other sums owing or payable to LFHQ by Rosy Commerce as at completion of the Subscription Agreement; and (iii) the entering into of a shareholders' agreement in relation to Rosy Commerce by LFHQ, SHIL and Rosy Commerce.

Further details of the SGM are contained in the Company's circular dated 26 November 2013 and the voting result of the SGM are set out in the Company's announcement dated 17 December 2013, both published on 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 Executive Directors 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	Organiser	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
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 – the Company's CNY secured guaranteed notes	ANZ/DBS/HSBC/UBS	Singapore/ Hong Kong
July 2014	Deal roadshow – Lai Sun Garment (International) Limited's CNY secured guaranteed notes	BNP/DBS/HSBC/ Standard Chartered Bank	Singapore/ Hong Kong

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@esun.com.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

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

Mr. Lui Siu Tsuen, Richard, aged 58, was appointed the Chief Executive Officer of the Company in January 2011 and is presently a member of both the Executive Committee and the Remuneration Committee of the Company. He joined the Company in April 2010 as the chief operating officer of its Media and Entertainment Division and became an Executive Director with effect from July 2010. Mr. Lui is also an executive director and the company secretary of MAGHL; and he was an executive director of LSG, LSD and Lai Fung respectively from 1 January 2011 to 31 October 2012.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited (a company listed and traded on the Main Board of the Stock Exchange). He was also an independent non-executive director of 21 Holdings Limited (a company listed and traded on the Main Board of the Stock Exchange) from 23 June 2009 to 9 April 2014. Prior to joining the Company, Mr. Lui had held senior executive positions in a few Hong Kong and overseas listed companies.

Mr. Lui has over 28 years of experience in property investment, corporate finance and media and entertainment businesses. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Chartered Institute of Management Accountants, United Kingdom, and holds a Master of Business Administration Degree from The University of Adelaide in Australia.

Mr. Chew Fook Aun, aged 52, was appointed an Executive Director on 5 June 2012. He is presently a member of both the Executive Committee and Remuneration Committee of the Company. He is the deputy chairman and an executive director of LSG and LSD as well as the chairman and an executive director of Lai Fung.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Lam Hau Yin, Lester, aged 33, was appointed an Executive Director on 1 November 2012 and is currently a member of the Executive Committee of the Company. He is also an executive director of both LSG and LSD, as well as an executive director and the chief executive officer of Lai Fung. Further, Mr. Lam is also an alternate director to Madam U Po Chu in her capacity as an executive director of LSG.

Mr. Lam holds a Bachelor of Science in Business Administration Degree from the Northeastern University, Boston, the United States. He has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment.

Mr. Lam is a grandson of Madam U Po Chu, a non-executive Director of the Company ("**NED**").

Mr. Yip Chai Tuck, aged 40, was appointed an Executive Director on 14 February 2014 and is currently a member of the Executive Committee of the Company. He is also the chief executive officer of LSG and an executive director of MAGHL. He has extensive experience in corporate advisory, business development and investment banking. Prior to joining the Lai Sun Group, Mr. Yip was a managing director of Goldman Sachs and head of Mergers and Acquisitions ("**M&A**") for China. He had also worked for PCCW Limited, a Hong Kong listed company, as Vice President of Ventures and M&A, responsible for strategic investments and M&A transactions.

Mr. Yip graduated from Macquarie University, Australia with a Bachelor of Commerce (Accounting) and obtained a Master Degree in Applied Finance and Investments from the Financial Services Institute of Australia, where he is also a Fellow member.

The Company and Mr. Yip have entered into a service contract with no fixed term but such contract is determinable by either the Company or Mr. Yip serving the other party not less than 3 months' written notice or payment in lieu thereof. From 1 August 2014, Mr. Yip is entitled to receive an annual remuneration of HK$1,000,000 from each of the Company and MAGHL and such other remuneration and discretionary bonus as may be determined by the respective boards of the Company ("**Board**") and MAGHL from time to time with reference to the performance of the Company and MAGHL, his duties and responsibilities and time allocated to the Company and MAGHL as well as the prevailing market conditions.

In accordance with the provisions of the Bye-laws of the Company ("**Bye-laws**"), Mr. Yip will retire from office as a Director at the forthcoming annual general meeting of the Company ("**AGM**") and is eligible for re-election thereat. If elected, he will be subject to retirement by rotation once every three years and will also be eligible for re-election at future AGMs.

Save as disclosed above, Mr. Yip does not hold any other directorships in listed public companies in the last three years and does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Yip 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**").

For the purpose of Mr. Yip's re-election as a Director at the forthcoming AGM, there are no other matters which need to be brought to the attention of the shareholders of the Company ("**Shareholders**"), and there is no other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

NON-EXECUTIVE DIRECTORS

Madam U Po Chu, aged 89, is a NED and was first appointed as Director in October 1996. She is also an executive director of LSG, a non-executive director of LSD and an executive director of Lai Fung.

Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business since the mid-1960's. She started to expand the business to fabric bleaching and dyeing in the early 1970's and became involved in property development and investment in the late 1980's.

Madam U is the grandmother of Mr. Lam Hau Yin, Lester, an Executive Director.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Andrew Y. Yan, aged 57, was appointed a NED on 1 September 2011. He joined SAIF Partners in 2001 and is currently its founding managing partner. He holds a Master's degree in International Political Economy from the Princeton University in the United States and a Bachelor's degree in Engineering from the Nanjing Aeronautic Institute (presently the Nanjing University of Aeronautics and Astronautics) in Mainland China.

Mr. Yan is currently a non-executive director of China Huiyuan Juice Group Limited, Digital China Holdings Limited and Guodian Technology & Environment Group Corporation Limited; and an independent non-executive director of China Resources Land Limited, CPMC Holdings Limited and Cogobuy Group (appointed on 18 July 2014). The issued shares of all aforesaid companies are listed on the Stock Exchange.

He is also currently an independent non-executive director of China Petroleum & Chemical Corporation (listed on the Stock Exchange, Shanghai Stock Exchange, London Stock Exchange and New York Stock Exchange ("**NYSE**")). Further, Mr. Yan is a director of Acorn International, Inc. (listed on the NYSE) and ATA Inc. (listed on the NASDAQ Global Market) as well as an independent director of BlueFocus Communication Group (listed on the Shenzhen Stock Exchange) (appointed on 27 March 2014).

In addition, Mr. Yan was an independent non-executive director of China Mengniu Dairy Company Limited (10 January 2013 to 25 March 2014) and Fosun International Limited (23 March 2007 to 25 September 2014) (both listed on the Stock Exchange), a non-executive director of MOBI Development Co., Ltd. (listed on the Stock Exchange) (2 January 2003 to 1 August 2013) and a director of Eternal Asia Supply Chain Management Ltd (listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange) (October 2006 to 14 June 2013). He was also a non-executive director (October 2006 to 3 April 2013) and the chairman (May 2012 to 3 April 2013) of NVC Lighting Holding Limited; a director of Global Education & Technology Group Limited (March 2007 to 20 December 2011 when its shares were withdrawn from listing on the NASDAQ Global Market on 20 December 2011); a director of China Digital TV Holding Co., Ltd (listed on the NYSE) (November 2013 to 28 April 2014); and an independent director of Giant Interactive Group, Inc. (October 2006 to 18 July 2014 when its shares were withdrawn from listing on the NYSE on 18 July 2014).

Mr. Yan does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, he will be subject to retirement from office as a Director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Yan is entitled to an annual director's fee of HK$240,000 and other allowances (where applicable), and such remuneration and discretionary bonus to be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

As at the date of this Annual Report, except for his deemed interest in 125,000,000 shares of HK$0.50 each in the Company ("**Shares**") (approximately 10.05% of the issued Shares) being held by SAIF Partners IV LP (a limited partnership indirectly controlled by Mr. Yan as a director and the sole shareholder of SAIF IV GP Capital Limited which acts as the sole general partner of SAIF IV GP LP which in turn acts as the sole general partner of SAIF Partners IV LP), Mr. Yan 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. Apart from the aforesaid, Mr. Yan does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

For the purpose of Mr. Yan's re-election as a Director at the forthcoming AGM, there are no other matters which need to be brought to the attention of the Shareholders, and there is no other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Low Chee Keong, aged 54, has been the Chairman of the Board since June 2010 and is currently an independent non-executive Director of the Company ("**INED**"), a member of the Audit Committee and the chairman of the Remuneration Committee of the Company. Mr. Low first joined the Board in August 1999 as an INED, was re-designated as a NED in June 2010, and was further re-designated as an INED on 1 September 2011. Serving as a member of the Remuneration Committee since October 2009, he was the chairman of the Remuneration Committee from October 2009 to late March 2011 and re-assumed the Remuneration Committee chairmanship on 1 September 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS

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

Mr. Low does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, he will be subject to retirement as a Director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Low is entitled to an annual director's fee of HK$625,000 and HK$50,000 respectively for chairmanships of the Board and the Remuneration Committee, and other allowances (where applicable), and such remuneration and discretionary bonus to be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Mr. Low has served on the Board for more than 15 years. Being a long-serving Director, Mr. Low has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Low would impair his independent judgement. The Board is satisfied that Mr. Low will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Low as an INED at the forthcoming AGM is in the best interest of the Company and its Shareholders as a whole.

Mr. Low does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, he does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of Mr. Low's re-election as a Director at the forthcoming AGM, there are no other matters which need to be brought to the attention of the Shareholders, and there is no other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Lo Kwok Kwei, David, aged 54, joined the Board as a NED in March 2009 and has been re-designated from a NED to an INED with effect from 1 September 2011. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984 and has been a member of The Law Society of Hong Kong since 1987. Mr. Lo has been practicing as a solicitor in Hong Kong for over 25 years and is a partner of a law firm David Lo & Partners. In addition, he is an independent non-executive director of Man Yue Technology Holdings Limited and ENM Holdings Limited, which are both listed on the Main Board of the Stock Exchange.

Dr. Ng Lai Man, Carmen, aged 50, was appointed an INED in March 2009 and is presently the chairwoman of the Audit Committee and a member of the Remuneration Committee of the Company. She has over 25 years of experience in professional accounting services and corporate finance in Hong Kong, Mainland China, Singapore, the United States, Canada and Europe.

Dr. Ng is a practising certified public accountant in Hong Kong and is currently a director of Cosmos CPA Limited in Hong Kong. She is a fellow member of the HKICPA and The Association of Certified Chartered Accountants in the United Kingdom, and an associate member of The Institute of Chartered Accountants in England and Wales. She received her Doctor of Business Administration from The Hong Kong Polytechnic University, Degree of Juris Doctor from The Chinese University of Hong Kong, Master of Laws in Corporate and Financial Laws from The University of Hong Kong, Master of Business Administration from The Chinese University of Hong Kong, Master of Professional Accounting from The Hong Kong Polytechnic University as well as Master of Science in Global Finance jointly offered by Leonard N. Stern Business School of New York University and The Hong Kong University of Science & Technology. In addition, Dr. Ng is an independent non-executive director of Goldin Properties Holdings Limited and 1010 Printing Group Limited, which are both listed on the Main Board of the Stock Exchange. She was an independent non-executive director of Cheong Ming Investments Limited (listed on the Main Board of the Stock Exchange) (from 17 September 2004 to 17 July 2014).

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Alfred Donald Yap, J.P., aged 75, is an INED and a member of both the Audit Committee and the Remuneration Committee of the Company. He was first appointed to the Board in December 1996. Mr. Yap is presently a consultant of K. C. Ho & Fong, Solicitors and Notaries. He was a former president of both The Law Society of Hong Kong and The Law Association for Asia and the Pacific (LAWASIA). He was also a former Hong Kong Affairs Adviser appointed by the Chinese Government. Mr. Yap is an independent non-executive director of Hung Hing Printing Group Limited and Wong's International Holdings Limited, which are both listed on the Main Board of the Stock Exchange.

Mr. Yap does not have a service contract with the Company. However, in accordance with the provisions of the Bye-laws, he will be subject to retirement as a Director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Yap is entitled to an annual director's fee of HK$240,000 and other allowances (where applicable), and such remuneration and discretionary bonus to be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Mr. Yap has served on the Board as an INED for over 17 years. Being a long-serving Director, Mr. Yap has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Yap would impair his independent judgement. The Board is satisfied that Mr. Yap will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Yap as an INED at the forthcoming AGM is in the best interest of the Company and its Shareholders as a whole.

Mr. Yap does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, he does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of Mr. Yap's re-election as a Director at the forthcoming AGM, there are no other matters which need to be brought to the attention of the Shareholders, and there is no other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the state of affairs of the Company and the Group as at 31 July 2014 are set out in the Financial Statements and their accompanying notes on pages 64 to 203.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2013: Nil). No interim dividend was paid or declared in respect of the Year (2013: Nil).

DIRECTORS

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

Executive Directors ("Executive Directors")
Lui Siu Tsuen, Richard *(Chief Executive Officer)*
Chew Fook Aun
Lam Hau Yin, Lester
Yip Chai Tuck (appointed on 14 February 2014)
Lam Kin Ngok, Peter (resigned on 14 February 2014)

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

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

Mr. Yip Chai Tuck ("**Mr. CT Yip**") was appointed an Executive Director by the Board on 14 February 2014. Pursuant to Bye-law 86(2) of the Bye-laws of the Company ("**Bye-laws**"), Directors appointed to fill a casual vacancy should be subject to re-election by the shareholders of the Company ("**Shareholders**") at the next following annual general meeting of the Company ("**AGM**"). Accordingly, Mr. CT Yip will retire and being eligible, offer himself for re-election by the Shareholders at the AGM to be held on 9 December 2014.

In accordance with Bye-law 87 of the Bye-laws, Directors shall retire from office by rotation once every three years since their last election. Mr. Andrew Y. Yan ("**Mr. Andrew Yan**"), Mr. Low Chee Keong and Mr. Alfred Donald Yap, will retire from office by rotation and being eligible, offer themselves for re-election by the Shareholders at the AGM.

Details of the retiring Directors proposed for re-election at the AGM required 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 sections headed "*Biographical Details of Directors*" of this Annual Report and "*Directors' Interests*" of this Report respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the existing Directors are set out on pages 39 to 43 of this Annual Report. Directors' other particulars are contained elsewhere in this Report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

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

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

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

CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

The Gross Fee paid to the SAIF Manager for the Year amounted to approximately HK$1,321,000.

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

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

2.1 The Company

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

2.2 MAGHL

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

2.3 Lai Fung

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

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

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

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

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

(iii) LSG may in accordance with the requirements of the Listing Rules, determine for itself a maximum aggregate annual value payable and/or receivable by the LSG Group for all Transactions which may constitute CCTs of LSG;

(iv) LSD may in accordance with the requirements of the Listing Rules, determine for itself a maximum aggregate annual value payable and/or receivable by the LSD Group for all Transactions with the LSG Group which may constitute CCTs of LSD;

(v) the Company may in accordance with the requirements of the Listing Rules, determine for itself a maximum aggregate annual value payable and/or receivable by the Group for all Transactions with the LSG Group and the LSD Group which may constitute CCTs of the Company;

(vi) Lai Fung may in accordance with the requirements of the Listing Rules, determine for itself a maximum aggregate annual value payable and/or receivable by the Lai Fung Group for all Transactions with each of (1) the LSG Group and the LSD Group and/or (2) the Group (excluding the Lai Fung Group) which may constitute CCTs of Lai Fung; and

(vii) MAGHL may in accordance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("**GEM Board**" and "**GEM Listing Rules**", respectively), determine for itself a maximum aggregate annual value payable and/or receivable by the MAGHL Group for all Transactions with each of (1) the LSG Group and the LSD Group and/or (2) the Group (excluding the MAGHL Group) which may constitute CCTs of MAGHL.

In this connection:

(a) the Company has adopted a maximum aggregate annual value of HK$12,300,000 (as revised from HK$10,300,000 and announced on 17 February 2014) for the Year in respect of the Transactions with the LSG Group and the LSD Group;

(b) Lai Fung has adopted a maximum aggregate annual value of (i) HK$6,600,000 for the Year in respect of the Transactions with the LSG Group and the LSD Group, and (ii) HK$9,600,000 for the Year in respect of the Transactions with the Group (excluding the Lai Fung Group); and

(c) MAGHL has adopted a maximum aggregate annual value of HK$2,000,000 for the Year in respect of the Transactions with the LSG Group and the LSD Group.

On 14 February 2014, each listed member of the Lai Sun Group has entered into a new memorandum of agreement ("**Renewal Agreement**") to renew the Memorandum of Agreement for a period of three years commencing on 1 August 2014 and expiring on 31 July 2017 based on the same terms and conditions of the Memorandum of Agreement. As at the date of signing the Renewal Agreement, LSG was the ultimate holding company of LSD, which in turn was the controlling shareholder of the Company while Lai Fung and MAGHL were the subsidiaries of the Company. Therefore, the transactions contemplated under the Renewal Agreement constitute CCTs for each of the Company, LSD, Lai Fung and MAGHL. The Company has adopted a cap amount of HK$14,200,000, HK$14,800,000 and HK$16,800,000 for the respective financial years ending 31 July 2015, 2016 and 2017 in respect of transactions with the LSG Group and LSD Group. Further details of the transactions are set out in an announcement dated 17 February 2014 jointly published by the Company, LSG, LSD, Lai Fung and MAGHL.

3. Pre-existing agreements of Lai Fung

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

3(a) Ascott Management Agreement

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

The board of directors of Lai Fung expected that the total fees payable by Li Xing to Ascott during the initial term of the agreement would not exceed RMB19 million per annum. For the Year, total fees paid or payable to Ascott amounted to RMB7,536,000 (approximately HK$9,574,000).

3(b) Breakfast Agreement

On 16 April 2010, Li Xing, Triple Pass Limited ("**Triple Pass**", a company incorporated in Hong Kong and a non-wholly-owned subsidiary of LSD)/韻港餐飲（上海）有限公司 (Wan Kong Catering (Shanghai) Limited ("**Wan Kong**"), a company established in Mainland China and a wholly-owned subsidiary of Triple Pass) and Ascott entered into an agreement ("**Breakfast Agreement**"), as supplemented and amended by the supplemental agreements dated 6 July 2011 and 7 December 2012 regarding the provision of catering services for a term of 3 years from 15 May 2010 to 14 May 2013 with an option to renew for a further term of 2 years and 3 years. The Breakfast Agreement basically relates to the provision of breakfast to the occupants of the Serviced Residence. The option was subsequently exercised to extend the catering services up to 31 August 2013. Total fees paid or payable to Triple Pass/Wan Kong from 1 August 2013 to 31 August 2013 amounted to HK$172,000.

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

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

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

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

(i) have not been approved by the Board;

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

(iii) have exceeded the maximum aggregate annual value disclosed in previous announcements.

In addition, Ernst & Young have included an additional paragraph in their letter regarding the fact that (a) the transactions under the Breakfast Agreement were 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 (b) no maximum aggregate annual value had been disclosed in any previous announcements of the Company.

Moreover, 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 LSD Group. These CCTs are exempt from announcement, reporting and shareholders' approval requirements pursuant to Rule 14A.98 of the Listing Rules.

CONNECTED TRANSACTION

The Company had the following connected transaction during the Year:

Acquisition of Interest in Guangzhou May Flower Plaza

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Executive Directors including Mr. Lui Siu Tsuen, Richard ("**Mr. Richard Lui**"), Mr. Chew Fook Aun ("**Mr. FA Chew**"), Mr. Lam Hau Yin, Lester ("**Mr. Lester Lam**"), Mr. CT Yip (from 14 February 2014) and Madam U Po Chu ("**Madam U**"), a NED, held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in Hong Kong and/or Mainland China. Mr. Andrew Yan, a NED, controlled certain investment funds which also made investment in companies engaged in the businesses of media and entertainment.

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

SHARE OPTION SCHEMES

(1) The Company

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

As at 31 July 2014 and the date of this Report, the Company might grant further options under the Scheme to subscribe for a maximum of 92,670,551 Shares (representing about 7.45% of the issued Shares as at those dates) and the Company has a total of 31,650,665 underlying Shares comprised in options outstanding under the Scheme (representing approximately 2.55% of the issued Shares as at those dates).

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

		Number of underlying Shares comprised in share options				
Category/Name of participants	**Date of grant** (dd/mm/yyyy) *(Note 1)*	**As at 1 August 2013**	**Lapsed during the Year**	**As at 31 July 2014**	**Exercise period** (dd/mm/yyyy)	**Exercise price per Share** (HK$) *(Note 2)*
Directors						
Chew Fook Aun	05/06/2012	6,216,060	–	6,216,060	05/06/2012 – 04/06/2022	0.92
Lam Hau Yin, Lester	18/01/2013	12,432,121	–	12,432,121	18/01/2013 – 17/01/2023	1.612
Lam Kin Ngok, Peter *(Note 3)*	18/01/2013	1,243,212	–	–	18/01/2013 – 17/01/2023	1.612
Lui Siu Tsuen, Richard	18/01/2013	3,729,636	–	3,729,636	18/01/2013 – 17/01/2023	1.612
Total		**23,621,029**	**–**	**22,377,817**		
Other Employees						
In aggregate	18/01/2013	8,029,636	–	9,272,848 *(Note 3)*	18/01/2013 – 17/01/2023	1.612
	26/07/2013	800,000	(800,000)	–	26/07/2013 – 25/07/2023	1.18
Total		**8,829,636**	**(800,000)**	**9,272,848**		
Grand Total		**32,450,665**	**(800,000)**	**31,650,665**		

Notes:

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

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

3. *Dr. Peter Lam resigned as an Executive Director on 14 February 2014 and his share option was classified in the category of "Other Employees" after his resignation pursuant to the requirements of the Listing Rules.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the Scheme during the Year.

Further details of the Scheme are set out in Note 42(a) to the Financial Statements.

(2) MAGHL

On 18 December 2012, MAGHL, a company listed on the GEM Board and a non-wholly-owned subsidiary of the Company since 9 June 2011, adopted a new share option scheme ("**2012 MAGHL Scheme**") and terminated its share option scheme adopted on 19 November 2009 ("**2009 MAGHL Scheme**"), under which no further share options will be granted. The adoption of the 2012 MAGHL Scheme and the termination of the 2009 MAGHL Scheme were also approved by the Shareholders at a SGM held on 18 December 2012.

The 2012 MAGHL Scheme will remain in force for a period of 10 years commencing on its adoption date. The initial maximum number of shares of MAGHL ("**MAGHL Shares**") issuable pursuant to the 2012 MAGHL Scheme is 1,314,025,761, being 10% of the total number of MAGHL Shares in issue on the date of approval of the 2012 MAGHL Scheme. When MAGHL's capital reorganisation (as detailed in MAGHL's circular dated 13 December 2013) became effective on 9 January 2014, the number of MAGHL Shares issuable under the 2012 MAGHL Scheme was adjusted to 65,701,288 (representing approximately 4.9% of its issued share capital as at 31 July 2014 and the date of this Report).

All outstanding share options under the 2009 MAGHL Scheme had lapsed in the financial year ended 31 July 2013. No share options have been granted under the 2012 MAGHL Scheme since its adoption on 18 December 2012.

Further details of the 2009 MAGHL Scheme and the 2012 MAGHL Scheme are included in Note 42(b) to the Financial Statements.

(3) Lai Fung

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

The 2012 Lai Fung Scheme will remain in force for a period of 10 years commencing on its adoption date. The initial maximum number of shares of Lai Fung ("**Lai Fung Shares**") issuable pursuant to the 2012 Lai Fung Scheme is 1,609,591,295, being 10% of the total number of Lai Fung Shares in issue on the date of approval of the 2012 Lai Fung Scheme.

As at 31 July 2014, Lai Fung might grant further options under the 2012 Lai Fung Scheme to subscribe for a maximum of 1,151,864,865 Lai Fung Shares (representing about 7.15% of its issued shares as at that date) and Lai Fung has a total of 538,205,994 underlying Lai Fung Shares comprised in options outstanding (representing about 3.34% of its issued shares as at that date), of which 80,479,564 underlying Lai Fung Shares were comprised in a share option granted under the 2003 Lai Fung Scheme and 457,726,430 underlying Lai Fung Shares were comprised in share options granted under the 2012 Lai Fung Scheme.

REPORT OF THE DIRECTORS

As at the date of this Report, due to the lapse of 2,000,000 underlying Lai Fung Shares under the 2012 Lai Fung Scheme during the period, Lai Fung might grant further options under this Scheme to subscribe for a maximum of 1,153,864,865 Lai Fung Shares (representing about 7.17% of its issued shares as at that date) and Lai Fung has a total of 536,205,994 underlying Lai Fung Shares comprised in options outstanding (representing about 3.33% of its issued shares as at that date).

The movement of the share options granted under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the Year is as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) *(Note 1)*	Number of underlying Lai Fung Shares comprised in share options: As at 1 August 2013	Lapsed during the Year	As at 31 July 2014	Exercise period (dd/mm/yyyy)	Exercise price per Lai Fung Share (HK$) *(Note 2)*
Directors of Lai Fung						
Chew Fook Aun	12/06/2012	80,479,564	–	80,479,564	12/06/2012 – 11/06/2020	0.133
Cheng Shin How	18/01/2013	32,191,825	–	32,191,825	18/01/2013 – 17/01/2023	0.228
Lam Hau Yin, Lester	18/01/2013	160,959,129	–	160,959,129	18/01/2013 – 17/01/2023	0.228
Lau Shu Yan, Julius	18/01/2013	48,287,738	–	48,287,738	18/01/2013 – 17/01/2023	0.228
Total		**321,918,256**	**–**	**321,918,256**		
Employees & other eligible participants						
Lam Kin Ngok, Peter *(Note 3)*	18/01/2013	16,095,912	–	16,095,912	18/01/2013 – 17/01/2023	0.228
Employees (In aggregate)	18/01/2013	193,191,826	(9,000,000)	184,191,826	18/01/2013 – 17/01/2023	0.228
	26/07/2013	16,000,000	–	16,000,000	26/07/2013 – 25/07/2023	0.190
Total		**225,287,738**	**(9,000,000)**	**216,287,738**		
Grand Total		**547,205,994**	**(9,000,000)**	**538,205,994**		

Notes:

1. *The above share options were vested on the date of grant.*
2. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in Lai Fung's share capital.*
3. *Dr. Peter Lam, a substantial shareholder of Lai Fung, was the chairman and an executive director of Lai Fung from 25 November 1993 to 31 October 2012.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed under the 2003 Lai Fung Scheme and the 2012 Lai Fung Scheme during the Year.

Further details of the Lai Fung Scheme are included in Note 42(c) 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 long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as otherwise known by the Directors:

(I) Interests in the Company

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

Notes:

1. *The total number of issued Shares as at 31 July 2014 (1,243,212,165 Shares) has been used in the calculation of the approximate percentage.*

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

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

REPORT OF THE DIRECTORS

(II) Interests in Associated Corporation – Lai Fung

Name of Director	Capacity	Long positions in Lai Fung Shares and underlying Lai Fung Shares: Number of Lai Fung Shares: Personal interests	Corporate interests	Lai Fung share options: Personal interests	Total	Approximate percentage of total issued Lai Fung Shares *(Note 1)*
Lam Hau Yin, Lester	Beneficial owner	Nil	Nil	160,959,129 *(Note 2)*	160,959,129	1.00%
Chew Fook Aun	Beneficial owner	Nil	Nil	80,479,564 *(Note 3)*	80,479,564	0.50%

Notes:

1. *The total number of issued Lai Fung Shares as at 31 July 2014 (16,101,899,257 Lai Fung Shares) has been used in the calculation of the approximate percentage.*

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

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

Save as disclosed above, as at 31 July 2014, none of the Directors and the 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 under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' Interests*" in this Report above and in Note 42 to the Financial Statements, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

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

		Long positions in the Shares and underlying Shares	
Name	**Capacity**	**Number of Shares and underlying Shares held**	**Approximate percentage of total issued Shares** *(Note 1)*
Substantial Shareholders			
Lai Sun Development Company Limited *(Note 2)*	Owner of controlled corporation	521,204,186	41.92% *(Note 4)*
Lai Sun Garment (International) Limited *(Note 3)*	Owner of controlled corporations	521,204,186	41.92% *(Note 4)*
Dr. Lam Kin Ngok, Peter	Beneficial owner and owner of controlled corporations	525,241,841	42.25% *(Note 4)*
SAIF Partners IV LP	Beneficial owner	125,000,000	10.05% *(Note 5)*
SAIF IV GP LP	Owner of controlled corporation	125,000,000	10.05% *(Note 5)*
SAIF IV GP Capital Limited	Owner of controlled corporations	125,000,000	10.05% *(Note 5)*
Mr. Andrew Y. Yan	Owner of controlled corporations	125,000,000	10.05% *(Note 5)*
Other Persons			
Atlantis Capital Holdings Limited	Owner of controlled corporations	83,200,000	6.69% *(Note 6)*
Ms. Liu Yang	Owner of controlled corporations	83,200,000	6.69% *(Note 6)*

REPORT OF THE DIRECTORS

Notes:

1. *The total number of issued Shares as at 31 July 2014 (1,243,212,165 Shares) has been used in the calculation of the approximate percentage.*

2. *As at 31 July 2014, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, were also executive directors of LSD. Madam U, a NED, was also a non-executive director of LSD.*

3. *As at 31 July 2014, Mr. FA Chew and Mr. Lester Lam, both Executive Directors, and Madam U, a NED, were also executive directors of LSG. Mr. CT Yip, an Executive Director, was also the Chief Executive Officer of LSG.*

4. *Dr. Peter Lam (resigned as an Executive Director on 14 February 2014) and LSG were deemed to be interested in the same 521,204,186 Shares held by LSD. As at 31 July 2014, Dr. Peter Lam was deemed to be interested in 521,204,186 Shares (approximately 41.92% of the issued Shares) indirectly owned by LSD by virtue of his personal and deemed controlling shareholding interests of approximately 42.64% (excluding share option) in LSG. LSD was approximately 51.97% directly and indirectly owned by LSG. LSG was approximately 12.65% (excluding share option) owned by Dr. Peter Lam and approximately 29.99% owned by Wisdoman Limited, which was in turn 100% beneficially owned by Dr. Peter Lam.*

   Dr. Peter Lam also holds 2,794,443 Shares as beneficial owner and he was granted an option by the Company on 18 January 2013 to subscribe for 1,243,212 Shares (details of which are shown in the section headed "Share Option Schemes" of this Report).

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

6. *Ms. Liu was deemed to be interested in the same 83,200,000 Shares controlled by Atlantis Capital Holdings Limited by virtue of her directorship/controlling interest in such company. (Note: The shareholding interest of Atlantis Capital Holdings Limited in the Company was reduced to 74,200,000 Shares (representing approximately 5.97% of the total issued Shares) as at 18 September 2014.)*

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

CONVERTIBLE NOTES

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

FIXED RATE SENIOR NOTES

Details of the fixed rate senior notes issued by the Group are set out in Note 37 to the Financial Statements.

GUARANTEED NOTES

The Company had announced on 24 June 2014 that CNY650,000,000 8.375% secured guaranteed notes due 2018 (Stock Code: 85978) were issued by eSun International Finance Limited ("**Issuer**"), a direct wholly-owned subsidiary of the Company, and listed and traded on the Main Board of the Stock Exchange ("**Guaranteed Notes**"). Details of the Guaranteed Notes issued are set out in Note 38 to the Financial Statements.

SHARE CAPITAL

Details of the Company's share capital are set out in Note 41 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in Note 43 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**"), comprised retained profits of HK$624,381,000 and contributed surplus of HK$845,455,000.

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

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

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

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

PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Except redeemed by Lai Fung all of its outstanding 9.125% senior notes on its maturity date (i.e. 4 April 2014), the Group did not redeem any of the 6.875% senior notes due 2018 issued by Lai Fung which are listed and traded on the Stock Exchange ("**Lai Fung Notes**") and the Guaranteed Notes. The Group did not purchase or sell any of the Lai Fung Notes and the Guaranteed Notes during the Year.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

REPORT OF THE DIRECTORS

PROPERTIES UNDER DEVELOPMENT

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

DONATIONS FOR CHARITABLE AND OTHER PURPOSES

During the Year, the Group made contributions for charitable or other purposes totalling HK$2,428,000.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2014 are set out in Note 14 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

As at 31 July 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.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial periods is set out in the section headed "*Financial Summary and Highlights*" on pages 10 and 13 of this Annual Report.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report on pages 25 to 38.

INDEPENDENCE OF INEDS

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

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITORS

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

On Behalf of the Board

Low Chee Keong
Chairman
Hong Kong
16 October 2014

SHAREHOLDERS' INFORMATION

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

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

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

(b) Bermuda

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

(c) Consultation with professional advisers

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

KEY DATES

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

	For Financial Year 2013/2014
Annual results announcement for the year ended 31 July 2014	16 October 2014
Latest time and date to lodge transfer documents with the Hong Kong branch share registrar for entitlement to attending and voting at the 2014 annual general meeting ("**AGM**")	4:30 p.m. on 4 December 2014
2014 AGM	10:00 a.m. on 9 December 2014

	For Financial Year 2014/2015
Interim results announcement for the six months ending 31 January 2015	on or before 31 March 2015
Annual results announcement for the year ending 31 July 2015	on or before 31 October 2015
2015 AGM	December 2015

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

EY 安永

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

We have audited the consolidated financial statements of eSun Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 64 to 203, 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, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 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	6	**2,344,796**	2,631,699
Cost of sales		**(1,423,389)**	(1,851,047)
Gross profit		**921,407**	780,652
Other revenue	6	**244,330**	179,378
Selling and marketing expenses		**(126,798)**	(178,514)
Administrative expenses		**(621,006)**	(602,841)
Other operating gains		**92,449**	68,242
Other operating expenses		**(318,748)**	(155,860)
Fair value losses on cross currency swaps	39	**(64,439)**	–
Fair value gains on investment properties	16	**1,138,045**	660,708
PROFIT FROM OPERATING ACTIVITIES		**1,265,240**	751,765
Finance costs	8	**(359,373)**	(226,256)
Share of profits and losses of joint ventures		**29,169**	(21,986)
Share of profits and losses of associates		**(115)**	(640)
PROFIT BEFORE TAX	7	**934,921**	502,883
Income tax expense	10	**(286,533)**	(305,820)
PROFIT FOR THE YEAR		**648,388**	197,063
Attributable to:			
Owners of the Company	11	**268,618**	(17,208)
Non-controlling interests		**379,770**	214,271
		648,388	197,063
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic		**HK$0.216**	(HK$0.014)
Diluted		**HK$0.215**	(HK$0.014)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
PROFIT FOR THE YEAR		**648,388**	197,063
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange realignment on translation of foreign operations		**6,316**	308,005
Reclassification adjustments relating to disposal of foreign operations during the year	45	**(1,506)**	–
Change in fair value of an available-for-sale investment		**5,985**	8,570
Share of other comprehensive income of joint ventures		**1,045**	25,689
Net gain/(loss) on cash flow hedges	39	**53,105**	(59,761)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**64,945**	282,503
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**713,333**	479,566
Attributable to:			
Owners of the Company		**302,233**	126,982
Non-controlling interests		**411,100**	352,584
		713,333	479,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,836,175**	2,736,990
Properties under development	15	**644,353**	495,504
Investment properties	16	**13,909,411**	11,867,497
Film rights	17	**37,360**	47,225
Film products	18	**80,298**	101,223
Music catalogs	19	**16,371**	20,665
Goodwill	20	**123,440**	10,435
Other intangible assets	21	**–**	64,018
Investments in joint ventures	22	**1,136,546**	1,092,289
Investments in associates	23	**32,842**	17,856
Available-for-sale investments	24	**154,553**	158,491
Deposits, prepayments and other receivables	25	**156,124**	89,147
Pledged and restricted time deposits	31	**204,957**	–
Deferred tax assets	40	**5,421**	–
Total non-current assets		**19,337,851**	16,701,340
CURRENT ASSETS			
Properties under development	15	**924,889**	1,059,062
Completed properties for sale		**1,354,049**	1,480,161
Loan receivable	26	**–**	11,000
Films under production	27	**259,292**	141,376
Inventories	28	**22,073**	8,987
Debtors	29	**255,699**	166,735
Deposits, prepayments and other receivables	25	**314,831**	478,296
Options	30	**–**	21,579
Prepaid tax		**44,765**	47,092
Pledged and restricted time deposits and bank balances	31	**559,009**	2,057,388
Cash and cash equivalents	31	**3,454,948**	4,832,685
Total current assets		**7,189,555**	10,304,361
CURRENT LIABILITIES			
Creditors and accruals	32	**1,013,580**	881,573
Deposits received and deferred income		**287,512**	285,655
Tax payable		**186,465**	504,784
Finance lease payables	33	**3**	74
Interest-bearing bank loans, secured	34	**708,382**	617,470
Convertible notes	36	**127,995**	190,882
Fixed rate senior notes	37	**–**	1,427,090
Total current liabilities		**2,323,937**	3,907,528
NET CURRENT ASSETS		**4,865,618**	6,396,833
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,203,469**	23,098,173

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,203,469**	23,098,173
NON-CURRENT LIABILITIES			
Long-term deposits received		**92,564**	77,021
Finance lease payables	33	**8**	66
Interest-bearing bank loans, secured	34	**1,604,858**	1,774,856
Other borrowings	35	**240,229**	234,515
Convertible notes	36	**–**	60,357
Fixed rate senior notes	37	**2,232,738**	2,223,610
Guaranteed notes	38	**794,589**	–
Derivative financial instruments	39	**25,162**	43,712
Deferred tax liabilities	40	**2,633,212**	2,367,086
Total non-current liabilities		**7,623,360**	6,781,223
Net assets		**16,580,109**	16,316,950
EQUITY			
Equity attributable to owners of the Company			
Issued capital	41	**621,606**	621,606
Reserves	43(a)	**8,304,579**	7,685,314
		8,926,185	8,306,920
Non-controlling interests		**7,653,924**	8,010,030
Total equity		**16,580,109**	16,316,950

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2014

Group

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (Note 1)	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Hedge reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2013		621,606	4,230,797	891,289	15,258	8,570	(29,516)	196,787	375,271	15,154	1,981,704	8,306,920	8,010,030	16,316,950
Profit for the year		–	–	–	–	–	–	–	–	–	268,618	268,618	379,770	648,388
Other comprehensive income/(loss) for the year, net of tax:														
Exchange realignment on translation of foreign operations		–	–	–	–	–	–	617	–	–	–	617	5,699	6,316
Reclassification adjustments relating to disposal of foreign operations during the year	45	–	–	–	–	–	–	(772)	–	–	–	(772)	(734)	(1,506)
Change in fair value of an available-for-sale investment		–	–	–	–	5,985	–	–	–	–	–	5,985	–	5,985
Share of other comprehensive income of joint ventures		–	–	–	–	–	–	494	–	–	–	494	551	1,045
Net gain on cash flow hedges	39	–	–	–	–	–	27,291	–	–	–	–	27,291	25,814	53,105
Total comprehensive income for the year		–	–	–	–	5,985	27,291	339	–	–	268,618	302,233	411,100	713,333
Acquisition of subsidiaries	44	–	–	–	–	–	–	–	–	–	–	–	15,717	15,717
Acquisition of additional interests in subsidiaries	14(b)	–	–	–	–	–	–	–	281,827	–	–	281,827	(763,697)	(481,870)
Conversion of convertible notes of a subsidiary	14(a)	–	–	–	–	–	–	–	(3,254)	–	–	(3,254)	21,895	18,641
Disposal of subsidiaries	45	–	–	–	–	–	–	–	–	–	–	–	(27,683)	(27,683)
Placing of shares of a subsidiary	14(a)	–	–	–	–	–	–	–	11,407	–	–	11,407	68,228	79,635
Deemed issue of Second Completion Convertible Notes during the year	36(ii)	–	–	–	–	–	–	–	–	–	–	–	6,247	6,247
Redemption of First Completion Convertible Notes	36(i)	–	–	–	–	–	–	–	–	–	29,667	29,667	(29,667)	–
Release of reserve upon lapse of share options		–	–	–	(382)	–	–	–	–	–	645	263	(263)	–
Capital contribution from a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	303	303
Shares issued by a subsidiary in lieu of cash dividend		–	–	–	–	–	–	–	(2,878)	–	–	(2,878)	4,097	1,219
Transfer to statutory reserve		–	–	–	–	–	–	–	–	18,610	(18,610)	–	–	–
Share of statutory reserve of joint ventures		–	–	–	–	–	–	–	–	1,709	(1,709)	–	–	–
Dividend paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(62,383)	(62,383)
At 31 July 2014		**621,606**	**4,230,797***	**891,289***	**14,876***	**14,555***	**(2,225)***	**197,126***	**662,373***	**35,473***	**2,260,315***	**8,926,185**	**7,653,924**	**16,580,109**

* *These reserve accounts comprise the consolidated reserves of HK$8,304,579,000 (2013: HK$7,685,314,000) in the consolidated statement of financial position.*

Notes:

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

2. *No dividend was paid or proposed during the year ended 31 July 2014 (2013: Nil), nor has any dividend been proposed since the end of the reporting period.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 July 2014

Group (continued)

		Attributable to owners of the Company												
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 *(Note 1)*	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Hedge reserve HK$'000	Exchange reserve HK$'000	Other reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 August 2012		621,606	4,230,797	891,289	2,741	–	–	31,672	208,886	–	2,010,909	7,997,900	7,868,885	15,866,785
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	(17,208)	(17,208)	214,271	197,063
Other comprehensive income/(loss) for the year, net of tax:														
Exchange realignment on translation of foreign operations		–	–	–	–	–	–	152,663	–	–	–	152,663	155,342	308,005
Change in fair value of an available-for-sale investment		–	–	–	–	8,570	–	–	–	–	–	8,570	–	8,570
Share of other comprehensive income of joint ventures		–	–	–	–	–	–	12,452	21	–	–	12,473	13,216	25,689
Net loss on cash flow hedges	39	–	–	–	–	–	(29,516)	–	–	–	–	(29,516)	(30,245)	(59,761)
Total comprehensive income/(loss) for the year		–	–	–	–	8,570	(29,516)	165,115	21	–	(17,208)	126,982	352,584	479,566
Equity-settled share option arrangements	42(a)	–	–	–	12,708	–	–	–	–	–	–	12,708	27,298	40,006
Acquisition of additional interests in a subsidiary	14(b)	–	–	–	–	–	–	–	166,364	–	–	166,364	(212,959)	(46,595)
Release of reserves upon lapse of share options		–	–	–	(191)	–	–	–	–	–	3,157	2,966	(2,966)	–
Transfer to statutory reserve		–	–	–	–	–	–	–	–	9,397	(9,397)	–	–	–
Share of statutory reserve of joint ventures		–	–	–	–	–	–	–	–	5,757	(5,757)	–	–	–
Dividend paid to non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(22,812)	(22,812)
At 31 July 2013		621,606	4,230,797	891,289	15,258	8,570	(29,516)	196,787	375,271	15,154	1,981,704	8,306,920	8,010,030	16,316,950

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		**934,921**	502,883
Adjustments for:			
Fair value gains on investment properties	16	**(1,138,045)**	(660,708)
Finance costs	8	**359,373**	226,256
Share of profits and losses of joint ventures		**(29,169)**	21,986
Share of profits and losses of associates		**115**	640
Interest income	6	**(36,388)**	(36,112)
Gain on disposal of joint ventures	7	**(7,820)**	–
Gain on disposal of subsidiaries	7	**(9,477)**	–
Gain on disposal of partial interest of an available-for-sale investment	7	**(38,611)**	–
Fair value loss on options	7	**5,172**	10,912
Depreciation	7	**142,849**	115,902
Amortisation of film rights	7	**16,702**	18,116
Amortisation of film products	7	**96,249**	111,646
Amortisation of music catalogs	7	**3,894**	4,734
Amortisation of other intangible assets	7	**3,693**	9,102
Impairment of an available-for-sale investment	7	**–**	16,300
Impairment of music catalogs	7	**2,000**	9,000
Impairment of completed properties for sale	7	**–**	7,860
Write-off of items of property, plant and equipment	7	**15,775**	–
Write-off of films under production	7	**3,083**	672
Impairment of film products	7	**35,153**	–
Provision for doubtful debts	7	**3,278**	1,303
Provision for advances and other receivables	7	**27,662**	405
Reversal of provision for advances and other receivables	7	**(6,516)**	(32)
Provision for amounts due from joint ventures	7	**1,720**	3,324
Loss on disposal of items of property, plant and equipment	7	**508**	438
Provision for/(reversal of provision for) inventories	7	**(718)**	115
Equity-settled share option expense		**–**	24,636
Fair value losses on cross currency swaps		**64,439**	–
Foreign exchange differences, net	7	**(25,897)**	(43,648)
		423,945	345,730
Increase in properties under development		**(383,547)**	(264,159)
Decrease in completed properties for sale		**485,869**	1,095,526
Increase in inventories		**(550)**	(210)
Additions of films under production	27	**(231,137)**	(145,911)
Additions of film products	18	**(336)**	–
Increase in debtors		**(44,030)**	(7,325)
Decrease/(increase) in deposits, prepayments and other receivables		**130,100**	(187,776)
Increase in deposit for acquisition of land use right	25	**(89,765)**	–
Increase in long-term deposits received		**15,543**	8,976
Increase in creditors and accruals		**83,827**	47,298
Increase/(decrease) in deposits received and deferred income		**151**	(124,222)
Cash generated from operations		**390,070**	767,927
Tax indemnity received		**24,302**	–
Hong Kong taxes paid, net		**(7,108)**	(233)
Mainland China taxes paid, net		**(334,744)**	(177,599)
Net cash flows generated from operating activities		**72,520**	590,095

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**36,388**	36,100
Additions of film rights	17	**(6,837)**	(18,024)
Decrease in loan receivable		**11,000**	12,517
Increase in investment properties		**(881,529)**	(161,729)
Dividend income from an associate		**990**	–
Dividend income from a joint venture		**–**	500
Proceeds from disposal of items of property, plant and equipment		**140**	41
Purchases of items of property, plant and equipment		**(160,085)**	(83,395)
Deposit paid for a proposed acquisition	44	**–**	(12,500)
Advances to joint ventures		**(25,997)**	(20,465)
Repayment from joint ventures		**12,111**	50,060
Repayment/(advances) to associates		**3,085**	(12,461)
Acquisition of subsidiaries	44	**(103,010)**	–
Acquisition of additional interests in subsidiaries		**(481,870)**	(46,595)
Disposal of subsidiaries	45	**63,714**	–
Disposal of joint ventures		**15,742**	–
Proceeds from disposal of partial interest of an available-for-sale investment	24	**41,027**	–
Refund of partial capital of an available-for-sale investment		**7,507**	–
Capital contribution to a joint venture		**–**	(6,417)
Decrease/(increase) in pledged and restricted time deposits and bank balances		**1,293,422**	(1,104,513)
Net cash flows used in investing activities		**(174,202)**	(1,366,881)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from share placement of a subsidiary		**79,635**	–
New bank loans, net of direct costs		**147,805**	1,881,303
Repayment of bank loans		**(258,878)**	(1,474,102)
Redemption of First Completion Convertible Notes	36(i)	**(189,091)**	–
Deemed issue of Second Completion Convertible Notes, net of issue expenses	36(ii)	**66,623**	–
Net proceeds from issue of fixed rate senior notes (the "2013 Notes")	37	**–**	2,205,883
Redemption of fixed rate senior notes (the "2007 Notes")	37	**(1,433,065)**	–
Net proceeds from issue of guaranteed notes	38	**787,822**	–
Realised exchange gain from conversion of the 2013 Notes		**–**	30,987
Capital element of finance lease rental payments		**(129)**	(107)
Interest and bank financing charges paid		**(416,406)**	(237,349)
Capital contribution from a non-controlling shareholder		**303**	–
Dividend paid to non-controlling shareholders of subsidiaries		**(61,164)**	(22,812)
Net cash flows generated from/(used in) financing activities		**(1,276,545)**	2,383,803
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,378,227)**	1,607,017
Cash and cash equivalents at beginning of year		**4,832,685**	3,211,249
Effect of foreign exchange rate changes, net		**490**	14,419
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,454,948**	4,832,685
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	31	**1,461,401**	2,179,783
Non-pledged and non-restricted time deposits	31	**1,993,547**	2,652,902
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**3,454,948**	4,832,685

STATEMENT OF FINANCIAL POSITION

31 July 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**–**	51
Investments in subsidiaries	14	**6,293,409**	6,055,824
Deposits, prepayments and other receivables	25	**10,658**	23,158
Total non-current assets		**6,304,067**	6,079,033
CURRENT ASSETS			
Deposits, prepayments and other receivables	25	**332**	440
Cash and cash equivalents	31	**216,683**	502,731
Total current assets		**217,015**	503,171
CURRENT LIABILITIES			
Creditors and accruals	32	**2,426**	1,988
NET CURRENT ASSETS		**214,589**	501,183
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,518,656**	6,580,216
NON-CURRENT LIABILITIES			
Other borrowings	35	**181,541**	175,894
Net assets		**6,337,115**	6,404,322
EQUITY			
Issued capital	41	**621,606**	621,606
Reserves	43(b)	**5,715,509**	5,782,716
Total equity		**6,337,115**	6,404,322

Low Chee Keong
Director

Lui Siu Tsuen, Richard
Director

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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 of acquisition, being 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 the owners of the Company and to the non-controlling interests, even if these 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the 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 the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– 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*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on these 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. The standard 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 completed investment properties, certain investment properties under construction, certain available-for-sale financial assets and derivative financial instruments are included in respective notes to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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*

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9 (2014)	*Financial Instruments*[1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[2]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[4]
HKAS 16 and HKAS 38 Amendments	Amendments to *Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment* and HKAS 41 *Agriculture*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[5]
HKAS 27 (2011) Amendments	Amendments to *Equity Method in Separate Financial Statements*[3]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[2]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[2]
HK(IFRIC)-Int 21	*Levies*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[5]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[5]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 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 July 2014*

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 associates and 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 associates and 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 associate or 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 associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

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

When an investment in an associate or 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*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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 recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

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

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 the income statement.

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

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its completed investment properties, certain investment properties under construction, certain available-for-sale financial assets 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.

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

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, inventories, deferred tax assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Investment properties

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

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

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development (continued)

Once the development of these properties is completed, these properties are transferred to completed properties for sale.

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

Completed properties for sale

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

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

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

Music catalogs

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

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

Intangible assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

(i) Artiste management contracts

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

(ii) Services contract

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

Film rights, film products and films under production

Film rights are rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

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

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

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

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

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, held-to-maturity investments, and available-for-sale financial investments, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

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

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.

Options

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

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.

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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.

Convertible notes

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Leases

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

(k) income from gross box-office takings for film exhibition is recognised upon the sale of tickets and when the film is released;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

(n) 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

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

Employee benefits

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the black-scholes model and binomial option pricing model, further details of which are given in note 42 to the financial statements.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit schemes

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

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

Borrowing costs

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or the income statement is also recognised in other comprehensive income or the income statement, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

Dividends

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

Mainland China Land Appreciation Tax ("LAT")

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

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).

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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

Lai Fung became a subsidiary of the Group during the year ended 31 July 2012 because the Group increased its shareholding in Lai Fung from 40.58% to 47.39% upon the completion of the open offer of Lai Fung (the "Open Offer") on 11 June 2012. The remaining shareholdings are held by numerous shareholders, except for a few shareholders held an aggregate of approximately 27%. Subsequent to the Open Offer, the Group acquired additional shares of Lai Fung from the public shareholders and the shareholding in Lai Fung increased from 47.39% to 49.46% as at 31 July 2013. The directors assessed whether or not the Group has control over Lai Fung based on whether the Group has the practical ability to direct the relevant activities of Lai Fung unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in Lai Fung and the relative size and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Lai Fung and therefore the Group has control over Lai Fung. During the current year, the Group acquired additional shares of Lai Fung from the public shareholders and the shareholding in Lai Fung further increased from 49.46% to 51.39% as at 31 July 2014. Since the shareholding in Lai Fung is more than 50%, Lai Fung continues to be a subsidiary of the Group.

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

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

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

(iii) When fair value of investment properties under construction can be reliably measured

If the fair value of an investment property under construction is at present not reliably measurable, such 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(iv) Income tax

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

As explained in note 40 to the financial statements, withholding tax is levied on dividends to be distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax is provided, at the applicable withholding tax rate, on the undistributed earnings of the Group's PRC subsidiaries that would be distributed to their respective holding companies outside Mainland China in the foreseeable future.

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

Estimation uncertainty

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

(i) Accounting for film rights and film products

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ii) Estimation of fair value of investment properties

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

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

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

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

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

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

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill is disclosed in note 20 to the financial statements.

(vi) Impairment of non-financial assets (other than goodwill)

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

(vii) Accounting for music catalogs

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(viii) Impairment of loans and receivables

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

(ix) Impairment of trade and other receivables

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

(x) Fair value of derivative financial instruments

Where fair values of financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgements include considerations of inputs such as expected exposure at default, credit spread and loss given default ratio. Changes in assumptions about these factors could affect the reported fair values of derivative financial instruments. The fair values of the Group's options and derivative financial instruments are disclosed in notes 30 and 39 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

(e) the cinema operation segment engages in the operation of cinemas in Hong Kong and Mainland China; and

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue/results:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment revenue:														
Sales to external customers	**640,928**	1,372,194	**564,186**	522,744	**543,100**	413,930	**259,694**	237,229	**252,395**	–	**84,493**	85,602	**2,344,796**	2,631,699
Intersegment sales	**-**	–	**2,188**	–	**677**	–	**10,900**	–	**1,408**	–	**2,431**	–	**17,604**	–
Other revenue	**2,139**	1,960	**121,601**	110,950	**8,019**	5,342	**1,894**	4,667	**18,018**	–	**1,557**	475	**153,228**	123,394
Total	**643,067**	1,374,154	**687,975**	633,694	**551,796**	419,272	**272,488**	241,896	**271,821**	–	**88,481**	86,077	**2,515,628**	2,755,093
Elimination of intersegment sales													**(17,604)**	–
Total revenue													**2,498,024**	2,755,093
Segment results	**73,331**	28,314	**1,380,928**	934,433	**34,745**	(29,227)	**(101,802)**	(7,701)	**(1,595)**	–	**(197,766)**	(202,826)	**1,187,841**	722,993
Unallocated interest and other revenue	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**91,102**	55,984
Fair value loss on options	**-**	–	**-**	–	**(5,172)**	(10,912)	**-**	–	**-**	–	**-**	–	**(5,172)**	(10,912)
Fair value losses on cross currency swaps	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(64,439)**	–
Gain on disposal of partial interest of an available-for-sale investment	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**38,611**	–
Impairment of an available-for-sale investment	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	(16,300)
Gain on disposal of subsidiaries	**-**	–	**-**	–	**9,477**	–	**-**	–	**-**	–	**-**	–	**9,477**	–
Gain on disposal of joint ventures	**-**	–	**-**	–	**3,043**	–	**4,777**	–	**-**	–	**-**	–	**7,820**	–
Profit from operating activities													**1,265,240**	751,765
Finance costs	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(359,373)**	(226,256)
Share of profits and losses of joint ventures	**43,921**	12,053	**-**	–	**(12,602)**	(4,300)	**(2,150)**	(29,739)	**-**	–	**-**	–	**29,169**	(21,986)
Share of profits and losses of associates	**-**	–	**-**	–	**(744)**	(640)	**(7)**	–	**636**	–	**-**	–	**(115)**	(640)
Profit before tax													**934,921**	502,883
Income tax expense													**(286,533)**	(305,820)
Profit for the year													**648,388**	197,063

Segments assets/liabilities:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment assets	**2,994,925**	3,083,759	**16,447,832**	14,419,896	**342,156**	557,750	**920,348**	720,447	**309,591**	–	**3,927,507**	6,784,900	**24,942,359**	25,566,752
Investments in joint ventures	**1,100,591**	1,055,965	**-**	–	**28,289**	24,397	**7,666**	11,927	**-**	–	**-**	–	**1,136,546**	1,092,289
Investments in associates	**-**	–	**-**	–	**(337)**	406	**19,384**	17,450	**13,795**	–	**-**	–	**32,842**	17,856
Unallocated assets													**415,659**	328,804
Total assets													**26,527,406**	27,005,701
Segment liabilities	**445,957**	413,295	**308,517**	324,120	**113,416**	130,442	**238,126**	101,715	**77,925**	–	**209,715**	274,677	**1,393,656**	1,244,249
Unallocated liabilities													**8,553,641**	9,444,502
Total liabilities													**9,947,297**	10,688,751

Note: The cinema operation of the Group has become a reportable segment during the year.

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information:

	Property development		Property investment		Media and entertainment		Film production and distribution		Cinema operation		Corporate and others		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Depreciation	**2,409**	2,075	**102,354**	92,826	**2,364**	2,432	**593**	158	**21,642**	–	**13,487**	18,411	**142,849**	115,902
Impairment of completed properties for sale	**-**	7,860	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	7,860
Impairment of film products	**-**	–	**-**	–	**-**	–	**35,153**	–	**-**	–	**-**	–	**35,153**	–
Impairment of music catalogs	**-**	–	**-**	–	**2,000**	9,000	**-**	–	**-**	–	**-**	–	**2,000**	9,000
Write-off of items of property, plant and equipment	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**15,775**	–	**15,775**	–
Write-off of films under production	**-**	–	**-**	–	**-**	–	**3,083**	672	**-**	–	**-**	–	**3,083**	672
Fair value gains on investment properties	**-**	–	**(1,138,045)**	(660,708)	**-**	–	**-**	–	**-**	–	**-**	–	**(1,138,045)**	(660,708)
Fair value loss on options	**-**	–	**-**	–	**5,172**	10,912	**-**	–	**-**	–	**-**	–	**5,172**	10,912
Amortisation of film rights	**-**	–	**-**	–	**-**	–	**16,702**	18,116	**-**	–	**-**	–	**16,702**	18,116
Amortisation of film products	**-**	–	**-**	–	**-**	–	**96,249**	111,646	**-**	–	**-**	–	**96,249**	111,646
Amortisation of music catalogs	**-**	–	**-**	–	**3,894**	4,734	**-**	–	**-**	–	**-**	–	**3,894**	4,734
Amortisation of other intangible assets	**-**	–	**-**	–	**3,693**	9,102	**-**	–	**-**	–	**-**	–	**3,693**	9,102
Provision for/(reversal of provision for) doubtful debts	**-**	–	**-**	–	**-**	1,353	**3,278**	(50)	**-**	–	**-**	–	**3,278**	1,303
Provision for advances and other receivables	**-**	–	**-**	–	**4,719**	405	**22,644**	–	**299**	–	**-**	–	**27,662**	405
Reversal of provision for advances and other receivables	**-**	–	**-**	–	**(6,516)**	(32)	**-**	–	**-**	–	**-**	–	**(6,516)**	(32)
Provision for amounts due from joint ventures	**-**	–	**-**	–	**1,720**	3,324	**-**	–	**-**	–	**-**	–	**1,720**	3,324
Provision for/(reversal of provision for) inventories	**-**	–	**-**	–	**(320)**	–	**157**	–	**-**	–	**(555)**	115	**(718)**	115
Additions of property, plant and equipment	**4,443**	6,260	**64,686**	38,850	**414**	5,199	**1,595**	849	**60,669**	–	**16,136**	6,284	**147,943**	57,442
Additions of properties under development	**383,547**	270,219	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**383,547**	270,219
Additions of investment properties	**-**	–	**854,414**	107,362	**-**	–	**-**	–	**-**	–	**-**	–	**854,414**	107,362
Additions of film rights	**-**	–	**-**	–	**-**	–	**6,837**	18,024	**-**	–	**-**	–	**6,837**	18,024
Additions of film products	**-**	–	**-**	–	**-**	–	**336**	–	**-**	–	**-**	–	**336**	–
Additions of films under production	**-**	–	**-**	–	**-**	–	**231,137**	145,911	**-**	–	**-**	–	**231,137**	145,911
Additions of music catalogs	**-**	–	**-**	–	**1,600**	2,400	**-**	–	**-**	–	**-**	–	**1,600**	2,400
Additions of goodwill	**-**	–	**-**	–	**10,000**	–	**18,440**	–	**95,000**	–	**-**	–	**123,440**	–

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information:

	Hong Kong		Mainland China (including Macau)		Others		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Revenue:								
Sales to external customers	**699,780**	276,719	**1,596,853**	2,312,381	**48,163**	42,599	**2,344,796**	2,631,699
Assets:								
Segment assets:								
– non-current assets	**1,242,479**	1,715,820	**17,724,052**	14,703,221	**426**	587	**18,966,957**	16,419,628
– current assets	**1,708,928**	1,533,662	**5,430,985**	8,716,689	**4,877**	6,918	**7,144,790**	10,257,269
Unallocated assets							**415,659**	328,804
Total assets							**26,527,406**	27,005,701
Other information:								
Additions of property, plant and equipment	**21,654**	5,912	**126,289**	51,530	**-**	–	**147,943**	57,442
Additions of properties under development	**-**	–	**383,547**	270,219	**-**	–	**383,547**	270,219
Additions of investment properties	**-**	–	**854,414**	107,362	**-**	–	**854,414**	107,362
Additions of film rights	**6,837**	18,024	**-**	–	**-**	–	**6,837**	18,024
Additions of film products	**336**	–	**-**	–	**-**	–	**336**	–
Additions of films under production	**179,557**	145,911	**51,580**	–	**-**	–	**231,137**	145,911
Additions of music catalogs	**1,600**	2,400	**-**	–	**-**	–	**1,600**	2,400
Additions of goodwill	**123,440**	–	**-**	–	**-**	–	**123,440**	–

Information about a major customer:

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the years ended 31 July 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS

31 July 2014

5. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Lai Sun Development Company Limited ("LSD") and its subsidiaries, and/or Lai Sun Garment (International) Limited ("LSG") and its subsidiaries, major shareholders of the Company:			
Rental expense and building management fee paid or payable	(i)	**10,518**	5,038
Rental income 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	10	**24,302**	–
Sharing of corporate salaries on a cost basis allocated from		**40,650**	31,098
Sharing of administrative expenses on a cost basis allocated from		**12,339**	22,934
Sharing of corporate salaries on a cost basis allocated to		**6,001**	4,383
Sharing of administrative expenses on a cost basis allocated to		**886**	646
Joint ventures:			
Consultancy and production service fee paid	(iv)	**3,976**	3,424
Consultancy service income	(iv)	**1,105**	4,335
Advisory income	(iv)	**1,760**	–
Interest income received	(v)	**163**	2,979
Management and other service fees paid or payable to a related company	(vi)	**9,574**	9,061

5. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

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

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

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

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

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

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

Certain of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and their details are disclosed in the Report of the Directors.

(b) Compensation of key management personnel of the Group

	Group	
	2014 **HK$'000**	2013 HK$'000
Short term employee benefits	**26,545**	30,709
Post-employment benefits	**59**	56
Equity-settled share option expense	**–**	18,360
Total compensation paid to key management personnel	**26,604**	49,125

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

NOTES TO FINANCIAL STATEMENTS

31 July 2014

6. TURNOVER AND OTHER REVENUE

An analysis of the Group's turnover and other revenue 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	**564,186**	522,744
Entertainment event income	**269,328**	283,539
Distribution commission income and licence fee income from film products and film rights	**257,229**	236,389
Album sales, licence income and distribution commission income from music publishing and licensing	**46,343**	53,423
Box-office takings, concessionary income and related income from cinemas	**252,395**	–
Artiste management fee income	**47,719**	52,148
Advertising agency income	**11,861**	40,714
Sale of products	**254,807**	70,548
	2,344,796	2,631,699
Other revenue		
Property management fee income	**101,706**	99,397
Bank interest income	**36,102**	32,243
Other interest income	**141**	1,058
Interest income from an amount due from a joint venture, net	**145**	2,811
Consultancy service income from a joint venture, net	**1,043**	4,098
Consultancy, design and related fee income	**44,587**	1,460
Government grants	**2,909**	1,258
Others	**57,697**	37,053
	244,330	179,378
	2,589,126	2,811,077

7. PROFIT BEFORE TAX

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

	Notes	Group 2014 HK$'000	Group 2013 HK$'000
Cost of completed properties sold		**489,968**	1,249,043
Outgoings in respect of rental income		**150,455**	114,960
Cost of film rights, licence rights and film products		**233,456**	141,521
Cost of artiste management services, advertising agency services, and services for entertainment events provided		**245,484**	307,731
Cost of theatrical releasing and concessionary sales		**101,441**	–
Cost of inventories sold		**202,585**	37,792
Total cost of sales		**1,423,389**	1,851,047
Employee benefit expense (including directors' emoluments (note 9)):			
Wages and salaries		**471,821**	369,676
Equity-settled share option expense		**–**	40,006
Pension scheme contributions ###		**4,944**	5,898
		476,765	415,580
Capitalised in films under production		**(6,535)**	(7,219)
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(67,461)**	(75,108)
		402,769	333,253
Auditors' remuneration		**9,760**	9,162
Depreciation^	13	**142,849**	115,902
Minimum lease payments under operating leases in respect of land and buildings incurred for:			
Entertainment events ##		**9,235**	3,123
Cinemas**		**38,134**	–
Others		**35,678**	25,672
Contingent rents incurred for:			
Entertainment events ##		**20,805**	29,913
Cinemas**		**20,885**	–
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(5,472)**	(5,483)
Total operating lease payments		**119,265**	53,225

NOTES TO FINANCIAL STATEMENTS

31 July 2014

7. PROFIT BEFORE TAX (continued)

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

	Notes	Group 2014 HK$'000	Group 2013 HK$'000
Impairment of completed properties for sale **		**–**	7,860
Impairment of an available-for-sale investment **		**–**	16,300
Impairment of music catalogs **	19	**2,000**	9,000
Impairment of film products #	18	**35,153**	–
Write-off of items of property, plant and equipment **	13	**15,775**	–
Write-off of films under production #	27	**3,083**	672
Share of net income from entertainment events organised by co-investors *		**(9,289)**	(6,626)
Fair value loss on options **	30	**5,172**	10,912
Amortisation of film rights #	17	**16,702**	18,116
Amortisation of film products #	18	**96,249**	111,646
Amortisation of music catalogs #	19	**3,894**	4,734
Amortisation of other intangible assets #	21	**3,693**	9,102
Provision for doubtful debts **	29	**3,278**	1,303
Provision for advances and other receivables **	25	**27,662**	405
Reversal of provision for advances and other receivables *	25	**(6,516)**	(32)
Provision for amounts due from joint ventures **		**1,720**	3,324
Gain on disposal of joint ventures *		**(7,820)**	–
Gain on disposal of subsidiaries *	45	**(9,477)**	–
Gain on disposal of partial interest of an available-for-sale investment *	24	**(38,611)**	–
Loss on disposal of items of property, plant and equipment **		**508**	438
Provision for/(reversal of provision for) inventories #		**(718)**	115
Foreign exchange differences, net *		**(25,897)**	(43,648)

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

** *These items are included in the "Other operating expenses" on the face of the consolidated income statement. The contingent rents are charged based on certain percentages of the gross box-office takings in respect of the cinema operation.*

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

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

7. PROFIT BEFORE TAX (continued)

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

As at 31 July 2014 and 31 July 2013, the Group had no forfeited contributions from the pension schemes available to reduce its contributions to the pension schemes in future years.

^ *Depreciation charges of HK$120,538,000 (2013: HK$87,901,000) are included in "Other operating expenses" on the face of the consolidated income statement of which HK$98,896,000 (2013: HK$87,901,000) are for serviced apartments and related leasehold improvements and HK$21,642,000 (2013: Nil) are related to cinema operation.*

8. FINANCE COSTS

An analysis of finance costs is as follows:

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Interest on:			
Bank loans wholly repayable within five years		**130,684**	90,521
Bank loans repayable beyond five years		**4,296**	–
Other borrowings wholly repayable within five years		**5,647**	5,640
2007 Notes (as disclosed in note 37)		**86,552**	130,823
2013 Notes (as disclosed in note 37)		**142,006**	37,467
First Completion Convertible Notes (as defined and disclosed in note 36)		**16,850**	18,640
Second Completion Convertible Notes (as defined and disclosed in note 36)		**7,262**	5,367
Guaranteed Notes (as defined and disclosed in note 38)		**6,919**	–
Amortisation of:			
Bank loans		**14,768**	–
2007 Notes	37	**5,975**	7,756
2013 Notes	37	**6,573**	1,678
Guaranteed Notes	38	**550**	–
Bank financing charges and direct costs		**25,842**	15,961
Other finance costs		**823**	–
		454,747	313,853
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	13	**(16,364)**	–
		(95,374)	(87,597)
Total finance costs		**359,373**	226,256

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.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and the disclosure requirement of Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), is as follows:

	Group	
	2014 **HK$'000**	2013 HK$'000
Fees	**1,920**	1,975
Other emoluments:		
Basic salaries, housing and other allowances, and benefits in kind	**24,625**	28,734
Equity-settled share option benefits	**–**	18,360
Pension scheme contributions	**59**	56
	24,684	47,150
	26,604	49,125
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(6,705)**	(12,947)
	19,899	36,178

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

During the year ended 31 July 2013, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company and Lai Fung, further details of which are set out in note 42 to the financial statements. The fair value of such options, which had been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year is included in the above directors' remuneration disclosures.

	Fees HK$'000	Basic salaries, housing and other allowances, and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 July 2014				
Executive directors:				
Lam Kin Ngok, Peter (resigned on 14 February 2014)	65	7,361	–	7,426
Lui Siu Tsuen, Richard^	120	3,280	12	3,412
Chew Fook Aun	–	7,741	31	7,772
Lam Hau Yin, Lester	–	1,557	16	1,573
Yip Chai Tuck@ (appointed on 14 February 2014)	–	–	–	–
	185	19,939	59	20,183
Non-executive directors:				
U Po Chu	–	4,371	–	4,371
Andrew Y. Yan	240	15	–	255
	240	4,386	–	4,626
Independent non-executive directors:				
Low Chee Keong	675	80	–	755
Alfred Donald Yap	240	75	–	315
Ng Lai Man, Carmen	340	80	–	420
Lo Kwok Kwei, David	240	65	–	305
	1,495	300	–	1,795
	1,920	24,625	59	26,604

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

@ *With effect from 1 August 2014, Yip Chai Tuck is entitled to receive an annual remuneration of HK$1,000,000 from each of the Company and Media Asia Group Holdings Limited ("MAGHL") and such other remuneration and discretionary bonus as may be determined by the respective boards from time to time.*

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9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

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

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2014 and 2013.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid employees during the year included three (2013: four) directors, details of whose emoluments are set out above. Details of the remuneration for the year of the remaining two (2013: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**11,056**	5,937
Equity-settled share option expense	**–**	1,828
Pension scheme contributions	**16**	15
	11,072	7,780
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(3,548)**	(4,435)
	7,524	3,345

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

	Group Number of employees	
	2014	2013
HK$4,500,001 – HK$5,000,000	**1**	–
HK$6,000,001 – HK$6,500,000	**1**	–
HK$7,500,001 – HK$8,000,000	**–**	1
	2	1

During the year ended 31 July 2013, share options were granted to the non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which is included in the disclosures in note 42 to the financial statements. The fair value of such options, which had been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax had been made for the year ended 31 July 2013 as there were no assessable profits arising in Hong Kong for the year ended 31 July 2013. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Current			
– Hong Kong			
Charge for the year		**4,261**	–
Overprovision in prior years		**(50)**	(1,738)
		4,211	(1,738)
– Elsewhere			
Charge for the year		**1,462**	3,186
– Mainland China			
Corporate income tax			
Charge for the year		**76,313**	124,039
Underprovision in prior years		**29,902**	–
LAT			
Charge for the year		**11,151**	201,477
Overprovision in prior years		**(116,778)**	–
		588	325,516
		6,261	326,964
Deferred tax	40	**304,574**	(21,144)
Tax indemnity	5	**(24,302)**	–
Total tax charge for the year		**286,533**	305,820

10. INCOME TAX EXPENSE (continued)

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

	Group	
	2014 HK$'000	2013 HK$'000
Profit before tax	**934,921**	502,883
Tax at the applicable tax rates	**285,424**	160,170
Provision for LAT	**11,151**	201,477
Tax effect of provision for LAT	**(2,788)**	(50,369)
Profits and losses attributable to joint ventures and associates	**(8,237)**	4,808
Income not subject to tax	**(10,711)**	(5,478)
Expenses and losses not deductible for tax	**75,226**	40,777
Other temporary differences	**(85)**	(104,697)
Estimated tax losses utilised from prior periods	**(5,953)**	(5,882)
Estimated tax losses not recognised	**49,699**	36,788
Tax indemnity	**(24,302)**	–
Adjustments in respect of LAT of prior periods	**(116,778)**	–
Adjustments in respect of current tax of prior periods	**29,852**	(1,738)
Withholding tax at 5% on the distributable earnings of the subsidiaries established in Mainland China	**4,035**	29,964
Tax charge at the Group's effective rate	**286,533**	305,820

During the year ended 31 July 2014, 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 Lai Fung (together with its subsidiaries, "Lai Fung Group") on The Stock Exchange of Hong Kong Limited (currently on the Main Board) (the "Listing"), a tax indemnity deed was signed on 12 November 1997, pursuant to which LSD has undertaken to indemnify the Lai Fung Group in respect of certain potential Mainland China income taxes and LAT payable or shared by the Lai Fung Group in consequence of the disposal of any of the property interests attributable to the Lai Fung Group through its subsidiaries and its joint ventures as at 31 October 1997 (the "Property Interests"). These tax indemnities given by LSD apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as "Knight Frank Petty Limited"), independent professionally qualified valuers (the "Valuers"), as at 31 October 1997 (the "Valuation") and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997 together with the amount of unpaid land costs, unpaid land lease payments and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests.

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

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

The consolidated profit attributable to owners of the Company for the year ended 31 July 2014 includes a loss of HK$11,944,000 (2013: HK$19,964,000) which has been dealt with in the financial statements of the Company (note 43(b)).

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

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to owners of the Company and ordinary shares of 1,243,212,165 (2013: 1,243,212,165) in issue during the year.

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

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

The exercise of share options of MAGHL and the conversion of the outstanding convertible notes issued by MAGHL have an anti-dilutive effect on the basic earnings/(loss) per share amounts presented during the years ended 31 July 2014 and 2013.

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

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

	2014 HK$'000	2013 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	**268,618**	(17,208)
Effect of dilutive potential ordinary shares arising from adjustment to the share of profit of a subsidiary based on dilution of its earnings per share *	**(607)**	(294)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**268,011**	(17,502)

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,243,212,165**	1,243,212,165
Effect of dilution – weighted average number of ordinary shares: Share options	**499,376**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**1,243,711,541**	1,243,212,165

* *Balance represented the decrease in the Group's proportionate interest in the earnings of Lai Fung of HK$607,000 (2013: HK$294,000) assuming all dilutive outstanding share options of Lai Fung were exercised to subscribe for ordinary shares of Lai Fung at the beginning of the year.*

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13. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Land and buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
As at 1 August 2012		257,760	1,825,918	286,466	40,326	27,007	29,441	–	2,466,918
Additions		–	7,046	36,867	10,175	1,225	2,129	–	57,442
Disposals		–	–	(519)	(3,595)	(191)	(835)	–	(5,140)
Transfer from completed properties for sale		–	484,800	–	–	–	–	–	484,800
Transfer from properties under development	15	–	–	–	–	–	–	239,895	239,895
Exchange realignment		1,586	16,481	6,367	707	298	201	–	25,640
At 31 July 2013 and 1 August 2013		259,346	2,334,245	329,181	47,613	28,339	30,936	239,895	3,269,555
Finance costs capitalised	8	–	–	–	–	–	–	16,364	16,364
Acquisition of subsidiaries	44	–	–	90,597	68,463	2,049	–	–	161,109
Additions		–	30,716	63,650	24,235	2,757	5,630	20,955	147,943
Write-off		–	–	(24,269)	(1)	–	–	–	(24,270)
Disposals		–	–	(2,150)	(3,673)	(2,124)	(13,837)	–	(21,784)
Disposal of subsidiaries	45	–	–	–	–	–	(134)	–	(134)
Transfer from completed properties for sale		48,007	–	–	–	–	–	–	48,007
Exchange realignment		(503)	1,230	(166)	(218)	14	28	270	655
As at 31 July 2014		**306,850**	**2,366,191**	**456,843**	**136,419**	**31,035**	**22,623**	**277,484**	**3,597,445**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Notes	Land and buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment:									
At 1 August 2012		48,714	231,425	60,312	30,019	21,330	24,098	–	415,898
Provided during the year		6,509	56,293	43,810	4,496	2,141	2,653	–	115,902
Disposals		–	–	(390)	(3,285)	(191)	(795)	–	(4,661)
Exchange realignment		511	2,209	1,823	533	200	150	–	5,426
At 31 July 2013 and 1 August 2013		55,734	289,927	105,555	31,763	23,480	26,106	–	532,565
Acquisition of subsidiaries	44	–	–	62,433	51,729	1,877	–	–	116,039
Provided during the year		8,006	63,415	53,405	13,342	1,911	2,770	–	142,849
Write-off		–	–	(8,494)	(1)	–	–	–	(8,495)
Disposals		–	–	(2,063)	(3,536)	(1,764)	(13,773)	–	(21,136)
Disposal of subsidiaries	45	–	–	–	–	–	(56)	–	(56)
Exchange realignment		7	(23)	(323)	(160)	4	(1)	–	(496)
At 31 July 2014		**63,747**	**353,319**	**210,513**	**93,137**	**25,508**	**15,046**	**-**	**761,270**
Net carrying amount:									
At 31 July 2014		**243,103**	**2,012,872**	**246,330**	**43,282**	**5,527**	**7,577**	**277,484**	**2,836,175**
At 31 July 2013		203,612	2,044,318	223,626	15,850	4,859	4,830	239,895	2,736,990

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Computers HK$'000
Cost:	
At 1 August 2012, 31 July 2013, 1 August 2013 and 31 July 2014	**824**
Accumulated depreciation:	
At 1 August 2012	608
Provided during the year	165
At 31 July 2013 and 1 August 2013	773
Provided during the year	51
At 31 July 2014	**824**
Net carrying amount:	
At 31 July 2014	**–**
At 31 July 2013	51

Details of the Group's land and buildings held under medium and long term leases are as follows:

	2014 **HK$'000**	2013 HK$'000
At net carrying amount:		
Mainland China – Medium term leases	**41,837**	–
Mainland China – Long term leases	**45,977**	43,605
Hong Kong – Medium term leases	**144,419**	148,594
Macau – Medium term leases	**10,870**	11,413
	243,103	203,612

As at 31 July 2014, the Group's serviced apartments, which are situated in Mainland China, with carrying amounts of HK$1,932,292,000 (2013: HK$1,964,282,000) and HK$80,580,000 (2013: HK$80,036,000) were held under medium and long term leases, respectively.

As at 31 July 2014, certain land and buildings and certain serviced apartments (including related leasehold improvements) with carrying amounts of HK$95,099,000 (2013: HK$97,509,000) and HK$1,651,097,000 (2013: HK$1,751,804,000), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 34(a) to the financial statements.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 July 2014, the Group's land and buildings in Hong Kong with net carrying amounts of HK$49,681,000 (2013: HK$51,616,000) were pledged to secure general banking facilities granted to the Group which were not utilised as at 31 July 2014 and 2013.

As at 31 July 2013, construction in progress with carrying amount of HK$239,895,000 was pledged to a bank to secure a bank borrowing of the Group as further set out in note 34(f) to financial statements.

The net carrying amount of the Group's assets held under finance leases included in the total amount of furniture, fixtures and equipment as at 31 July 2014 amounted to approximately HK$11,000 (2013: HK$140,000).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**894,680**	894,680
Amounts due from subsidiaries	**8,613,683**	8,295,835
	9,508,363	9,190,515
Impairment #	**(3,214,954)**	(3,134,691)
	6,293,409	6,055,824

The impairment as at 31 July 2014 includes impairment provision of HK$894,658,000 (2013: HK$894,593,000) and HK$2,320,296,000 (2013: HK$2,240,098,000) for investments and amounts due from subsidiaries, respectively, with reference to the estimated fair value of the underlying assets held by the subsidiaries and the operating performance of these subsidiaries.

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

	2014 HK$'000	2013 HK$'000
At the beginning of the reporting period	**2,240,098**	2,164,182
Impairment loss recognised	**80,198**	75,916
At the end of the reporting period	**2,320,296**	2,240,098

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment but are not expected to be repayable within the next 12 months from the end of the reporting period.

14. INVESTMENTS IN SUBSIDIARIES (continued)

The market values at 31 July 2014 and at the date of approval of these financial statements of the listed shares of MAGHL, a non-wholly-owned subsidiary held by the Group were approximately HK$417,124,000 (2013: HK$523,608,000) and HK$379,204,000 (2013: HK$396,063,000), respectively.

The market values at 31 July 2014 and at the date of approval of these financial statements of the listed shares of Lai Fung, a non-wholly-owned subsidiary held by the Group were approximately HK$1,505,917,000 (2013: HK$1,528,392,000) and HK$1,381,803,000 (2013: HK$1,576,154,000), respectively.

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

Lai Fung

	2014 HK$'000	2013 HK$'000
Current assets	**5,059,886**	8,423,123
Non-current assets	**18,404,166**	16,062,825
Total assets	**23,464,052**	24,485,948
Current liabilities	**(1,674,289)**	(3,412,775)
Non-current liabilities	**(6,799,879)**	(6,528,935)
Total liabilities	**(8,474,168)**	(9,941,710)
Equity attributable to non-controlling interests of the Group	**7,373,625**	7,718,589

14. INVESTMENTS IN SUBSIDIARIES (continued)

Lai Fung (continued)

	2014 HK$'000	2013 HK$'000
Turnover	**1,207,302**	1,894,938
Other revenue	**213,255**	158,361
Fair value gain of investment properties	**1,138,045**	660,708
Share of profit of joint venture	**43,921**	12,053
Expenses	**(1,718,570)**	(2,286,050)
Profit for the year	**883,953**	440,010
Other comprehensive income for the year	**57,337**	271,659
Total comprehensive income for the year	**941,290**	711,669
Profit attributable to the non-controlling interests	**437,003**	246,049
Other comprehensive income attributable to the non-controlling interests	**31,283**	139,668
Total comprehensive income attributable to the non-controlling interests	**468,286**	385,717
Dividend paid to non-controlling interests	**52,197**	22,812
Net cash flows from operating activities	**121,488**	860,924
Net cash flows from/(used in) investing activities	**636,960**	(1,324,037)
Net cash flows from/(used in) financing activities	**(2,296,622)**	2,360,965
Net cash inflows/(outflows)	**(1,538,174)**	1,897,852

14. INVESTMENTS IN SUBSIDIARIES (continued)

MAGHL

	2014 HK$'000	2013 HK$'000
Current assets	**806,895**	944,244
Non-current assets	**120,767**	219,013
Total assets	**927,662**	1,163,257
Current liabilities	**(373,159)**	(485,341)
Non-current liabilities	**–**	(205,309)
Total liabilities	**(373,159)**	(690,650)
Equity attributable to non-controlling interests of the Group	**268,378**	298,239
Turnover	**456,950**	441,170
Other income	**9,912**	5,523
Other operating gains	**19,730**	16,560
Expenses	**(639,815)**	(556,214)
Loss for the year	**(153,223)**	(92,961)
Other comprehensive loss for the year	**(521)**	(3,687)
Total comprehensive loss for the year	**(153,744)**	(96,648)
Loss attributable to the non-controlling interests	**(60,693)**	(30,598)
Other comprehensive income/(loss) attributable to the non-controlling interests	**88**	(1,383)
Total comprehensive loss attributable to the non-controlling interests	**(60,605)**	(31,981)
Dividend paid to non-controlling interests	**8,967**	–
Net cash flows used in operating activities	**(79)**	(244,669)
Net cash flows from/(used in) investing activities	**36,760**	(38,557)
Net cash flows used in financing activities	**(124,305)**	–
Net cash outflows	**(87,624)**	(283,226)

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

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14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Guangzhou Beautifirm Cosmetic Ltd. ## *	PRC/ Mainland China	US$1,260,000#	–	100	Sale of cosmetic products
Intercontinental Film Distributors (H.K.) Limited	Hong Kong	HK$700,400	–	85	Film distribution
Intercontinental Group Holdings Limited ("IGHL") *(Note c)*	Cayman Islands/ Hong Kong	US$50,000	–	85	Investment holding
Intercontinental Interactive Limited	Hong Kong	HK$10,000	–	85	Provision of management services
Intercontinental Video Limited	Hong Kong	HK$100	–	85	Distribution of movie video compact discs, digital video discs and blu-ray discs
Kaleidoscope International Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Property holding
Lauro Game Entertainment Limited	Hong Kong	HK$100,000	–	85	Trading of gaming products
Media Asia Distribution Ltd.	British Virgin Islands/ Hong Kong	US$80	–	100	Film distribution, licensing of film rights and film Investment
Media Asia Distribution (HK) Limited	Hong Kong	HK$2	–	100	Film distribution and film library management
Media Asia Entertainment Group Limited *	Bermuda/ Hong Kong	HK$24,000,000	–	100	Investment holding

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Media Asia Films Limited	Hong Kong	HK$2	–	100	Film production and investment holding
Media Asia Films (BVI) Ltd.	British Virgin Islands/ Hong Kong	US$7	–	100	Film production, licensing of films and investment holding
Media Asia Group Limited	Hong Kong	HK$2	–	100	Investment holding and provision of management services
Media Asia Holdings Ltd. *	British Virgin Islands/ Hong Kong	US$6,831	–	100	Investment holding
Mega Star Video Distribution (HK) Limited	Hong Kong	HK$2	–	100	Licensing of film products and film rights and sale of video products
Merit Worth Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
Multiplex Cinema Limited	Hong Kong	HK$200,000	–	85	Operation of cinemas
Perfect Advertising & Production Company Limited	Hong Kong	HK$10,000	–	85	Provision of advertising services, video duplication services, and translating and subtitling of television programmes

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14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Perfect Sky Holdings Limited ("Perfect Sky")	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding
Rich & Famous Talent Management Group Limited	Hong Kong	HK$100	–	75	Provision of artiste management services
Silver Glory Securities Limited *	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Sunny Horizon Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
洲立影藝(深圳)有限公司 ## *	PRC/ Mainland China	HK$10,000,000#	–	85	Operation of cinemas
廣東五月花電影城有限公司 ## *	PRC/ Mainland China	RMB6,000,000#	–	100	Operation of cinemas
豐麗星恒文化顧問(北京)有限公司 ## *	PRC/ Mainland China	HK$40,000,000#	–	100	Provision of consultancy services in relation to cultural activities
豐麗常升文化顧問(北京)有限公司 ## *	PRC/ Mainland China	RMB36,500,000#	–	100	Provision of consultancy services in relation to cultural activities
東亞豐麗演出經紀(北京)有限公司 ## *	PRC/ Mainland China	RMB25,000,000#	–	100	Provision of artiste management and performance agency services

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
MAGHL (Listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) (Note a)	Incorporated in the Cayman Islands and continued in Bermuda/ Hong Kong	HK$13,398,658	–	62.89	Investment holding
Champ Universe Limited ^	Hong Kong	HK$1	–	62.89	Provision of management services
Media Asia Entertainment Limited ^	Hong Kong	HK$100	–	62.89	Entertainment activity production
Media Asia Film Production Limited ^	Hong Kong	HK$100	–	62.89	Film production and investment holding
寰亞文化傳播（中國）有限公司 ^ ## *	PRC/ Mainland China	HK$38,000,000#	–	62.89	Entertainment activity production
Lai Fung (Listed on the Stock Exchange) (Note b)	Cayman Islands/ Hong Kong	HK$1,610,189,926	–	51.39	Investment holding
Canvex Limited ^^	Hong Kong	HK$2	–	51.39	Property investment
Eastern Power Limited ^^	Hong Kong	HK$100,000	–	51.39	Investment holding
Eternal Medal Limited ^^	Hong Kong	HK$1	–	51.39	Investment holding
Farron Assets Limited ^^ *	British Virgin Islands/ Hong Kong	US$1,000	–	51.39	Investment holding

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14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Fore Bright Limited ^^	Hong Kong	HK$1	–	51.39	Investment holding
Frank Light Development Limited ^^	Hong Kong	HK$19,999,999	–	51.39	Investment holding
Gentle Code Limited ^^	Hong Kong	HK$1	–	51.39	Investment holding
Gentle Holdings Limited ^^	Hong Kong	HK$1	–	51.39	Investment holding
Goldthorpe Limited ^^ *	British Virgin Islands/ Hong Kong	US$1	–	51.39	Investment holding
Good Strategy Limited ^^	British Virgin Islands/ Mainland China	US$1	–	51.39	Property investment
Grand Wealth Limited ^^	Hong Kong	HK$2	–	51.39	Investment holding
Grosslink Investment Limited ^^	Hong Kong	HK$2	–	51.39	Investment holding
Guangzhou Gentle Code Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$22,830,000#	–	51.39	Property investment
Guangzhou Gentle Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$17,080,000#	–	51.39	Property development
Guangzhou Grand Wealth Properties Limited ^^ ### *	PRC/ Mainland China	HK$280,000,000#	–	51.39	Property development and investment

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Guangzhou Guang Bird Property Development Limited ^^ ### *	PRC/ Mainland China	US$46,000,000#	–	51.39	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited ^^ ### *	PRC/ Mainland China	RMB79,733,004#	–	51.39	Property development and investment
Guangzhou Jadepress Real Estate Company Limited ^^ ## *	PRC/ Mainland China	US$19,150,000#	–	51.39	Property development and investment
Guangzhou Jieli Real Estate Company Limited ^^ ## *	PRC/ Mainland China	HK$168,000,000#	–	51.39	Property investment
Hankey Development Limited ^^	Hong Kong	HK$10,000	–	51.39	Investment holding
Jadepress Limited ^^	Hong Kong	HK$1	–	51.39	Investment holding
Kingscord Investment Limited ^^	Hong Kong	HK$2	–	51.39	Investment holding
Lai Fung Company Limited ^^	Hong Kong	HK$20	–	51.39	Investment holding
Manful Concept Limited ^^	Hong Kong	HK$2	–	51.39	Investment holding
Nicebird Company Limited ^^	Hong Kong	HK$2	–	51.39	Investment holding
Shanghai Hankey Real Estate Development Company Limited ^^ Δ	PRC/ Mainland China	US$10,800,000#	–	50.88	Property investment
Shanghai HKP Property Management Limited ^^ Δ *	PRC/ Mainland China	US$150,000#	–	51.39	Property management

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14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Effective percentage of capital held by Company	Effective percentage of capital held by Group	Principal activities
Shanghai Hu Xin Real Estate Development Company Limited ^^ Δ	PRC/ Mainland China	US$40,000,000#	–	48.82	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited ^^ *	PRC/ Mainland China	US$36,000,000#	–	51.39	Property investment
Shanghai Wa Yee Real Estate Development Company Limited ^^ Δ *	PRC/ Mainland China	US$10,000,000#	–	48.82	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited ^^ Δ	PRC/ Mainland China	US$12,000,000#	–	50.88	Property development and investment
Sunlite Investment Limited ^^	Hong Kong	HK$2	–	51.39	Investment holding
Wide Angle Development Limited ^^	Hong Kong	HK$2	–	51.39	Investment holding
Winfield Concept Limited ^^	Hong Kong	HK$10,000	–	61.11	Investment holding
Zhongshan Bao Li Properties Development Company Limited ("Zhongshan Bao Li") ^^ ## *	PRC/ Mainland China	HK$460,000,000#	–	51.39	Property development and investment
廣州高樂物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB1,100,000#	–	51.39	Property management
上海麗港物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB500,000#	–	51.39	Property management
中山高樂物業管理有限公司 ^^ ø *	PRC/ Mainland China	RMB500,000#	–	51.39	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#	–	61.11	Property development

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

\# *The registered capital of these subsidiaries were fully paid up, except for 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*

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

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

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

^ *These are subsidiaries of MAGHL*

^^ *These are subsidiaries of Lai Fung*

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

As at 31 July 2014, the entire equity interests in Lai Fung and MAGHL were pledged to secure the guaranteed notes (note 38). In addition, the entire equity interests in certain subsidiaries were pledged to secure fixed rate senior notes and certain bank borrowings of the Lai Fung Group on a pari passu basis (notes 37 and 34(d)).

As at 31 July 2014, certain subsidiaries had jointly and severally guaranteed the obligations of the Lai Fung Group in connections with the fixed rate senior notes and certain bank borrowings (notes 37 and 34(g)).

Notes:

(a) Conversion of convertible notes of MAGHL and acquisition of additional interests in MAGHL

On 9 January 2014, MAGHL underwent the capital reorganisation which involved (i) the consolidation of every twenty issued shares of MAGHL into one consolidated share of par value of HK$0.20 ("Share Consolidation"), (ii) capital reduction at HK$0.19 per consolidated share; (iii) share premium reduction; and (iv) transfer the capital reduction and share premium reduction to set off against accumulated losses. Upon the capital reorganisation effective on 9 January 2014, the issued share capital of MAGHL became HK$6,691,789 divided into 669,178,882 ordinary shares ("New Shares") of HK$0.01 each.

On 10 January 2014, a placing agreement was entered into between MAGHL and Celestial Capital Limited, an independent third party. On 21 January 2014, MAGHL issued an aggregate of 132,250,000 New Shares at a price of HK$0.607 per New Share of HK$0.01 each in MAGHL to two placees, who were independent of, and not connected with the Group. The gross proceeds from the said placement amounted to approximately HK$80,276,000 and the related issue expense was approximately HK$641,000. The change in the Company's shareholding interest in MAGHL upon the share placement resulted in an increase in other reserve of HK$11,407,000 and an increase in the non-controlling interests of HK$68,228,000 in the consolidated statement of changes in equity during the year ended 31 July 2014.

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Notes: (continued)

(a) Conversion of convertible notes of MAGHL and acquisition of additional interests in MAGHL (continued)

During the period before Share Consolidation, MAGHL issued an aggregate of 125,000,000 shares and 118,320,035 shares of HK$0.01 each in MAGHL for partial conversion of First Completion Convertible Notes to Perfect Sky and a First Completion Convertible Note holder at conversion price of HK$0.016 and HK$0.02785, respectively.

During the period after Share Consolidation, MAGHL issued an aggregate of 425,375,000 New Shares and 21,500,000 New Shares of HK$0.01 each in MAGHL for partial conversion of First Completion Convertible Notes to Perfect Sky and a First Completion Convertible Note holder at conversion price of HK$0.32 (adjusted as a result of Share Consolidation). In addition, MAGHL issued an aggregate of 16,157,988 New Shares of HK$0.01 each in MAGHL for partial conversion of First Completion Convertible Notes to another First Completion Convertible Note holder at conversion price of HK$0.557 (adjusted as a result of Share Consolidation).

During the period after Share Consolidation, MAGHL issued an aggregate of 75,403,950 New Shares of HK$0.01 each in MAGHL for partial conversion of Second Completion Convertible Notes to Perfect Sky at conversion price of HK$0.557 (adjusted as a result of Share Consolidation). The change in the Group's shareholding interest in MAGHL resulted in a decrease in other reserve of HK$3,254,000 and an increase in the non-controlling interests of HK$21,895,000 in the consolidated statement of changes in equity during the year ended 31 July 2014.

After share placement and a series of conversion of convertible notes, the Group's shareholding in MAGHL has increased from 51.09% to 62.89%.

(b) Acquisition of additional interests in Lai Fung

During the year ended 31 July 2014, the Company acquired additional shares of Lai Fung from the public shareholders at a consideration of approximately HK$62,928,000 (2013: HK$46,595,000) and the equity interest in Lai Fung increased from to 49.46% to 51.39% as at 31 July 2014 (2013: from 47.87% to 49.46%). The change in the Company's shareholding interest in Lai Fung resulted in an increase in other reserve of HK$214,298,000 (2013: HK$166,364,000) and a decrease in the non-controlling interests of HK$277,226,000 (2013: HK$212,959,000) in the consolidated statement of changes in equity during the year ended 31 July 2014. In addition, Lai Fung acquired additional shareholding interests in its subsidiaries at a consideration of approximately HK$418,942,000. The change in Lai Fung's shareholding interests in its subsidiaries resulted in an increase in other reserve of HK$67,529,000 and a decrease in non-controlling interests of HK$486,471,000 in the consolidated statement of changes in equity during the year ended 31 July 2014.

(c) Acquisition of IGHL

On 15 August 2013, the Group acquired an 85% equity interest in IGHL for a total consideration of approximately HK$212,500,000. Further details are disclosed in note 44 to the financial statements.

15. PROPERTIES UNDER DEVELOPMENT

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
Carrying amount as at 1 August		**1,554,566**	1,763,969
Finance costs capitalised	8	**40,543**	71,724
Additions		**383,547**	270,219
Transfer to completed properties for sale		**(410,847)**	(351,060)
Transfer to property, plant and equipment	13	**–**	(239,895)
Exchange realignment		**1,433**	39,609
Carrying amount as at 31 July		**1,569,242**	1,554,566
Amount classified as current assets		**(924,889)**	(1,059,062)
Non-current portion		**644,353**	495,504

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$145,486,000 (2013: HK$1,205,036,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 34(b) to the financial statements.

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

	Group	
	2014 HK$'000	2013 HK$'000
Carrying amount as at 1 August	**349,272**	544,976
Additions	**22,546**	–
Amortised during the year	**(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

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16. INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK$'000	HK$'000
Completed investment properties	**9,764,691**	8,883,100
Investment properties under construction, at fair value	**1,592,000**	1,223,000
Investment properties under construction, at cost #	**2,552,720**	1,761,397
	13,909,411	11,867,497

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	
		2014	2013
	Note	**HK$'000**	HK$'000
Carrying amount as at 1 August		**11,867,497**	10,786,016
Finance costs capitalised	8	**38,467**	15,873
Additions		**854,414**	107,362
Transfer from completed properties for sale		**3,083**	10,725
Net gain from fair value adjustments		**1,138,045**	660,708
Exchange realignment		**7,905**	286,813
Carrying amount as at 31 July		**13,909,411**	11,867,497

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	**228,191**	210,000
Medium term leases	**13,681,220**	11,657,497
	13,909,411	11,867,497

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 46(b) to the financial statements.

16. INVESTMENT PROPERTIES (continued)

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 34(c) 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 technique 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. FILM RIGHTS

	Group HK$'000
Cost:	
At 1 August 2012	245,893
Additions	18,024
At 31 July 2013 and 1 August 2013	263,917
Additions	6,837
At 31 July 2014	**270,754**
Accumulated amortisation and impairment:	
At 1 August 2012	198,576
Provided during the year	18,116
At 31 July 2013 and 1 August 2013	216,692
Provided during the year	16,702
At 31 July 2014	**233,394**
Net carrying amount:	
At 31 July 2014	**37,360**
At 31 July 2013	47,225

In light of the circumstances of film industry, the Group regularly reviewed its library of film rights to assess the marketability of film rights and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2014 and 31 July 2013 were determined based on the present value of expected future revenue arising from the distribution and sub-licensing of the film rights and their residual values, which was derived from discounting the projected cash flows by a discount rate of approximately 13% (2013: 13%).

18. FILM PRODUCTS

	Note	Group HK$'000
Cost:		
At 1 August 2012		508,661
Transfer from films under production	27	138,634
At 31 July 2013 and 1 August 2013		647,295
Additions		336
Transfer from films under production	27	110,130
Exchange realignment		(13)
At 31 July 2014		**757,748**
Accumulated amortisation and impairment:		
At 1 August 2012		434,426
Provided during the year		111,646
At 31 July 2013 and 1 August 2013		546,072
Provided during the year		96,249
Impairment during the year		35,153
Exchange realignment		(24)
At 31 July 2014		**677,450**
Net carrying amount:		
At 31 July 2014		**80,298**
At 31 July 2013		101,223

In light of the circumstances of film industry, the Group regularly reviewed its film products to assess marketability of film products and the corresponding recoverable amounts. The estimated recoverable amounts as at 31 July 2014 were determined based on the present value of expected future revenue arising from the distribution and sublicensing of the film products and their residual values, which was derived from discounting the projected cash flows by a discount rate of 13.34%, based on which an impairment loss of HK$35,153,000 (2013: Nil) was recognised in the consolidated income statement for the year ended 31 July 2014.

19. MUSIC CATALOGS

	Group HK$'000
Cost:	
At 1 August 2012	141,234
Additions	2,400
At 31 July 2013 and 1 August 2013	143,634
Additions	1,600
At 31 July 2014	**145,234**
Accumulated amortisation and impairment:	
At 1 August 2012	109,235
Provided during the year	4,734
Impairment during the year	9,000
At 31 July 2013 and 1 August 2013	122,969
Provided during the year	3,894
Impairment during the year	2,000
At 31 July 2014	**128,863**
Net carrying amount:	
At 31 July 2014	**16,371**
At 31 July 2013	20,665

In light of the circumstances of music licensing industry, the Group undertook a review of its library of music catalogs to assess the marketability of respective music catalogs and the corresponding recoverable amounts. During the year, the directors of the Company determined that the music catalogs were impaired due to prevailing marketability circumstances. The directors assessed the recoverable amount of the music catalogs and based on which impairment loss of HK$2,000,000 (2013: HK$9,000,000) was recognised in the consolidated income statement for the year. The estimated recoverable amounts as at 31 July 2014 and 31 July 2013 were determined based on the present value of expected future cash flows generated from the music catalogs, which was discounted by a discount rate of approximately 13% (2013: 13%).

20. GOODWILL

	Notes	Group HK$'000
Cost:		
At 1 August 2012		13,659
Exchange realignment		253
At 31 July 2013 and 1 August 2013		13,912
Acquisition of subsidiaries	44	123,440
Disposal of subsidiaries	45	(10,574)
Exchange realignment		139
At 31 July 2014		**126,917**
Accumulated impairment:		
At 1 August 2012, 31 July 2013, 1 August 2013 and 31 July 2014		**3,477**
Net carrying amount:		
At 31 July 2014		**123,440**
At 31 July 2013		10,435

Impairment testing of goodwill

For the year ended 31 July 2014

Goodwill acquired through business combination during the year ended 31 July 2014 has been allocated to cash-generating units (the "IGHL CGU") from IGHL Acquisition (as defined in note 44), which are components of media and entertainment segment, film production and distribution segment and cinema operation segment, for impairment testing.

IGHL Group is a group of IGHL CGU which generate cash inflows that are largely independent of the cash inflows from other assets.

The recoverable amount of the IGHL CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which is based on the management's expectation for market development. The discount rate applied to the cash flow projections is 14.5%.

Assumptions were used in the value-in-use calculation of the IGHL CGU for the year ended 31 July 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rate – The discount rate used is before tax.

20. GOODWILL (continued)

Impairment testing of goodwill (continued)

For the year ended 31 July 2013

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

The recoverable amount of the CGU had been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period with a growth rate approved by senior management, which was based on the management's expectation for market development. The discount rate applied to the cash flow projections for the year ended 31 July 2013 was 30.16%.

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

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

Discount rate – The discount rate used was before tax.

During the year ended 31 July 2014, the Group disposed of Galaxy Soar Investments Limited ("Galaxy Soar") and its subsidiary, Media Magic Holdings Limited ("Media Magic") (collectively the "Galaxy Soar Group") with details set out in note 45. The Group has derecognised the goodwill upon completion of the disposal.

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21. OTHER INTANGIBLE ASSETS

Group

	Note	**Artiste management contracts** HK$'000	**Services contract** HK$'000	**Total** HK$'000
Cost:				
At 1 August 2012		49,968	24,531	74,499
Exchange realignment		1,240	609	1,849
At 31 July 2013 and 1 August 2013		51,208	25,140	76,348
Disposal of subsidiaries	45	(51,890)	(25,474)	(77,364)
Exchange realignment		682	334	1,016
At 31 July 2014		–	–	–
Accumulated amortisation and impairment:				
At 1 August 2012		2,472	560	3,032
Amortisation for the year		7,421	1,681	9,102
Exchange realignment		160	36	196
At 31 July 2013 and 1 August 2013		10,053	2,277	12,330
Amortisation for the year		3,011	682	3,693
Disposal of subsidiaries	45	(13,218)	(2,993)	(16,211)
Exchange realignment		154	34	188
At 31 July 2014		–	–	–
Net carrying amount:				
At 31 July 2014		–	–	–
At 31 July 2013		41,155	22,863	64,018

Artiste management contracts

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

Services contract

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

21. OTHER INTANGIBLE ASSETS (continued)

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

During the year ended 31 July 2014, the Group disposed of the Galaxy Soar Group (note 45). The Group has derecognised the artiste management contracts and services contract upon the completion of the disposal.

22. INVESTMENTS IN JOINT VENTURES

	Group	
	2014 **HK$'000**	2013 HK$'000
Share of net assets	**832,015**	785,194
Goodwill arising from acquisition	**–**	2,359
	832,015	787,553
Amounts due from joint ventures	**309,575**	308,060
Provision for impairment #	**(5,044)**	(3,324)
	304,531	304,736
	1,136,546	1,092,289

As at 31 July 2014, impairment of HK$5,044,000 (2013: HK$3,324,000) was recognised for amounts due from joint ventures with carrying amounts of HK$5,044,000 (2013: HK$3,324,000) (before deducting the impairment loss) because these joint ventures have been loss-making for some time.

The balances with joint ventures are unsecured, interest-free and have no fixed terms of repayment but are not expected to be repayable within the next 12 months from the end of the reporting period. As at 31 July 2013, the balances were interest-free except for an amount of HK$16,256,000 which was interest-bearing with reference to the People's Bank of China's base interest rate.

The Group received dividend income amounting to HK$500,000 from a joint venture during the year ended 31 July 2013.

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22. INVESTMENTS IN JOINT VENTURES (continued)

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

Name	Place of incorporation/ registration and business	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Beautiwin Limited ("Beautiwin")	Hong Kong	Ordinary	25.70	Investment holding
Guangzhou Beautiwin Real Estate Development Company Limited ("Guangzhou Beautiwin")**	PRC/ Mainland China	– *	24.41	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 above table lists the joint ventures of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

Lai Fung, through its wholly-owned subsidiaries, owns 50% equity interest in Beautiwin, which in turn, owns 95% equity interest in Guangzhou Beautiwin. Accordingly, the Group effectively owns 25.70% and 24.41% equity interest in Beautiwin and Guangzhou Beautiwin, respectively.

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

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

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

22. INVESTMENTS IN JOINT VENTURES (continued)

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

	2014 HK$'000	2013 HK$'000
Current assets (including cash and cash equivalents of HK$725,262,000 (2013: HK$41,770,000))	**2,014,694**	2,675,387
Non-current assets	**2,494,440**	1,956,635
Total assets	**4,509,134**	4,632,022
Current liabilities	**(2,067,891)**	(2,115,401)
Non-current liabilities	**(591,822)**	(761,414)
Total liabilities	**(2,659,713)**	(2,876,815)
Current financial liabilities (excluding creditors and accruals)	**(469,465)**	(470,013)

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	**1,849,421**	1,755,207
Less: Non-controlling interests	**(117,937)**	(113,617)
	1,731,484	1,641,590
Lai Fung's 50% interest in the Beautiwin Group	**865,742**	820,795
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	**1,100,591**	1,055,964

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22. INVESTMENTS IN JOINT VENTURES (continued)

	2014 HK$'000	2013 HK$'000
Revenue (including interest income of HK$4,911,000 (2013: HK$3,345,000))	**1,069,446**	871,103
Cost of sales	**(825,723)**	(648,623)
Expenses (including depreciation charges of HK$964,000 (2013: HK$1,952,000))	**(29,223)**	(58,329)
Income tax expense	**(122,196)**	(137,871)
Profit for the year	**92,304**	26,280
Other comprehensive income for the year	**1,910**	53,569
Total comprehensive income for the year	**94,214**	79,849
The Group's share of profit of the Beautiwin Group	**43,922**	12,053
The Group's share of other comprehensive income of the Beautiwin Group	**1,025**	25,333
The Group's share of total comprehensive income of the Beautiwin Group	**44,947**	37,386

Aggregate financial information of joint ventures that are not individually material

	2014 HK$'000	2013 HK$'000
The Group's share of profits and losses	**(14,753)**	(34,039)
The Group's share of other comprehensive income	**20**	356
The Group's share of total comprehensive income	**(14,733)**	(33,683)

23. INVESTMENTS IN ASSOCIATES

	Group	
	2014 HK$'000	2013 HK$'000
Share of net assets/(liabilities)	**2,684**	(2,832)
Amounts due from associates	**22,727**	20,688
Loan to an associate	**7,431**	–
	32,842	17,856

23. INVESTMENTS IN ASSOCIATES (continued)

Balances with the associates are unsecured, interest-free and have no fixed terms of repayment but are not expected to be repayable in the next 12 months from the end of the reporting period.

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

The associates are accounted for using the equity method in these consolidated financial statements. During the year, the Group received dividend income amounting to HK$990,000 (2013: Nil) from an associate.

As at 31 July 2014 and 2013, there were no material associates which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Aggregate financial information of associates that are not individually material

	2014 HK$'000	2013 HK$'000
The Group's share of profits and losses and total comprehensive income	**(115)**	(640)

24. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014 HK$'000	2013 HK$'000
Unlisted equity investments, at cost	**86,839**	102,340
Less: Impairment	**(10,722)**	(16,300)
	76,117	86,040
Unlisted equity investment, at fair value	**78,436**	72,451
	154,553	158,491

As at 31 July 2014, unlisted equity investments of the Group with a carrying amount of HK$76,117,000 (2013: HK$86,040,000) were stated at cost less impairment because the variability in the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not be measured reliably.

During the year, the Group disposed of partial interest of an unlisted equity investment to a third party and a gain on disposal of approximately HK$38,611,000 has been recognised as other operating gains in the consolidated financial statements.

During the year, the gross gain in respect of the Group's unlisted equity investment stated at fair value recognised in other comprehensive income amounted to HK$5,985,000 (2013: HK$8,570,000).

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Deposits, prepayments and advances for artiste management, music production and film production	**167,568**	323,062	**–**	–
Other deposits, prepayments and other receivables	**303,387**	244,381	**10,990**	23,598
	470,955	567,443	**10,990**	23,598
Portion classified as current portion	**(314,831)**	(478,296)	**(332)**	(440)
Non-current portion	**156,124**	89,147	**10,658**	23,158

Included in deposits, prepayments and other receivables as at 31 July 2014 are advances of HK$12,408,000 (2013: HK$25,870,000) due from film owners for the Group's investments in film projects and non-current deposit for acquisition of land use right of HK$89,765,000 (2013: Nil). The advances are unsecured, repayable within next 12 months and with a fixed guarantee return of 15% (2013: 15%).

Net of advances for artiste management and other receivables is a provision of HK$57,032,000 (2013: HK$35,680,000).

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

	Group	
	2014 **HK$'000**	2013 HK$'000
At the beginning of the reporting period	**35,680**	35,307
Acquisition of subsidiaries	**206**	–
Provision for advances and other receivables	**27,662**	405
Reversal of provision for advances and other receivables	**(6,516)**	(32)
At the end of the reporting period	**57,032**	35,680

Included in the above provision for advances and other receivables is a provision for individually impaired receivables of HK$57,032,000 (2013: HK$35,680,000) with a gross carrying amount of HK$57,622,000 (2013: HK$35,680,000). The individually impaired receivables and advances relate to the portions of receivables that were not expected to be recovered.

As at 31 July 2013, included in the Group's deposits, prepayments and other receivables was a deposit paid of HK$6,024,000 to a shareholder of the Group's joint venture to secure a tenancy agreement. The balance has been settled during the year ended 31 July 2014.

26. LOAN RECEIVABLE

	Group	
	2014 **HK$'000**	2013 HK$'000
Loan receivable	**–**	11,000

The loan was interest-free and repayable on demand. The loan was granted in connection with a joint venture arrangement with an independent third party. The borrower had assigned certain economic interests and benefits in certain TV dramas to the Group in connection with the loan receivable.

27. FILMS UNDER PRODUCTION

		Group	
	Note	**2014** **HK$'000**	2013 HK$'000
At the beginning of the reporting period		**141,376**	134,771
Additions (including capitalisation of employee benefit expense of HK$6,535,000 (2013: HK$7,219,000))		**231,137**	145,911
Transfer to film products	18	**(110,130)**	(138,634)
Write-off		**(3,083)**	(672)
Exchange realignment		**(8)**	–
At the end of the reporting period		**259,292**	141,376

28. INVENTORIES

	Group	
	2014 **HK$'000**	2013 HK$'000
Raw materials	**5,706**	4,208
Work in progress	**1,272**	179
Finished goods	**15,095**	4,600
	22,073	8,987

29. DEBTORS

	Group	
	2014	2013
	HK$'000	HK$'000
Trade debtors	**261,238**	168,103
Impairment	**(5,539)**	(1,368)
	255,699	166,735

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

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

The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Trade debtors:		
Neither past due nor impaired	**154,564**	105,246
1 - 90 days past due	**81,583**	43,260
Over 90 days past due	**19,552**	18,229
	255,699	166,735

29. DEBTORS (continued)

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

	Group	
	2014 **HK$'000**	2013 HK$'000
At the beginning of the reporting period	**1,368**	8,431
Acquisition of subsidiaries	**893**	–
Provision for doubtful debts	**3,278**	1,303
Write-off	**–**	(8,452)
Exchange realignment	**–**	86
At the end of the reporting period	**5,539**	1,368

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors of HK$5,539,000 (2013: HK$1,368,000) with a gross carrying amount before provision of HK$5,539,000 (2013: HK$1,368,000). The individually impaired trade debtors related to customers that were in default in settlements and only a portion or no portion of the receivables is expected to be recovered.

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

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

30. OPTIONS

	Group	
	2014 **HK$'000**	2013 HK$'000
Options, at fair value	**–**	21,579

Pursuant to the share transfer agreement entered into between Galaxy Soar and an independent third party (the "Vendor") regarding the acquisition of Media Magic on 30 March 2012, MAGHL Group was granted an option to acquire an additional 25% interest in Media Magic by 28 December 2014 and an option to acquire the remaining 24% interest in Media Magic by 28 December 2015. If any one of the options was not exercised, the Vendor was contractually obliged to buy back MAGHL Group's interests in Media Magic at the original acquisition cost. The above rights and contractual obligation options were collectively referred as the "Options".

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30. OPTIONS (continued)

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

During the year ended 31 July 2014, MAGHL Group disposed of the Galaxy Soar Group (note 45). The Group has derecognised the Options upon completion of the disposal.

The fair value of the financial asset in respect of the Options amounted to HK$16,407,000 as at 24 December 2013 (31 July 2013: HK$21,579,000) with a fair value loss in respect of the Options of approximately of HK$5,172,000 (2013: HK$10,912,000) being recognised in the consolidated income statement for the year ended 31 July 2014.

The fair values of the Options as at 24 December 2013 and 31 July 2013 were determined with reference to the valuations of the Options as at those dates performed by Greater China Appraisal Limited, an independent firm of professional valuers. The valuations were arrived at using Trinomial Lattice model, which have taken into account factors including related profit projections, exercise prices of options, volatilities, risk-free rate and time to maturity.

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

		Group		Company	
	Note	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Cash and bank balances		**1,835,652**	3,941,679	**61,102**	115,515
Less: Pledged and restricted bank balances					
– Pledged for banking facilities *		**(6,067)**	(6,023)	**–**	–
– Pledged for bank loans	34(e)	**(226,332)**	(6,027)	**–**	–
– Restricted **		**(141,852)**	(1,749,846)	**–**	–
		(374,251)	(1,761,896)	**–**	–
Non-pledged and non-restricted cash and bank balances		**1,461,401**	2,179,783	**61,102**	115,515
Time deposits		**2,383,262**	2,948,394	**155,581**	387,216
Less: Non-current portion of pledged and restricted time deposits for guaranteed notes ***		**(204,957)**	–	**–**	–
Less: Current portion of pledged and restricted time deposits					
– Pledged and restricted time deposits for guaranteed notes ***		**(68,319)**	–	**–**	–
– Restricted **		**(116,439)**	(295,492)	**–**	–
		(184,758)	(295,492)	**–**	–
Non-pledged and non-restricted time deposits		**1,993,547**	2,652,902	**155,581**	387,216
Cash and cash equivalents		**3,454,948**	4,832,685	**216,683**	502,731

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

* *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 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 of such deposits amounted to HK$133,192,000 (2013: HK$308,379,000) including time deposit 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 Group'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 37) as and when they were due from settlement. The Group 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.

*** *On the issue date of the Guaranteed Notes (as defined and disclosed in note 38), the Group deposited an amount, being the amount of interest due in respect of the Guaranteed Notes for the interest periods after the issue of the Guaranteed Notes, into an interest reserve account which would be charged for the benefit of the holders of the Guaranteed Notes. The amount in the interest reserve account would be reduced by the interest payment on 24 June and 24 December of each year, commencing on 24 December 2014. As at 31 July 2014, an amount approximately HK$273,276,000 (RMB217,750,000) of the Group's time deposits were deposited into the interest reserve account.*

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 exchanges 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$1,412,674,000 (2013: HK$2,033,316,000).

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

32. CREDITORS AND ACCRUALS

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

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade creditors:				
Less than 30 days	**171,533**	38,900	**–**	–
31 – 60 days	**8,356**	1,373	**–**	–
61 – 90 days	**1,071**	73	**–**	–
Over 90 days	**1,228**	2,986	**–**	–
	182,188	43,332	**–**	–
Other creditors and accruals	**831,392**	838,241	**2,426**	1,988
	1,013,580	881,573	**2,426**	1,988

As at 31 July 2013, included in creditors and accruals was a loan from a non-controlling shareholder of MAGHL of approximately HK$6,150,000. The balance was unsecured, interest-free and had no fixed term of repayment.

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

33. FINANCE LEASE PAYABLES

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

33. FINANCE LEASE PAYABLES (continued)

At 31 July 2014, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Amounts payable:				
Within one year	**3**	74	**3**	74
In the second year	**8**	58	**8**	58
In the third to fifth years, inclusive	**–**	8	**–**	8
Total minimum finance lease payments	**11**	140	**11**	140
Future finance charges	**–**	–		
Total net finance lease payables	**11**	140		
Portion classified as current liabilities	**(3)**	(74)		
Non-current portion	**8**	66		

34. 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

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

HK Interpretation *5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause requires* that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("repayment on demand clause") shall be classified in total by the borrower as current in the statement of financial position. 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 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, Lai Fung (i) as borrower and, inter alias, the banks named therein as lenders entered into an offshore facility agreement in relation to facilities of HK$2,500,000,000 (the "Offshore Facility"); and (ii) as guarantor and, inter alias, certain subsidiaries of Lai Fung as borrowers and banks named therein as lenders entered into an onshore facility agreement in relation to facilities of approximately HK$1,050,000,000 equivalent (the "Onshore Facility"). The entire Onshore Facility were drawn and fully applied for refinancing of bank loans of certain subsidiaries of Lai Fung 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 for financing investments in property related projects and/or repayment of borrowings of the Lai Fung Group. As at 31 July 2014, HK$750,000,000 (2013: HK$750,000,000) was drawn and outstanding under the Offshore Facility.

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

(a) mortgages over certain land and buildings and certain serviced apartments (including related leasehold improvements) of the Group with carrying amounts of approximately HK$95,099,000 (2013: HK$97,509,000) and HK$1,651,097,000 (2013: HK$1,751,804,000) (note 13), respectively;

(b) mortgages over certain properties under development of the Group with an aggregate carrying amount of approximately HK$145,486,000 (2013: HK$1,205,036,000) (note 15);

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

(d) charges over the entire equity interests in certain subsidiaries of the Company (note 14) shared on a pari passu basis with the holders of fixed rate senior notes (note 37);

(e) charges over bank balances of the Group with an aggregate carrying amount of approximately HK$226,332,000 (2013: HK$6,027,000) (note 31);

(f) mortgage over a construction in progress of the Group with a carrying amount of HK$239,895,000 as at 31 July 2013 (note 13); and

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

35. OTHER BORROWINGS

	Notes	Effective contractual interest rate (%) 2014	2013	Group 2014 HK$'000	Group 2013 HK$'00	Company 2014 HK$'000	Company 2013 HK$'000
Interest-bearing borrowings							
– unsecured	(i)	**5.00**	5.00	**181,541**	175,894	**181,541**	175,894
Other borrowing – unsecured	(ii)	**–**	–	**58,688**	58,621	**–**	–
				240,229	234,515	**181,541**	175,894

	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Analysed into:				
Other borrowings repayable in the second year	**240,229**	234,515	**181,541**	175,894

Notes:

(i) *The unsecured other borrowings as at 31 July 2014 and 2013 represented amounts due to the late Mr. Lim Por Yen which bear interest at The Hongkong and Shanghai Banking Corporation Limited prime rate per annum except for the accrued interest portion with an amount of HK$68,603,000 (2013: HK$62,956,000) which is interest-free.*

(ii) *The unsecured other borrowing as at 31 July 2014 and 31 July 2013 represented an amount due to the late Mr. Lim Por Yen which is interest-free.*

At 31 July 2014 and 31 July 2013, at the request of the Group, the executor of Mr. Lim Por Yen's estate confirmed to the Group that no demand for the repayment of the outstanding other borrowings or the related interest would be made within one year from the end of the respective reporting periods.

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36. CONVERTIBLE NOTES

		Group	
	Notes	**2014 HK$'000**	2013 HK$'000
First Completion Convertible Notes	(i)	**–**	190,882
Second Completion Convertible Notes	(ii)	**127,995**	60,357
		127,995	251,239
Portion classified as current liabilities		**(127,995)**	(190,882)
Non-current portion		**–**	60,357

Pursuant to a subscription agreement entered into between Perfect Sky, a wholly-owned subsidiary of the Company, Sun Great Investments Limited, Next Gen Entertainment Limited, Memestar Limited, On Chance Inc. and Grace Promise Limited (together with Perfect Sky referred to as the "Subscribers"), and MAGHL on 23 March 2011, among others, MAGHL conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for 3-year zero coupon convertible notes in an aggregate principal amount of HK$371,386,642 (the "First Completion Convertible Notes") and HK$224,873,937 (the "Second Completion Convertible Notes"), which are convertible at the option of the holders into MAGHL's ordinary shares during the period commencing on the first day of the First Completion Convertible Notes and the first day of the Second Completion Convertible Notes and expiring on the date which is five business days preceding the maturity date.

(i) First Completion Convertible Notes

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

Pursuant to the terms and conditions of the First Completion Convertible Notes, as a result of the Share Consolidation conducted by MAGHL as detailed in the circular of MAGHL dated 13 December 2013, the conversion prices of the outstanding First Completion Convertible Notes set out above were adjusted from HK$0.016 per share to HK$0.32 per New Share of HK$0.01 (as defined in note 14(a)) each in MAGHL and from HK$0.02785 per share to HK$0.557 per New Share, respectively. Accordingly, the number of shares upon conversion would be adjusted in proportion to the adjusted conversion prices. No adjustment was made to the conversion price during the year ended 31 July 2013.

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

36. CONVERTIBLE NOTES (continued)

(i) First Completion Convertible Notes (continued)

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

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

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

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

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2011	–	–	–
Issued on 9 June 2011	157,848	50,419	208,267
Cost of issue of convertible notes	(4,830)	(1,543)	(6,373)
Interest charged during the period	2,404	–	2,404
Issue of a forward contract	–	1,751	1,751
At 31 July 2011 and 1 August 2011	155,422	50,627	206,049
Interest charged during the year	16,820	–	16,820
At 31 July 2012 and 1 August 2012	172,242	50,627	222,869
Interest charged during the year	18,640	–	18,640
At 31 July 2013 and 1 August 2013	190,882	50,627	241,509
Interest charged during the year	16,850	–	16,850
Partial conversion during the year	(18,641)	(3,454)	(22,095)
Redemption during the year #	(189,091)	(47,173)	(236,264)
At 31 July 2014	**–**	**–**	**–**

The Group's share of the equity component amounting to HK$29,667,000, representing the Group's 62.89% equity interest in MAGHL, was transferred to retained profits. The remaining equity component of HK$17,506,000 was included in non-controlling interests.

36. CONVERTIBLE NOTES (continued)

(ii) Second Completion Convertible Notes

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

Pursuant to the terms and conditions of the Second Completion Convertible Notes, as a result of the Share Consolidation, the conversion price of the Second Completion Convertible Notes set out above was adjusted from HK$0.02785 per share to HK$0.557 per New Share. Accordingly, the number of shares upon conversion could be adjusted in proportion to the adjusted conversion price. No adjustment was made to the conversion price during the year ended 31 July 2013.

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

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

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

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

36. CONVERTIBLE NOTES (continued)

(ii) Second Completion Convertible Notes (continued)

On 9 May 2014, Perfect Sky disposed of its partial interest in the Second Completion Convertible Notes in an aggregate principal amount of HK$66,840,000 to independent investors at a conversion price of HK$0.557 per share (after Share Consolidation), at a cash consideration of HK$66,840,000. This gave rise to a deemed issue of the Second Completion Convertible Notes on 9 May 2014 ("Second Completion Convertible Notes Deemed Issued"), which were split into the liability and equity components as follows:

	Group HK$'000
Second Completion Convertible Notes Deemed Issued	
Face value of convertible notes deemed issued	66,840
Equity component	(6,247)
Liability component at date of deemed issue	60,593

The fair value of the liability component of the Second Completion Convertible Notes Deemed Issued was estimated at 9 May 2014, net of transaction cost allocated to the liability component using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in the reserve attributable to non-controlling interests.

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

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 August 2011	–	–	–
Issued on 9 June 2012	55,135	71,560	126,695
Cost of issue of convertible notes	(913)	(274)	(1,187)
Interest charged during the year	768	–	768
At 31 July 2012 and 1 August 2012	54,990	71,286	126,276
Interest charged during the year	5,367	–	5,367
At 31 July 2013 and 1 August 2013	60,357	71,286	131,643
Deemed issue during the year	60,593	6,247	66,840
Cost of deemed issue of convertible notes	(217)	–	(217)
Interest charged during the year	7,262	–	7,262
At 31 July 2014	**127,995**	**77,533**	**205,528**

Interest charged for the First Completion Convertible Notes, the Second Completion Convertible Notes and the Second Completion Convertible Notes Deemed Issued were calculated by applying effective interest rates of 10.8% per annum, 9.8% per annum and 9.87% per annum respectively, to the respective liability components.

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36. CONVERTIBLE NOTES (continued)

During the year, Perfect Sky converted the First Completion Convertible Notes in an aggregate principal amount of HK$2,000,000 into 125,000,000 shares of HK$0.01 each in MAGHL (before Share Consolidation) and HK$136,120,000 into 425,375,000 New Shares of HK$0.01 each in MAGHL (after Share Consolidation), respectively.

A First Completion Convertible Note holder converted the First Completion Convertible Notes in an aggregate principal amount of HK$3,295,213 into 118,320,035 shares of HK$0.01 each in MAGHL (before Share Consolidation) and HK$9,000,000 into 16,157,988 New Shares of HK$0.01 each in MAGHL (after Share Consolidation), respectively. Another First Completion Convertible Note holder converted the First Completion Convertible Notes in an aggregate principal amount of HK$6,880,000 into 21,500,000 New Shares of HK$0.01 each in MAGHL (after Share Consolidation).

On 5 May 2014, Perfect Sky converted the Second Completion Convertible Notes in an aggregate principal amount of HK$42,000,000 into 75,403,950 New Shares of HK$0.01 each in MAGHL (after Share Consolidation).

37. FIXED RATE SENIOR NOTES

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

On 4 April 2007, Lai Fung issued US$200,000,000 (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.

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

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

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

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

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

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

37. FIXED RATE SENIOR NOTES (continued)

As detailed in note 34 to the financial statements, Lai Fung entered into an agreement in respect of the Offshore Facility on 28 March 2013. In connection with Lai Fung's entry into the Offshore Facility, Lai Fung, the Offshore Facility agent and the 2007 Notes trustee, amongst others, entered into an intercreditor agreement dated 28 March 2013 (the "Intercreditor Agreement") which entitles (i) the holders of the 2007 Notes, (ii) the lenders under the Offshore Facility and (iii) holders of other permitted pari passu secured indebtedness, to the benefit of a lien on a package of securities shared on a pari passu basis. As such, the Offshore Facility is guaranteed on a joint and several basis by the same entities acting as subsidiary guarantors under the 2007 Notes. In addition, the shares in certain subsidiaries of Lai Fung and a debt service reserve account (collectively, the "Collateral") have been charged to secure amounts outstanding under the Offshore Facility (and on a pari passu basis with the 2007 Notes).

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

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

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

	Group	
	2014 HK$'000	2013 HK$'000
2007 Notes		
Carrying amount as at 1 August	**1,427,090**	1,419,334
Amortisation of the 2007 Notes	**5,975**	7,756
Redemption during the year	**(1,433,065)**	–
Carrying amount as at 31 July	**–**	1,427,090
Portion classified as non-current	**–**	–
Current portion	**–**	1,427,090

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37. FIXED RATE SENIOR NOTES (continued)

	Group	
	2014	2013
	HK$'000	HK$'000
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	**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, Lai Fung entered into cross currency swap agreements (the "CCS") with financial institutions, which have effectively converted the 2013 Notes into fixed rate United States dollars ("US$") denominated loans. Taking into account of the effects of the CCS, the effective interest rate of the 2013 Notes is 6.53% per annum. Upon initial exchange of RMB and US$ notional amounts under the CCS on 26 April 2013, a realised exchange gain of HK$30,987,000 was recognised in the consolidated income statement 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 39 to the financial statements.

38. GUARANTEED NOTES

RMB650,000,000 8.375% Secured Guaranteed Notes due 2018

On 24 June 2014, eSun International Finance Limited, a wholly-owned subsidiary of the Company, issued RMB650,000,000 (equivalent to approximately HK$809,364,000) of 8.375% secured guaranteed notes (the "Guaranteed Notes"), which will mature on 24 June 2018 for bullet repayment.

The Guaranteed Notes are secured by the share charge in respect of the ordinary shares of Lai Fung and MAGHL granted by certain subsidiaries of the Company and the account charge in respect of the interest reserve accounts for all amounts payable on the notes. The Guaranteed Notes are guaranteed by the Company and have the benefit of a keepwell and security shortfall support deed and a deed of equity interest purchase undertaking by LSD. The Guaranteed Notes bear interest from 25 June 2014 and are payable semi-annually in arrears on 24 June and 24 December of each year, commencing on 24 December 2014. The Guaranteed Notes are listed and traded on the Stock Exchange.

38. GUARANTEED NOTES (continued)

RMB650,000,000 8.375% Secured Guaranteed Notes due 2018 (continued)

The net proceeds of the Guaranteed Notes, after deducting the issue expenses of RMB17,300,000 (equivalent to approximately HK$21,542,000), were approximately RMB632,700,000 (equivalent to approximately HK$787,822,000).

No Guaranteed Notes were repurchased during the year.

Unless previously redeemed, or purchased and cancelled, the Guaranteed Notes will be redeemed on the interest payment date falling on, or nearest to, the maturity date of 24 June 2018 at their principal amount.

Group

	2014 HK$'000
Guaranteed Notes	
Issuance of Guaranteed Notes	**809,364**
Issue expenses	**(21,542)**
Amortisation of Guaranteed Notes (note 8)	**550**
Exchange realignment	**6,217**
Carrying amount as at 31 July	**794,589**

The effective interest rate of the Guaranteed Notes is 9.2876% per annum.

39. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2014 HK$'000	2013 HK$'000
Financial liabilities – CCS	**25,162**	43,712

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

	2014 HK$'000	2013 HK$'000
Carrying amount 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

39. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross Currency Swaps – cash flow hedges

On 25 April 2013, Lai Fung Group entered into the CCS with financial institutions for an aggregate nominal amount of RMB1,800,000,000 for the purposes of hedging the foreign currency risk arising from the 2013 Notes as detailed in note 37 to the financial statements.

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

The CCS were designated as hedging instruments in respect of the 2013 Notes and the CCS balances vary with the changes in foreign exchange forward rates.

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: net loss of HK$59,761,000) is included in the hedge reserve, of which HK$27,291,000 (2013: net loss of HK$29,516,000) and HK$25,814,000 (2013: net loss of HK$30,245,000) were attributed to the owners of the Company and the non-controlling interests, respectively, as follows:

	2014 HK$'000	2013 HK$'000
Total fair value gain/(loss) credited/(charged) to 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 consolidated income statement for the year ended 31 July 2014.

40. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 HK$'000	2013 HK$'000
Deferred tax assets	**5,421**	–
Deferred tax liabilities	**(2,633,212)**	(2,367,086)
	(2,627,791)	(2,367,086)

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

	Notes	Accelerated tax depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 August 2012		(338,295)	(1,000,795)	(964,309)	(41,000)	23,264	(18,195)	(2,339,330)
Deferred tax credited/(charged) to the income statement during the year	10	(43,619)	277,152	(165,177)	(29,964)	(19,523)	2,275	21,144
Deferred tax utilised during the year		–	–	–	5,964	–	–	5,964
Exchange realignment		(8,999)	(18,663)	(27,114)	–	298	(386)	(54,864)
At 31 July 2013 and 1 August 2013		(390,913)	(742,306)	(1,156,600)	(65,000)	4,039	(16,306)	(2,367,086)
Acquisition of subsidiaries	44	3,694	–	–	–	263	–	3,957
Deferred tax credited/(charged) to the income statement during the year	10	(39,414)	113,540	(284,511)	(4,035)	(2,771)	(87,383)	(304,574)
Deferred tax utilised during the year		–	–	–	22,303	–	–	22,303
Disposal of subsidiaries	45	–	–	–	–	–	15,288	15,288
Exchange realignment		(279)	2,478	(90)	–	18	194	2,321
At 31 July 2014		**(426,912)**	**(626,288)**	**(1,441,201)**	**(46,732)**	**1,549**	**(88,207)**	**(2,627,791)**

40. DEFERRED TAX (continued)

At 31 July 2014, the Group has tax losses arising in Hong Kong of HK$1,331,141,000 (2013: HK$1,137,041,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 July 2014, the Group had tax losses arising in Mainland China of HK$175,300,000 (2013: HK$108,717,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses could be utilised.

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

At 31 July 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$10,744,000 at 31 July 2014 (2013: HK$28,225,000).

41. SHARE CAPITAL

Shares

	2014		2013	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.50 each	**2,500,000**	**1,250,000**	2,500,000	1,250,000
Issued and fully paid:				
Ordinary shares of HK$0.50 each	**1,243,212**	**621,606**	1,243,212	621,606

Share options

Details of the share option schemes of the Company, MAGHL and Lai Fung and the share options issued under the respective schemes are included in note 42 to the financial statements.

42. SHARE OPTION SCHEMES

(a) The Company

The Company operates the share option scheme (the "Share Option Scheme") for the purpose of giving any eligible employee, director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "Participants") an opportunity to have a personal stake in the Company and to help (i) motivate the Participants to optimise their performance and efficiency; and (ii) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Company. The Share Option Scheme was adopted by the Company on 23 December 2005 (the "Adoption Date") and became effective on 5 January 2006 and unless otherwise cancelled or amended, will remain in force for 10 years from the latter date. The principal terms of the Share Option Scheme are:

(i) The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on the Adoption Date unless the 10% limit has been refreshed on shareholders' approval. The 10% limit was refreshed on shareholders' approval at a special general meeting of the Company held on 27 May 2011. The maximum number of shares issuable under share options granted to each Participant in the Share Option Scheme within any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

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

(iii) The offer of a grant of share options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors in its absolute discretion.

(iv) The subscription (or exercise) price of any share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

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42. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

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

Details of the share options outstanding during the year are as follows:

	2014		2013	
	Number of underlying shares comprised in share options '000	**Weighted average exercise price per share HK$**	Number of underlying shares comprised in share options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year	**32,451**	**1.47**	6,216	0.92
Granted during the year	**–**	**–**	26,635	1.60
Lapsed during the year	**(800)**	**1.18**	(400)	1.61
Outstanding at the end of the year	**31,651**	**1.47**	32,451	1.47

No share options were exercised during the years ended 31 July 2014 and 2013.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 July 2014

Number of underlying shares comprised in share options '000	**Exercise price* per share HK$**	**Exercise period (dd/mm/yyyy)**
6,216	**0.92**	**05-06-2012 to 04-06-2022**
25,435	**1.61**	**18-01-2013 to 17-01-2023**
31,651		

42. SHARE OPTION SCHEMES (continued)

(a) The Company (continued)

31 July 2013

Number of underlying shares comprised in share options '000	Exercise price* per share HK$	Exercise period (dd/mm/yyyy)
6,216	0.92	05-06-2012 to 04-06-2022
25,435	1.61	18-01-2013 to 17-01-2023
800	1.18	26-07-2013 to 25-07-2023
32,451		

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

The fair value of the share options granted during the year ended 31 July 2013 was HK$12,708,000.

The Company recognised total share option expenses of HK$12,708,000 during the year ended 31 July 2013 (note 43(b)).

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 (%)	–	–
Expected volatility (%)	78.49	78.49
Historical volatility (%)	78.49	78.49
Risk-free interest rate (%)	1.012	1.012
Expected life of options (year)	10	10
Closing share price (HK$ per share)	1.18	1.54

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

At the end of the reporting period, the Company had 31,650,665 share options outstanding under the Share Option Scheme which represented approximately 2.5% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 31,650,665 additional ordinary shares of the Company and additional share capital of approximately HK$15,825,000 and share premium of approximately HK$30,844,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 31,650,665 share options outstanding under the Share Option Scheme, which represented approximately 2.5% of the Company's shares issued as at that date.

42. SHARE OPTION SCHEMES (continued)

(b) MAGHL

(A) Old MAGHL Share Option Scheme

The old share option scheme was adopted by MAGHL on 19 November 2009 ("Old MAGHL Share Option Scheme") and became effective on 24 November 2009 (being the date of the conditional listing approval issued by the Stock Exchange) and, unless otherwise cancelled or amended, will remain in force for 10 years from the latter date. The Old MAGHL Share Option Scheme was terminated pursuant to a resolution passed at the special general meeting on 18 December 2012. MAGHL operated the Old MAGHL Share Option Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to MAGHL Group and/or to enable MAGHL Group to recruit and retain high-calibre employees and attract human resources that are valuable to MAGHL Group and any Invested Entity (as defined in the Old MAGHL Share Option Scheme). Eligible participants include full-time and part-time employees, executive directors, non-executive directors, suppliers, customers, advisors, consultants, agents, contractors, and shareholders of any member of MAGHL Group or any Invested Entity.

The principal terms of the Old MAGHL Share Option Scheme are:

(a) The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Old MAGHL Share Option Scheme and any other share option scheme of MAGHL must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time.

(b) The total number of shares which may be issued upon exercise of all share options to be granted under the Old MAGHL Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at 19 November 2009.

(c) MAGHL may seek approval of the shareholders of MAGHL at a general meeting for refreshing the 10% limit under Old MAGHL Share Option Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Old MAGHL Share Option Scheme under the limit as refreshed must not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

(d) Subject to (f) below, the maximum number of shares to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares of MAGHL in issue at anytime. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting with such participant and his associates abstaining from voting.

(e) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their associates, is subject to approval in advance by the independent non-executive directors.

(f) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, or to any of their associates, in excess of 0.1% of the shares of MAGHL in issue at any time or with an aggregate value (based on the price of the shares of MAGHL at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance at a general meeting.

42. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

(A) Old MAGHL Share Option Scheme (continued)

The principal terms of the Old MAGHL Share Option Scheme are: (continued)

(g) The offer of a grant of share options may be accepted within 28 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

(h) The exercise period of the share options granted is determined by the directors of MAGHL provided that such period must not be more than ten years from the date of offer of grant of share options or the determination date of the Old MAGHL Share Option Scheme, if earlier.

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

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

Details of the share options of the Old MAGHL Share Option Scheme outstanding during the year are as follows:

	2014		2013	
	Number of underlying shares comprised in share options '000	**Weighted average exercise price per share HK$**	Number of underlying shares comprised in share options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year	**–**	**–**	101,103	0.233
Granted during the year	**–**	**–**	–	–
Lapsed during the year	**–**	**–**	(101,103)	0.233
Outstanding at the end of the year	**–**	**–**	–	–

No share options were exercised during the years ended 31 July 2014 and 2013.

At 31 July 2014, MAGHL had no share options outstanding under the Old MAGHL Share Option Scheme.

42. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

(B) New MAGHL Share Option Scheme

On 18 December 2012, MAGHL adopted a new share option scheme (the "New MAGHL Share Option Scheme") and terminated the Old MAGHL Share Option Scheme as (i) MAGHL has become a subsidiary of the Company in June 2011 and Rule 23.01(4) of the GEM Listing Rules requires the relevant provisions of the Old MAGHL Share Option Scheme which are required to be approved by the shareholders/independent non-executive directors of MAGHL to be simultaneously approved by the shareholders/independent non-executive directors of the Company; and (ii) the Company would like to have a unified set of share option scheme rules for all its subsidiaries. The purpose of the New MAGHL Share Option Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to MAGHL Group by granting share options to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of MAGHL Group or the affiliated companies. Eligible participants include any employee, director, officer or consultant of MAGHL Group and the affiliated companies, and any other group or classes of participants which the board of the directors of MAGHL, in its absolute discretion, considers to have contributed or will contribute, whether by way of business alliance or other business arrangements, to the development and growth of MAGHL Group.

The principal terms of the New MAGHL Share Option Scheme are:

(a) The total number of shares which may be issued upon exercise of all share options to be granted under the New MAGHL Share Option Scheme and all options to be granted under any other share option schemes of any member of MAGHL Group (the "Other Schemes") must not in aggregate exceed 10% of the total number of shares in issue as at 18 December 2012 (the "MAGHL Scheme Limit").

(b) Subject to (a) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may refresh the MAGHL Scheme Limit at any time, provided that such limit as refreshed must not exceed 10% of the total number of shares in issue as at the date of approval of such refreshed limit.

(c) Subject to (a) above and the approval of the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings, MAGHL may grant the options beyond the 10% limit, provided that the options in excess of such limit are granted only to the eligible participants specifically identified by MAGHL before such shareholders' approval is sought.

(d) The maximum number of shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the New MAGHL Share Option Scheme and Other Schemes must not in aggregate exceed 30% of the issued share capital of MAGHL from time to time.

42. SHARE OPTION SCHEMES (continued)

(b) MAGHL (continued)

(B) New MAGHL Share Option Scheme (continued)

The principal terms of the New MAGHL Share Option Scheme are: (continued)

(e) The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant under the New MAGHL Share Option Scheme and the Other Schemes (including both exercised and outstanding share options) in any 12-month period up to and including the date of grant must not exceed 1% of the total number of shares of MAGHL in issue at anytime. Any further grant of share options in excess of this limit must be separately approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) at the respective general meetings with such eligible participant and his associates abstaining from voting.

(f) Any grant of share options to a director, chief executive or substantial shareholder of MAGHL, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules).

(g) Any grant of share options to a substantial shareholder or an independent non-executive director of MAGHL, or to any of their respective associates, in excess of 0.1% of the shares of MAGHL in issue at any time or with an aggregate value (based on the closing price of MAGHL's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, must be approved by the shareholders of MAGHL and the Company (so long as MAGHL is a subsidiary of the Company under the GEM Listing Rules) in advance at the respective general meetings.

(h) The offer of a grant of share options may be accepted within 30 days from the date of offer, together with payment of a nominal consideration of HK$1 for the grant by the grantee.

(i) The exercise period of the share options granted is determined by the directors of MAGHL provided that such period must not be longer than 10 years from the date upon which any share option is granted in accordance with the New MAGHL Share Option Scheme.

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

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

No share options had been granted by MAGHL under the New MAGHL Share Option Scheme during the years ended 31 July 2014 and 2013.

42. SHARE OPTION SCHEMES (continued)

(c) Lai Fung

2003 Lai Fung Share Option Scheme

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

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

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

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

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

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

42. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

2012 Lai Fung Share Option Scheme

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

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

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

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

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

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

At the end of the reporting period, Lai Fung had 80,479,564 and 457,726,430 share options outstanding under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme, respectively, which represented approximately 0.5% and 2.8% of Lai Fung's shares in issue as at that date.

42. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

Details of the share options outstanding during the year are as follows:

	2014		2013	
	Number of underlying shares comprised in share options '000	**Weighted average exercise price per share HK$**	Number of underlying shares comprised in share options '000	Weighted average exercise price per share HK$
Outstanding at the beginning of the year	**547,206**	**0.213**	80,480	0.133
Granted during the year	**–**	**–**	474,726	0.228
Lapsed during the year	**(9,000)**	**0.228**	(8,000)	0.228
Outstanding at the end of the year	**538,206**	**0.213**	547,206	0.213

No share options were exercised during the years ended 31 July 2014 and 31 July 2013.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 July 2014

Number of underlying shares comprised in shares options '000	**Exercise price* per share HK$**	**Exercise period (dd/mm/yyyy)**
80,480	**0.133**	**12-06-2012 to 11-06-2020**
441,726	**0.228**	**18-01-2013 to 17-01-2023**
16,000	**0.190**	**26-07-2013 to 25-07-2023**
538,206		

42. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

31 July 2013

Number of underlying shares comprised in shares options '000	Exercise price* per share HK$	Exercise period (dd/mm/yyyy)
80,480	0.133	12-06-2012 to 11-06-2020
450,726	0.228	18-01-2013 to 17-01-2023
16,000	0.190	26-07-2013 to 25-07-2023
547,206		

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

Other than the lapse of 9,000,000 share options in accordance with the terms of the 2012 Lai Fung Share Option Scheme, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2003 Lai Fung Share Option Scheme and 2012 Lai Fung Share Option Scheme during the year. The closing prices of Lai Fung'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 Lai Fung Group recognised a share option expense of HK$26,964,000 and $11,594,000 (before and after capitalisation to properties under development/investment properties under construction, respectively) for the year ended 31 July 2013.

The fair value of equity-settled share options granted during the year ended 31 July 2013 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 (year)	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.

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42. SHARE OPTION SCHEMES (continued)

(c) Lai Fung (continued)

Subsequent to 31 July 2014, 2,000,000 share options were lapsed in accordance with the terms of the 2012 Lai Fung Share Option Scheme. As at the date of approval of these financial statements, Lai Fung has 80,479,564 and 455,726,430 share options outstanding under the 2003 Lai Fung Share Option Scheme and the 2012 Lai Fung Share Option Scheme, respectively, which represented approximately 0.5% and 2.8% of Lai Fung's shares issued as at that date.

43. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the years ended 31 July 2014 and 2013 are presented in the consolidated statement of changes in equity.

Statutory reserve

Pursuant to the relevant laws and regulations in the PRC, the subsidiaries and the joint ventures 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 the entity's registered capital.

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2012		4,230,797	845,455	2,741	664,395	5,743,388
Profit for the year and total comprehensive income for the year		–	–	–	26,620	26,620
Equity-settled share option arrangements	42(a)	–	–	12,708	–	12,708
Release of reserves upon lapse of share options		–	–	(191)	191	–
At 31 July 2013 and 1 August 2013		4,230,797	845,455	15,258	691,206	5,782,716
Loss for the year and total comprehensive expense for the year		–	–	–	(67,207)	(67,207)
Release of reserves upon lapse of share options		–	–	(382)	382	–
At 31 July 2014		**4,230,797**	**845,455**	**14,876**	**624,381**	**5,715,509**

43. RESERVES (continued)

(b) Company (continued)

The loss of HK$67,207,000 for the year ended 31 July 2014 (2013: profit of HK$26,620,000) included dividend income of HK$25,000,000 (2013: HK$122,500,000) received from subsidiaries of the Company and impairment of interests in subsidiaries of the Company of HK$80,263,000 (2013: HK$75,916,000).

The Company's contributed surplus represents the excess of the fair value of the subsidiaries' shares acquired pursuant to the Group reorganisation in November 1996 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), distributions may be made out of the contributed surplus in certain circumstances.

44. BUSINESS COMBINATIONS

For the year ended 31 July 2014

Acquisition of Intercontinental Group Holdings Limited

On 15 August 2013, the Group completed its acquisition of an 85% equity interest in IGHL (formerly known as Kadokawa Intercontinental Group Holdings Limited) for a total consideration of HK$212,500,000 (the "IGHL Acquisition"). IGHL and its subsidiaries (collectively known as the "IGHL Group") became non-wholly-owned subsidiaries of the Company. IGHL is an investment holding company, the principal activities of its subsidiaries are the sale and distribution of films, DVDs, Blu-ray discs, video games, as well as operation of cinemas in Hong Kong and Mainland China.

Further details of the IGHL Acquisition are set out in the announcement and the circular of the Company dated 5 July 2013 and 26 July 2013, respectively.

The Group had elected to measure the non-controlling interests in the IGHL Group at the non-controlling interests' proportionate share of IGHL's identifiable net assets.

The Group incurred transaction costs of HK$4,827,000 for the IGHL Acquisition. These transaction costs had been expensed and were included in other operating expenses in the consolidated income statement for the year ended 31 July 2013.

Goodwill of approximately HK$123,440,000 was recognised. The Group considers that the IGHL Acquisition would add immediate scale in Hong Kong and complement the Group's cinema operation in Mainland China and also bolster the Group's film and video distribution business in Hong Kong and Macau. None of the goodwill recognised is expected to be deductible for income tax purpose.

44. BUSINESS COMBINATIONS (continued)

For the year ended 31 July 2014 (continued)

Acquisition of Intercontinental Group Holdings Limited (continued)

The fair values of the identifiable assets and liabilities of IGHL as at the date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	13	45,070
Investment in an associate		19,176
Deferred tax assets	40	3,957
Non-current deposits, prepayments and other receivables		4,324
Inventories		11,818
Debtors		48,212
Deposits, prepayments and other receivables		25,032
Cash and cash equivalents		96,990
Prepaid tax		116
Creditors and accruals		(126,283)
Deposits received and deferred income		(1,706)
Tax payable		(6,929)
Interest-bearing bank loan, unsecured		(15,000)
		104,777
Non-controlling interests		(15,717)
Total identifiable net asset at fair value		89,060
Goodwill on acquisition	20	123,440
Satisfied by cash		212,500

An analysis of the cash flows in respect of the IGHL Acquisition is as follows:

	HK$'000
Cash consideration	(212,500)
Deposit paid during the year ended 31 July 2013	12,500
	(200,000)
Cash and cash equivalents acquired	96,990
Net outflow of cash and cash equivalents included in cash flows from investing activities	(103,010)
Transaction costs of the acquisition included in cash flows from operating activities during the year ended 31 July 2013	(4,827)
	(107,837)

Since the acquisition, IGHL Group contributed HK$496,119,000 to the Group's turnover and HK$15,075,000 to the consolidated profit for the year ended 31 July 2014.

Had the combination taken place at the beginning of the year, the turnover of the Group and the profit of the Group for the year would have been HK$2,364,821,000 and HK$651,383,000, respectively.

45. DISPOSAL OF SUBSIDIARIES

On 17 December 2013, MAGHL entered into a sale and purchase agreement with an independent third party to sell the entire equity interest in the Galaxy Soar Group at a consideration of approximately HK$63,764,000. The disposal was completed on 24 December 2013.

The net assets of the Galaxy Soar Group at the date of disposal were as follows:

	Notes	HK$'000
Property, plant and equipment	13	78
Goodwill	20	10,574
Other intangible assets	21	61,153
Deposits, prepayments and other receivables		28,472
Options	30	16,407
Cash and cash equivalents		50
Creditors and accruals		(8,453)
Tax payable		(9,517)
Deferred tax liabilities	40	(15,288)
Net assets disposed of		83,476
Non-controlling interests		(27,683)
Release of exchange reserve		(1,506)
Gain on disposal of subsidiaries	7	9,477
Cash consideration		63,764

An analysis of the cash flows in respect of the disposal of the Galaxy Soar Group is as follows:

	HK$'000
Cash consideration	63,764
Cash and cash equivalents disposed of	(50)
Net cash inflow in respect of the disposal of subsidiaries during the year ended 31 July 2014	63,714

46. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS

(a) The Group had the following capital commitments 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
Acquisition of an 85% equity interest in a company	**–**	200,000
Acquisition of items of property, plant and equipment	**3,336**	2,479
Capital contributions to a joint venture	**–**	11,401
Shareholder's loan to an associate	**–**	2,011
	550,164	665,571
Authorised, but not contracted for:		
Construction and resettlement costs	**3,354,158**	421,241
Acquisition of items of property, plant and equipment	**2,511**	–
	3,356,669	421,241

As at 31 July 2013, the Company had a capital commitment contracted but not provided for in respect of acquisition of an 85% equity interest in a company amounted to HK$200,000,000 (note 44).

(b) As lessor

As at 31 July 2014, 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	**399,572**	385,137
In the second to fifth years, inclusive	**697,624**	670,241
After five years	**216,323**	257,048
	1,313,519	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.

46. COMMITMENTS AND OPERATING LEASE ARRANGEMENTS (continued)

(c) As lessee

As at 31 July 2014, the Group and the Company leased certain of its office premises and cinemas under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years (2013: one to five years).

As at 31 July 2014, the Group and the Company 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	**67,171**	7,408
In the second to fifth years, inclusive	**133,303**	6,478
After five years	**3,860**	–
	204,334	13,886

Certain non-cancellable operating leases included in the above are subject to contingent rent payments, which are charged at progressive rates from 10% to 40% of the excess of the annual gross box-office takings of the related cinema premises over certain level of box-office income as determined in the respective lease agreements.

	Company	
	2014 **HK$'000**	2013 HK$'000
Within one year	**788**	274
In the second to fifth years, inclusive	**372**	–
	1,160	274

47. PLEDGE OF ASSETS

Details of the Group's bank loans, fixed rate senior notes and guaranteed notes, which were secured by certain assets of the Group, are included in notes 34, 37 and 38 to the financial statements, respectively.

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48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

31 July 2014

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Investments in joint ventures	304,531	–	304,531
Investments in associates	30,158	–	30,158
Available-for-sale investments	–	154,553	154,553
Debtors	255,699	–	255,699
Financial assets included in deposits, prepayments and other receivables	231,827	–	231,827
Pledged and restricted time deposits and bank balances	763,966	–	763,966
Cash and cash equivalents	3,454,948	–	3,454,948
	5,041,129	154,553	5,195,682

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	–	182,188	182,188
Financial liabilities included in other creditors and accruals	–	700,453	700,453
Financial liabilities included in deposits received	–	116,208	116,208
Finance lease payables	–	11	11
Interest-bearing bank loans, secured	–	2,313,240	2,313,240
Other borrowings	–	240,229	240,229
Convertible notes	–	127,995	127,995
Fixed rate senior notes	–	2,232,738	2,232,738
Guaranteed notes	–	794,589	794,589
Derivative financial instruments	25,162	–	25,162
	25,162	6,707,651	6,732,813

48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

31 July 2013

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Investments in joint ventures	–	304,736	–	304,736
Investments in associates	–	20,688	–	20,688
Available-for-sale investments	–	–	158,491	158,491
Loan receivable	–	11,000	–	11,000
Debtors	–	166,735	–	166,735
Financial assets included in deposits, prepayments and other receivables	–	372,451	–	372,451
Options	21,579	–	–	21,579
Pledged and restricted time deposits and bank balances	–	2,057,388	–	2,057,388
Cash and cash equivalents	–	4,832,685	–	4,832,685
	21,579	7,765,683	158,491	7,945,753

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade creditors	–	43,332	43,332
Financial liabilities included in other creditors and accruals	–	734,182	734,182
Financial liabilities included in deposits received	–	96,150	96,150
Finance lease payables	–	140	140
Interest-bearing bank loans, secured	–	2,392,326	2,392,326
Other borrowings	–	234,515	234,515
Convertible notes	–	251,239	251,239
Fixed rate senior notes	–	3,650,700	3,650,700
Derivative financial instruments	43,712	–	43,712
	43,712	7,402,584	7,446,296

48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	Loans and receivables	
	2014 HK$'000	2013 HK$'000
Due from subsidiaries	**6,293,387**	6,055,737
Financial assets included in deposits, prepayments and other receivables	**41**	126
Cash and cash equivalents	**216,683**	502,731
	6,510,111	6,558,594

Financial liabilities

	Financial liabilities at amortised cost	
	2014 HK$'000	2013 HK$'000
Other borrowings	**181,541**	175,894

49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair values:

Group

	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 assets				
Available-for-sale investments	**78,436**	72,451	**78,436**	72,451
Options	**–**	21,579	**–**	21,579
	78,436	94,030	**78,436**	94,030
Financial liabilities				
Derivative financial instruments	**25,162**	43,712	**25,162**	43,712

49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

Group

	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				
Convertible notes	**127,995**	251,239	**128,539**	254,175
2007 Notes	**–**	1,427,090	**–**	1,466,536
2013 Notes	**2,232,738**	2,223,610	**2,199,063**	2,031,354
Guaranteed Notes	**794,589**	–	**830,034**	–
	3,155,322	3,901,939	**3,157,636**	3,752,065

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 available-for-sale investments are based on quoted prices in active markets;

(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;

(iii) the fair values of the liability portion of the convertible notes are estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar instrument with consideration of MAGHL Group's own non-performance risk. The interest rate used to discount the future cash flows as at 31 July 2014 was 9.16% (2013: 9.16%);

(iv) the fair values of fixed rate senior notes are based on quoted market prices; and

(v) the fair values of Guaranteed Notes are based on quoted market prices.

49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 – Lai Fung	HK$19.5 million to HK$54 million	2
		Credit spread – counterparty	25.74 basis point to 105.01 basis point	3
		Credit spread – Lai Fung	227.709 basis point to 356.645 basis point	4
		Loss given default ratio – counterparty non-performance risk	80%	5
		Loss given default ratio – Lai Fung 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 – Lai Fung, 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 – Lai Fung, 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 – Lai Fung, the higher the fair value of CCS*

Other than the above financial assets and 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 2013.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair values:

Group

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
Financial assets				
Available-for-sale investments	**78,436**	**–**	**–**	**78,436**
Financial liabilities				
Derivative financial instruments	**–**	**–**	**25,162**	**25,162**

49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities measured at fair values: (continued)

As at 31 July 2013	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
Financial assets				
Available-for-sale investments	72,451	–	–	72,451
Options	–	–	21,579	21,579
	72,451	–	21,579	94,030
Financial liabilities				
Derivative financial instruments	–	43,712	–	43,712

Movements in fair value measurement in Level 3 of Options during the year were as follows:

Group

	Options HK$'000
At 1 August 2012	32,491
Fair value loss recognised in consolidated income statement	(10,912)
At 31 July 2013 and 1 August 2013	21,579
Fair value loss recognised in consolidated income statement	(5,172)
Disposal of subsidiaries	(16,407)
At 31 July 2014	**–**

During the year, except for 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, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. The movement in the financial liabilities arising from the CCS is disclosed in note 39 to the financial statements.

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49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

Group

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**
Convertible notes	**–**	**–**	**128,539**	**128,539**
2013 Notes	**2,199,063**	**–**	**–**	**2,199,063**
Guaranteed Notes	**830,034**	**–**	**–**	**830,034**
	3,029,097	**–**	**128,539**	**3,157,636**

As at 31 July 2013	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
Convertible notes	–	–	254,175	254,175
2007 Notes	1,466,536	–	–	1,466,536
2013 Notes	2,031,354	–	–	2,031,354
	3,497,890	–	254,175	3,752,065

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, fixed rate senior notes, other borrowings, Guaranteed Notes, finance leases payables, convertible notes, derivative financial instruments, pledged and restricted time deposits and bank balances, and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its operations, and available-for-sale investments which are held by the Group for investment purpose.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces relatively conservative strategies on its risk management. Except for the Lai Fung Group entered into cross currency swap agreements to manage the foreign currency risk arising from the Group's fixed rate senior notes, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has some interest-bearing assets, the Group's income and operating cash flows will be affected by changes in market interest rates. The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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

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, construction in progress and other borrowings at prime rate) and the equity of the Group and of the Company.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Interest rate risk (continued)

	Change in interest rate	Group: Impact on post-tax profit	Group: Impact on equity*	Company: Impact on post-tax profit	Company: Impact on equity
	%	HK$'000	HK$'000	HK$'000	HK$'000
2014	**+0.25**	**(4,065)**	**(2,226)**	**(282)**	**(282)**
	-0.25	**3,863**	**2,122**	**282**	**282**
2013	+0.25	(2,770)	(1,435)	(282)	(282)
	-0.25	2,770	1,435	282	282

* *excluding amounts attributable to non-controlling interests*

(ii) Foreign currency risk

RMB

Certain subsidiaries (mainly Lai Fung Group) of the Group have transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against HK$.

The Lai Fung Group entered into CCS in respect of the 2013 Notes to minimise the foreign currency exposures as detailed in note 39 to the financial statements. It's the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

US$

Certain of the Group's and the Company's monetary assets and liabilities are denominated in US$. The Group and the Company are exposed to foreign exchange risk arising from the exposure of US$ against HK$.

The Group and the Company considered the impact on the equity from the change in US$ exchange rate was nominal at the end of reporting period since HK$ are pegged to US$.

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.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk (continued)

		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**	**94,375**	**63,509**	**34**	**34**
If US$/HK$ strengthens against RMB	**5**	**(93,078)**	**(63,286)**	**(34)**	**(34)**
2013					
If US$/HK$ weakens against RMB	5	37,508	14,099	–	–
If US$/HK$ strengthens against RMB	5	(36,149)	(13,910)	–	–

* *excluding amounts attributable to non-controlling interests*

(iii) Credit risk

The Group, other than the Lai Fung Group, trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Lai Fung Group maintains various credit policies for different business operations as described in note 29. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Lai Fung Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, amounts due from associates and joint ventures and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from other receivables and trade debtors are disclosed in notes 25 and 29 to the financial statements, respectively.

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds either through the financial markets or from the realisation of its assets if required.

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

Group

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 July 2014				
Trade creditors	182,188	–	–	182,188
Financial liabilities included in other creditors and accruals	700,453	–	–	700,453
Financial liabilities included in deposits received	23,644	92,564	–	116,208
Finance lease payables	3	8	–	11
Interest-bearing bank loans, secured	848,829	1,702,474	259,807	2,811,110
Other borrowings	–	245,876	–	245,876
Convertible notes	138,525	–	–	138,525
Fixed rate senior notes	155,504	2,687,351	–	2,842,855
Guaranteed Notes	68,319	1,013,782	–	1,082,101
Inflow of derivative financial instruments	(155,504)	(2,687,351)	–	(2,842,855)
Outflow of derivative financial instruments	139,547	2,656,421	–	2,795,968
	2,101,508	5,711,125	259,807	8,072,440

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

Group (continued)

	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
31 July 2013			
Trade creditors	43,332	–	43,332
Financial liabilities included in other creditors and accruals	734,182	–	734,182
Financial liabilities included in deposits received	19,129	77,021	96,150
Finance lease payables	74	66	140
Interest-bearing bank loans, secured	719,829	1,948,893	2,668,722
Other borrowings	–	240,161	240,161
Convertible notes	208,267	71,699	279,966
Fixed rate senior notes	1,676,477	2,839,642	4,516,119
Inflow of derivative financial instruments	(155,328)	(2,839,642)	(2,994,970)
Outflow of derivative financial instruments	139,547	2,795,968	2,935,515
	3,385,509	5,133,808	8,519,317

As detailed in note 34 to the financial statements, included in the current portion of the interest-bearing bank loans as at 31 July 2014 is a term loan in the amount of HK$376,979,000 (2013: HK$123,535,000). The relevant loan agreement of this term loan includes a repayment on demand clause which gives the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the said amount is classified as "less than 1 year". Notwithstanding the repayment on demand clause, the directors believe that the loan will not be called in its entirety within 1 year, and consider that the loan will be repaid in accordance with the maturity date as set out in the loan agreement. In accordance with the terms of the term loan, the maturity profile of the loan as at 31 July 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 in less than 1 year and in 1 to 5 years, respectively.

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 51 to the financial statements. The earliest period in which the guarantee could be called is less than 12 months.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Liquidity risk (continued)

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

Company

31 July 2014

	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Other borrowings	**–**	**187,188**	**187,188**

31 July 2013

	Less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Other borrowings	–	181,540	181,540

Capital management

The Group manages its capital structure to ensure that the Group will be able to continue to operate as a going concern while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure.

The capital structure of the Group mainly consists of fixed rate senior notes, interest-bearing bank loans, other borrowings, guaranteed notes, convertible notes, cash and cash equivalents, pledged and restricted time deposits and bank balances and equity attributable to owners of the Company comprising issued share capital and reserves.

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

The Group monitors capital using, inter alias, a gearing ratio which is net debt divided by total equity. As at 31 July 2014, the consolidated net assets attributable to the owners of the Company amounted to approximately HK$8,926.2 million (2013: HK$8,306.9 million).

51. CONTINGENT LIABILITIES

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

At 31 July 2014, the Company had provided guarantees to the note holders of the Guaranteed Notes of RMB650,000,000 (equivalent to approximately HK$815,750,000) (2013: Nil) in respect of payment of all sums from time to time payable by eSun International Finance Limited.

52. 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.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 16 October 2014.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an annual general meeting of the members ("**Members**") of eSun Holdings Limited ("**Company**") will be held at Gloucester Room II, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Tuesday, 9 December 2014 at 10:00 a.m. ("**2014 AGM**") for the following purposes:

AS ORDINARY BUSINESS

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2014 and the reports of the directors and the independent auditors thereon.

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

3. To re-appoint Ernst & Young, Certified Public Accountants of Hong Kong, as the independent auditors of the Company for the ensuing year and to authorise the Board to fix their remuneration.

AS SPECIAL BUSINESS

4. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(A) "**THAT**

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

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

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

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

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

(iii) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company ("**Bye-laws**") from time to time; or

(iv) an issue of Shares under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of Shares or rights to acquire Shares, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

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

(i) the conclusion of the next annual general meeting of the Company ("**AGM**"); or

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

(iii) the expiration of the period within which the next AGM is required by law or the Bye-laws to be held; and

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

(B) "**THAT** the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase the Shares in issue on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong ("**SFC**") and the Stock Exchange under the Code on Share Buy-backs issued by the SFC, and that the exercise by the Directors of all powers of the Company to repurchase the Shares subject to and in accordance with all applicable laws, rules and regulations, be and are hereby generally and unconditionally approved subject to the following conditions:

(i) such mandate shall not extend beyond the Relevant Period;

(ii) such mandate shall authorise the Directors to procure the Company to repurchase the Shares at such prices and on such terms as the Directors may at their absolute discretion determine; and

(iii) the aggregate nominal amount of the Shares to be repurchased by the Company pursuant to this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly."

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. 4(A) and 4(B) in the notice convening this meeting ("**Notice**"), the general mandate granted to the Directors and for the time being in force to exercise all the powers of the Company to issue, allot and deal with additional Shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares which has been repurchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such Shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution."

NOTICE OF ANNUAL GENERAL MEETING

5. As special business, to consider and, if thought fit, pass the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

"**THAT**:

(a) the existing Bye-laws of the Company be and are hereby amended as follows:

(1) by deleting the existing definition of "associate" in Bye-law 1 in its entirety and replacing it with the following:

""associate" shall have the same meaning as that set out in the Listing Rules."

(2) by inserting the following definition of "close associate" immediately after the existing definition of "clearing house" in Bye-law 1:

""close associate" shall have the same meaning as that set out in the Listing Rules."

(3) by deleting the existing definition of "Company" in Bye-law 1 in its entirety and replacing it with the following:

""Company" eSun Holdings Limited."

(4) by inserting the words ",which, for the time being, is The Stock Exchange of Hong Kong Limited" before the punctuation "." in the last line of the definition of "Designated Stock Exchange" in Bye-law 1;

(5) by inserting the following definition of "Listing Rules" immediately after the existing definition of "head office" in Bye-law 1:

""Listing Rules" the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time."

(6) by deleting paragraph (3) of the existing Bye-law 3 in its entirety and replacing it with the following:

"(3) Subject to compliance with the rules and regulations of the Designated Stock Exchange and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company."

(7) by deleting the existing Bye-law 44 in its entirety and replacing it with the following:

"The Register and branch register of Members, as the case may be, shall be open to inspection between 10 a.m. and 12 noon on every business day by Members without charge at the Office at which the Register is kept in accordance with the Act or at such place at which the branch register of Members is kept, as the case may be. The Register including any overseas or local or other branch register of Members may, after notice has been given in accordance with the Listing Rules, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares."

(8) by inserting the words "in any manner permitted by and in accordance with the rules of the Designated Stock Exchange or" immediately after the words "Subject to these Bye-laws, any Member may transfer all or any of his shares" in the existing Bye-law 46;

(9) by replacing the words "by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any means in such manner as may be accepted by the Designated Stock Exchange to that effect" in Bye-law 51 with the words "in accordance with the Listing Rules";

(10) by inserting the following bye-law immediately after Bye-law 57:

"57A. Any general meeting may be held 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."

(11) by deleting the words "whether on a show of hands or on a poll," in Bye-law 73 in its entirety;

(12) by deleting the last sentence of paragraph (2) of the existing Bye-law 86 in its entirety and replacing it with the following:

"Any Director so appointed by the Board 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."

(13) by deleting paragraph (1) of the existing Bye-law 103 in its entirety and replacing it with the following:

"(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associate(s) (and if required by the Listing Rules, his other associates) is materially interested, but this prohibition shall not apply to any of the following matters namely:

(i) any contract, arrangement or proposal for the giving to such Director or his close associate(s) (and if required by the Listing Rules, his other associates) any security or indemnity in respect of money lent by him or any of his close associate(s) (and if required by the Listing Rules, his other associates) or obligations incurred or undertaken by him or any of his close associate(s) (and if required by the Listing Rules, his other associates) at the request of or for the benefit of the Company or any of its subsidiaries; or

(ii) any contract, arrangement or proposal for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) (and if required by the Listing Rules, his other associates) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security; or

(iii) any contract, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) (and if required by the Listing Rules, his other associates) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer; or

(iv) any contract, arrangement or proposal in which the Director or his close associate(s) (and if required by the Listing Rules, his other associates) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(v) any contract, arrangement or proposal concerning any other company in which the Director or his close associate(s) (and if required by the Listing Rules, his other associates) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director or his close associate(s) (and if required by the Listing Rules, his other associates) is/are beneficially interested in five per cent. (5%) or more of the issued shares of any class of such company (or any third company through which his interest or that of his close associate(s) (and if required by the Listing Rules, his other associates) is derived) or of the voting rights; or

(vi) any proposal concerning the benefit of the employees of the Company or its subsidiaries including:

(a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme, under which the director or his close associate(s) (and if required by the Listing Rules, his other associates) may benefit; and

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors, his close associate(s) (and if required by the Listing Rules, his other associates) and employees of the issuer or any of its subsidiaries and does not provide in respect of any director, or his close associate(s) (and if required by the Listing Rules, his other associates), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates."

(14) by replacing the words "associate(s)" and "associates" wherever they appear in paragraphs (2), (3) and (4) of the existing Bye-law 103 with the words "close associate(s) (and if required by the Listing Rules, his other associates)";

(15) by deleting paragraph (1) of the existing Bye-law 127 in its entirety and replacing it with the following:

"(1) The officers of the Company shall consist of the chairman and deputy chairman, the Directors and Secretary and such additional officers (who may or may not be Directors) as the Board may from time to time determine, all of whom shall be deemed to be officers for the purposes of the Act and, subject to Bye-law 132(4)."

(16) by deleting paragraph (2) of the existing Bye-law 127 in its entirety and replacing it with the words "Removed";

(17) by replacing the words "The president or the chairman, as the case may be," in Bye-law 129 with the words "The chairman of the Board";

(18) by replacing the words "on every business day" in paragraph (3) of Bye-law 132 with the words "during business hours"; and

NOTICE OF ANNUAL GENERAL MEETING

(19) by deleting the existing Bye-law 138 in its entirety and replacing it with the following:

"138. No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities."

(b) the new Bye-laws 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 Bye-laws of the Company in substitution for and to the exclusion of the existing Bye-laws 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 Bye-laws 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 Bermuda and Hong Kong."

By Order of the Board
eSun Holdings Limited
Wong Lai Chun
Company Secretary

Hong Kong, 10 November 2014

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

(1) A Member entitled to attend and vote at the 2014 AGM convened by the above Notice or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Bye-laws. A proxy need not be a Member.

*(2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be lodged with the Company's branch share 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 2014 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 2014 AGM or its adjourned meeting (as the case may be) should they so wish. In that case, the said form(s) of proxy shall be deemed to be revoked.*

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

(3) To ascertain the entitlements to attend and vote at the 2014 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.

NOTICE OF ANNUAL GENERAL MEETING

(4) *Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the 2014 AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the 2014 AGM or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the register/branch register of Members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.*

(5) *Concerning agenda item 2 of the Notice,*

(i) *in accordance with Bye-law 86(2) of the Bye-laws, Mr. Yip Chai Tuck (an Executive Director) is due to retire from office at the 2014 AGM; in accordance with Bye-law 87 of the Bye-laws, Mr. Andrew Y. Yan (a Non-executive Director), Mr. Low Chee Keong and Mr. Alfred Donald Yap (both Independent Non-executive Directors), will retire as Directors by rotation at the 2014 AGM; all the aforesaid Directors, being eligible, offer themselves for re-election; and*

(ii) *in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), details of the aforesaid retiring Directors are set out in the "Biographical Details of Directors" section of the Annual Report of the Company for the year ended 31 July 2014 ("**Annual Report**").*

(6) *Concerning agenda item 3 of the Notice, the Board (which concurs with the audit committee of the Company) has recommended that subject to the approval of Members at the 2014 AGM, Ernst & Young will be re-appointed the 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 2014 AGM because such remuneration varies by reference to the scope and extent of the audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditors' remuneration as operating expenses for the Year 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 2014 AGM.*

(7) *Details concerning agenda items 4(A) to 4(C) and agenda item 5 of the Notice are set out in the circular of the Company dated 10 November 2014 will be sent to Members together with the Annual Report.*

(8) *The Chinese translation of agenda item 5 set out in this Notice is for reference only, and in case of any inconsistency, the English version of the same shall prevail.*

(9) *In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in the Notice shall be decided by way of a poll.*

(10) *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a "black" rainstorm warning signal is expected to be in force at any time after 8:00 a.m. on the date of the 2014 AGM, the 2014 AGM will be postponed. The Company will post an announcement on the respective websites of the Company (www.esun.com) and the Stock Exchange (www.hkexnews.hk) to notify Members of the date, time and venue of the rescheduled 2014 AGM.*

If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. on the date of the 2014 AGM and where conditions permit, the 2014 AGM will be held as scheduled. The 2014 AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether they would attend the 2014 AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

Committed to growing our

Media & Entertainment

Businesses in Hong Kong and Mainland China and our

Property Portfolio in Mainland China

致力於

香港及中國內地文化娛樂事樂
及中國大陸物業發展

Guangzhou King's Park – A residential property of the Company's subsidiary Lai Fung Holdings Limited located at Guangzhou, Mainland China
本公司附屬公司麗豐控股有限公司位於中國廣州之住宅物業 – 廣州東山京士柏

eSun Holdings Limited
豐德麗控股有限公司
(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

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Stock Code on Hong Kong Stock Exchange: 571
於香港聯合交易所股份代號: 571