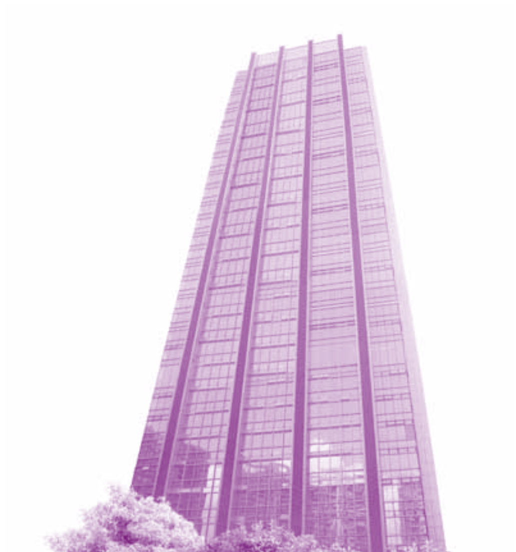
LAI FUNG HOLDINGS

(Stock Code: 1125)

LAI FUNG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report
Year ended 31 July 2015



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

Contents

Corporate Information

Place of Incorporation

Cayman Islands

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Company Secretary

Yim Lai Wa

Registered Office

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

Principal Place of Business

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

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

Authorised Representatives

Chew Fook Aun
Lam Kin Ming

Share Registrar and Transfer Office in Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Independent Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

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

Listing Information

Shares

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

Stock Code/Board Lot

1125/1,000 shares

Notes

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

Website

www.laifung.com

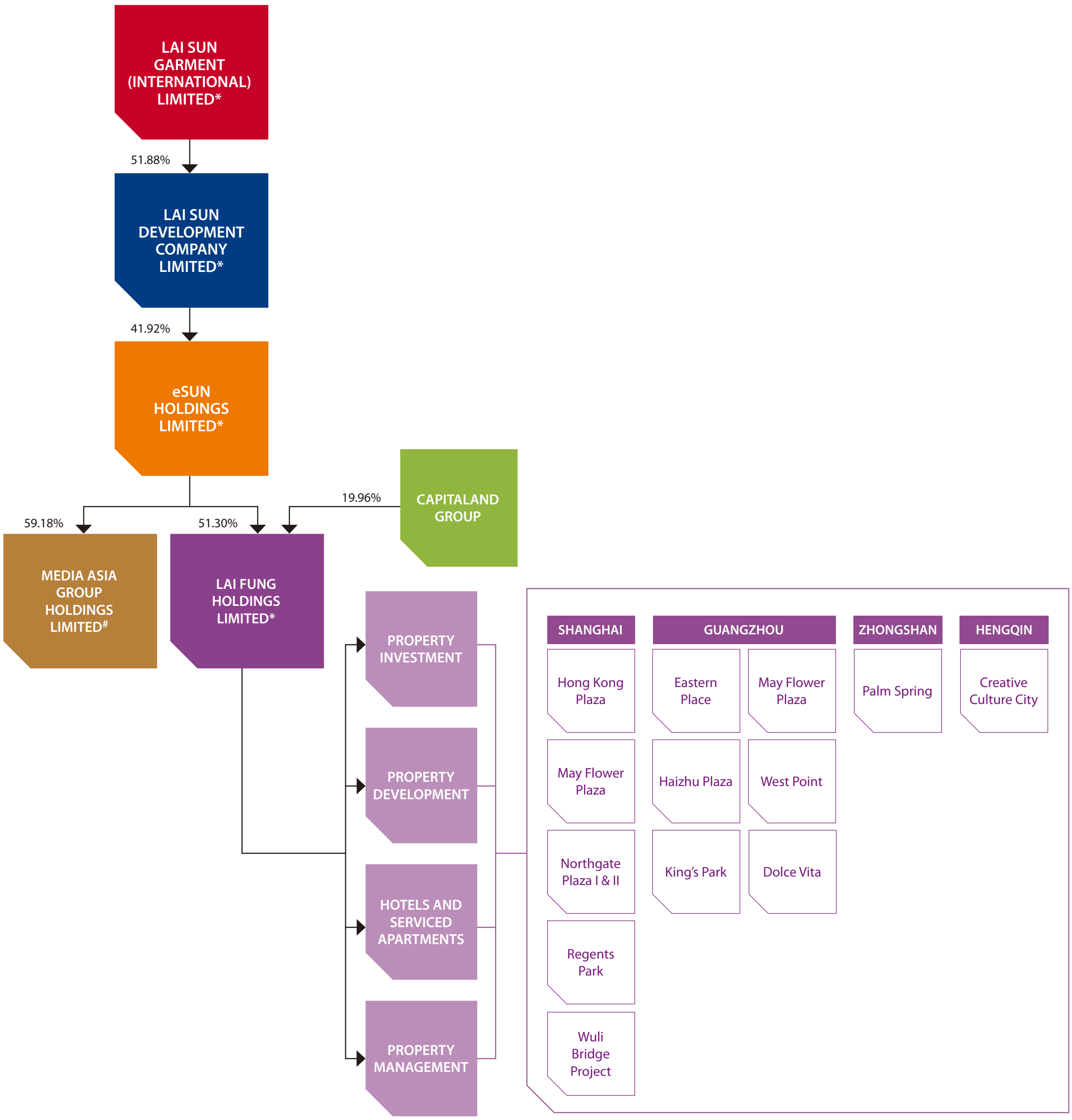
Investor Relations

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

Corporate Profile

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

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



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

Corporate structure as at 15 October 2015

Mr. Chew Fook Aun
Chairman

I am pleased to present the audited consolidated results of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 July 2015.

Overview of Final Results

For the year ended 31 July 2015, the Group recorded a turnover of HK$1,901.4 million (2014: HK$1,207.3 million) and a gross profit of HK$1,036.5 million (2014: HK$745.7 million), representing an increase of approximately 57.5% and 39.0%, respectively over last year. Set out below is the turnover by segment:

	For the year ended 31 July			
	2015 (HK$ million)	2014 (HK$ million)	Difference (HK$ million)	% change
Rental income	**626.0**	566.4	59.6	10.5%
Sales of properties	**1,275.4**	640.9	634.5	99.0%
Total:	**1,901.4**	1,207.3	694.1	57.5%

Overview of Final Results (Continued)

Net profit attributable to owners of the Company was approximately HK$1,004.9 million (2014: HK$1,099.7 million), representing a decrease of approximately 8.6% over last year. Basic earnings per share was HK$0.062 (2014: HK$0.068). The decrease is primarily due to (i) a lower revaluation gain arising in the revaluation of the Group's investment properties for the year ended 31 July 2015 as compared to last year; and (ii) the fair value losses, mainly as a result of the worse than expected outlook on Renminbi depreciation, arising on the cross currency swaps which were entered into in relation to the Company's RMB1.8 billion senior notes issued in 2013. The effect of the fair value loss on the consolidated income statement of the Company will either be reversed or offset by the exchange gain arising from the RMB1.8 billion senior notes upon the expiry of the cross currency swap contracts.

Excluding the effect of property revaluations, net profit attributable to owners of the Company was approximately HK$294.6 million (2014: HK$247.7 million), representing an increase of approximately 18.9% over last year. Basic earnings per share excluding the effect of property revaluations increased to HK$0.018 (2014: HK$0.015). Net profit attributable to owners of the Company excluding revaluation gains of investment properties and fair value losses on cross currency swaps was approximately HK$381.1 million (2014: HK$312.1 million).

Profit attributable to owners of the Company (HK$ million)	For the year ended 31 July **2015**	 2014
Reported	**1,004.9**	1,099.7
Adjustments in respect of investment properties		
Revaluation of properties	**(948.7)**	(1,138.0)
Deferred tax on revaluation of properties	**237.2**	284.5
Non-controlling interests' share of revaluation movements less deferred tax	**1.2**	1.5
Net profit after tax excluding revaluation gains of investment properties	**294.6**	247.7
Adjustments in respect of fair value losses on cross currency swaps	**86.5**	64.4
Net profit after tax excluding adjustments in respect of investment properties and fair value losses on cross currency swaps	**381.1**	312.1

Net assets attributable to owners of the Company as at 31 July 2015 amounted to HK$13,466.4 million, up from HK$12,663.4 million as at 31 July 2014. Net asset value per share attributable to owners of the Company increased to HK$0.835 per share as at 31 July 2015 from HK$0.786 per share as at 31 July 2014.

Final Dividend

The Board has recommended a final dividend of HK$0.0033 per share for the year ended 31 July 2015 (2014: HK$0.0031 per share) payable to shareholders ("**Shareholders**") whose names appear on the Hong Kong Branch Register of Members of the Company ("**Register of Members**") at the close of business on Tuesday, 22 December 2015. Subject to the approval of Shareholders at the forthcoming annual general meeting of the Company ("**AGM**"), the proposed final dividend, will be payable in cash, with an option for the Shareholders to receive new fully paid shares of par value of HK$0.10 each in the share capital of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "**Scrip Dividend Scheme**").

A circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to the Shareholders on or about Wednesday, 30 December 2015.

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

Final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on Friday, 29 January 2016 to the Shareholders whose names appear on the Register of Members on Tuesday, 22 December 2015.

Business Review and Outlook

The global economies continue to tread on a delicate recovery path with few bright spots. Economic fundamentals remain delicate despite continuous support from central banks around the world. Geopolitical tensions around the world has not subsided which further shrouds the already uncertain outlook.

The Central Government demonstrated its determination to focus on quality and sustainability in economic development through implementing a combination of fiscal and prudent monetary policy to balance steady growth and ongoing economic restructuring. Several rounds of interest rate decreases and reserve requirement ratio cuts were implemented to stimulate the economy and the Central Government appears to be on-track to achieve the 2015 GDP growth target of approximately 7.0%.

Whilst the outlook for the retail segment of the property sector continues to be challenging, the stimuli, coupled with the relaxation on home purchasing restrictions, clearly rejuvenated the residential property segment with transaction volumes recovered and average selling prices stabilised in major cities. The Group believes that the property sector is an important economic pillar and continues to be shaped significantly by government policies. The Central Government's approach to the economy is certainly good news to the sector in the long run and supportive fiscal policy would be beneficial to investors and developers alike.

Business Review and Outlook (continued)

The Group's regional focus coupled with the rental-led strategy that the Group adopted since 2012 has proved to be successful again against such a challenging operating environment. The rental portfolio of approximately 2.9 million square feet, primarily in Shanghai and Guangzhou, delivered steady increases in rental income at close to full occupancies for the key assets despite a general slowdown in retail sales.

Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza has been completed. New tenants have commenced operations during the year under review which is expected to improve the overall rental contribution from this property.

During the year ended 31 July 2015, the sale of Guangzhou King's Park, Guangzhou Eastern Place Phase V residential portion and Guangzhou Dolce Vita were encouraging. The Group experienced a steady increase in average selling prices in these projects which indicated the strength and depth of the underlying demand.

Guangzhou Eastern Place Phase V

Guangzhou King's Park

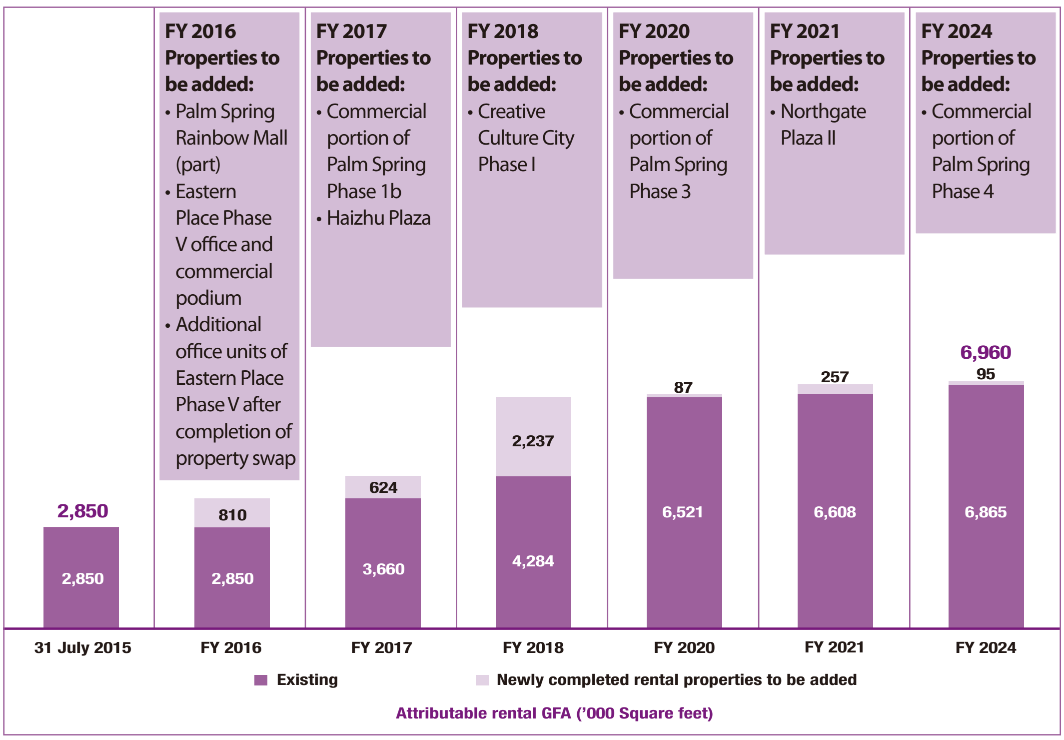
Guangzhou Dolce Vita

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

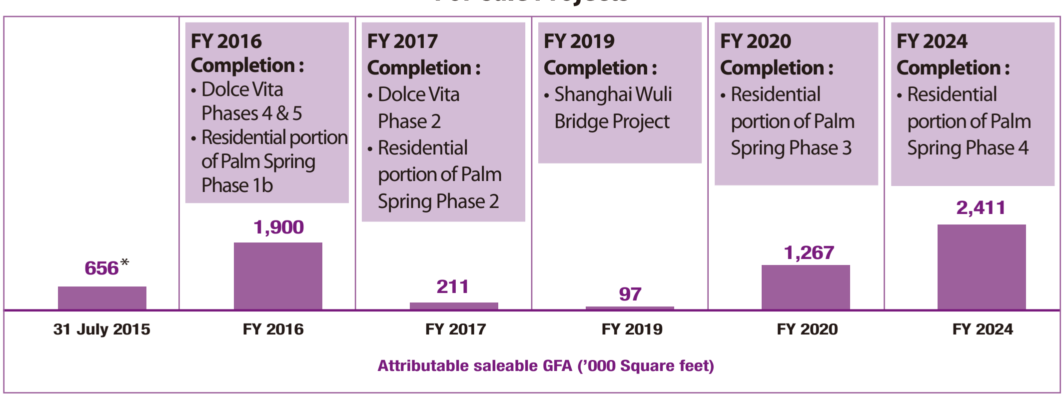
The Group has a number of projects in various stages of development in Shanghai, Guangzhou, Zhongshan and Hengqin. The rental portfolio is expected to increase from approximately 2.9 million square feet to approximately 7.0 million square feet through developing the existing projects in the next few years. The remaining residential units in Guangzhou Dolce Vita Phases IV and V, Guangzhou King's Park and Guangzhou Eastern Place Phase V are expected to contribute to the profit and loss account in the current and coming financial years. The master layout plan for Phase I of the Creative Culture City project in Hengqin has been approved in January 2015 and construction work is expected to commence before the end of 2015. Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. The Group will continue its prudent and flexible approach in growing its landbank.

Set out below is the expected growth of the rental portfolio of the Group and pipeline of development projects of the Group as at 31 July 2015:

Rental Portfolio



For-sale Projects



* *excluding commercial portion of the Zhongshan Palm Spring which will be reclassified as completed properties held for rental purposes as it is being leased out over time*

Business Review and Outlook (continued)

Subsequent to the year end, on 30 September 2015, the Group entered into an agreement to acquire the 6th to 11th floors of Hui Gong Building that is physically connected to Northgate Plaza I in Shanghai, together with the right to use 20 car-parking spaces in the basement ("**Hui Gong Building**") which will facilitate the redevelopment plan of Northgate Plaza I and the adjacent Northgate Plaza II and enhance the overall value of the combined development once they are redeveloped. This transaction is subject to, inter alia, the approval by the shareholders of the Company's ultimate holding company, eSun Holdings Limited ("**eSun**") at a special general meeting to be held soon.

As at 31 July 2015, the Group has a landbank of 9.9 million square feet. The Group's strong cash position of HK$2,864.1 million of cash on hand with a net debt to equity ratio of 23% as at 31 July 2015 provides the Group with full confidence and the means to review opportunities more actively.

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. Lee Tze Yan, Ernest who joined the Board as an Executive Director and Mr. Chan Boon Seng who joined the Board as a Non-Executive Director and the alternate director to Mr. Lucas Ignatius Loh Jen Yuh with effect from 17 January 2015 and 1 October 2014, respectively. I would like to thank Mr. Lau Shu Yan, Julius and Mr. Leow Juan Thong, Jason who left the Board during the year for their valuable contributions to the Company during their tenure.

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

Chew Fook Aun
Chairman
Hong Kong
15 October 2015

Financial Highlights

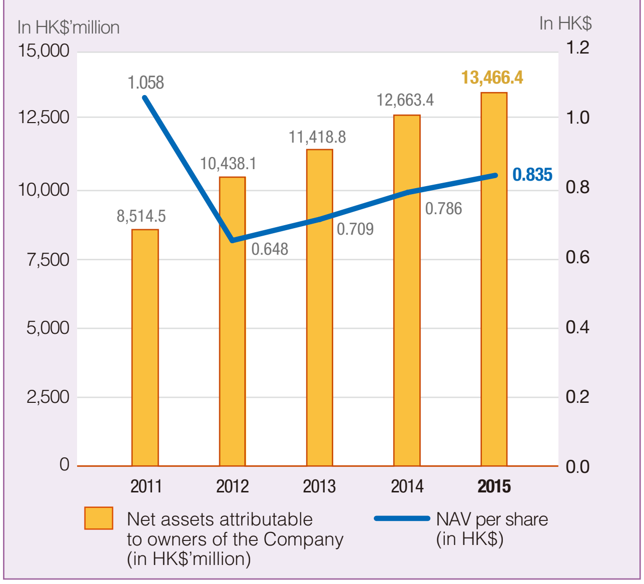
		Year ended 31 July 2015	Year ended 31 July 2014	%
Turnover	(HK$M)	**1,901.4**	1,207.3	57%
Gross profit	(HK$M)	**1,036.5**	745.7	39%
Gross profit margin	(%)	**55%**	62%	
Operating profit	(HK$M)	**1,623.5**	1,650.5	-2%
Operating profit margin	(%)	**85%**	137%	
Profit attributable to owners of the Company	(HK$M)			
— excluding the effect of property revaluations		**294.6**	247.7	19%
— including the effect of property revaluations		**1,004.9**	1,099.7	-9%
Net profit margin	(%)			
— excluding the effect of property revaluations		**15%**	21%	
— including the effect of property revaluations		**53%**	91%	
Basic earnings per share	(HK$)			
— excluding the effect of property revaluations		**0.018**	0.015	20%
— including the effect of property revaluations		**0.062**	0.068	-9%
Net assets attributable to owners of the Company	(HK$M)	**13,466.4**	12,663.4	6%
Net borrowings	(HK$M)	**3,038.3**	2,194.4	38%
Net asset value per share	(HK$)	**0.835**	0.786	6%
Share price as at 31 July	(HK$)	**0.165**	0.182	-9%
Price earnings ratio	(times)			
— excluding the effect of property revaluations		**9.2**	12.1	
— including the effect of property revaluations		**2.7**	2.7	
Market capitalisation as at 31 July	(HK$M)	**2,661.4**	2,930.5	-9%
Return on shareholders' equity	(%)			
— excluding the effect of property revaluations		**2%**	2%	
— including the effect of property revaluations		**7%**	9%	
Dividend per share	(HK$)	**0.00330**	0.00310	
Dividend yield	(%)	**2.0%**	1.7%	
Gearing — net debt to equity	(%)	**23%**	17%	
Interest cover *(Note 1)*	(times)			
— excluding the effect of property revaluations		**1.0**	0.6	
— including the effect of property revaluations		**3.3**	2.6	
EBITDA *(Note 2)*/Interest expenses	(times)	**2.5**	1.4	
Current ratio	(times)	**1.3**	2.7	
Discount to net asset value	(%)	**80%**	77%	

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

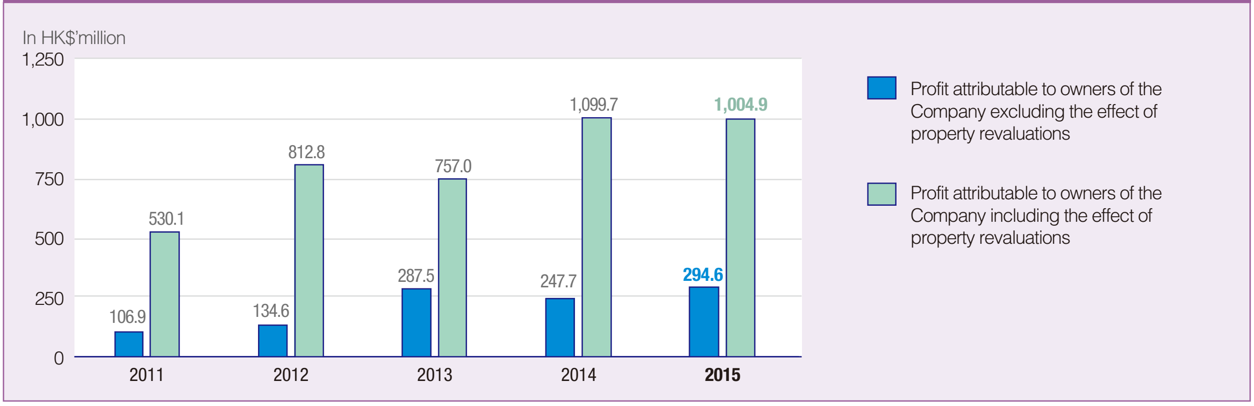
Note 2: EBITDA = Operating profit - Property revaluation gain/loss + Depreciation + Amortisation

Turnover by Segment

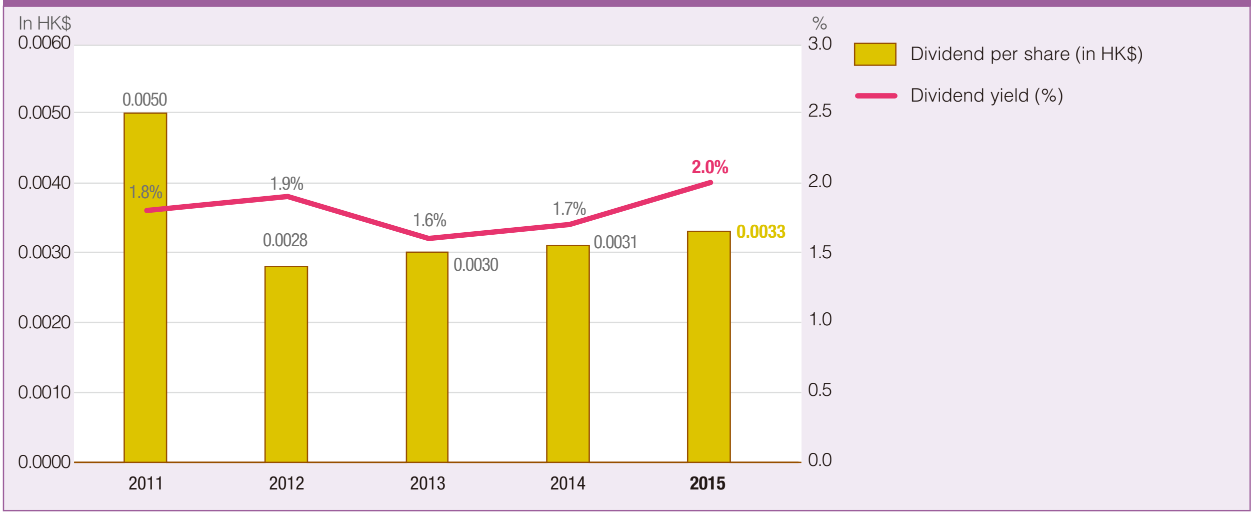
Net Assets & Net Asset Value ("NAV") per share



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



Dividend & Dividend Yield



Management Discussion and Analysis

Overview

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

Property Portfolio Composition

Approximate attributable GFA (in '000 square feet) and number of car-parking spaces as at 31 July 2015:

	Commercial/ Retail (in '000 square feet)	**Office** (in '000 square feet)	**Serviced apartments** (in '000 square feet)	**Residential** (in '000 square feet)	**Total (excluding car-parking spaces & ancillary facilities)** (in '000 square feet)	**No. of car-parking spaces**
Completed Properties Held for Rental[1]	1,684	569	—	—	2,253	791
Completed Hotel Properties and Serviced Apartments	—	—	597	—	597	—
Properties under Development[2]	1,220	1,893	822	5,970	9,905	5,525
Completed Properties Held for Sale	121[3]	76	13	552	762	1,305
Total GFA of major properties of the Group	**3,025**	**2,538**	**1,432**	**6,522**	**13,517**	**7,621**

1. *Completed and rental generating properties*
2. *All properties under construction*
3. *Completed properties for sale, including 106,933 square feet of shopping arcade space which is expected to be reclassified as completed properties held for rental purpose as it is being leased out over time.*

Shanghai Hong Kong Plaza

Shanghai May Flower Plaza

Property Investment

Rental Income

For the year ended 31 July 2015, the Group's rental operations recorded a turnover of HK$626.0 million (2014: HK$566.4 million), representing a 10.5% increase over last year. Breakdown of rental turnover by major rental properties is as follows:

	For the year ended 31 July			
	2015 HK$ million	2014 HK$ million	**% Change**	**Year end occupancy (%)**
Shanghai Hong Kong Plaza	**407.2**	379.7	7.2	Retail: 99.1% Office: 96.6% Serviced Apartments: 84.9%
Shanghai May Flower Plaza	**61.7**	35.8	72.3	Retail: 88.0% Hotel: 59.1%
Shanghai Regents Park	**13.4**	14.0	-4.3	99.9%
Shanghai Northgate Plaza I	**10.8**	10.7	0.9	87.3%
Guangzhou May Flower Plaza	**108.9**	105.8	2.9	Retail: 98.1% Office: 100.0%
Guangzhou West Point	**17.2**	17.3	-0.6	98.0%
Zhongshan Palm Spring	**6.8**	3.1	119.4	Retail: 65.0%* Serviced Apartments: 48.9%
Total:	**626.0**	566.4	10.5	

** Excluding self-use area*


Guangzhou May Flower Plaza


Guangzhou West Point


Zhongshan Palm Spring

Property Investment (continued)

Rental Income (continued)

Breakdown of turnover by usage of our major rental properties is as follows:

	For the year ended 31 July 2015			For the year ended 31 July 2014		
	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)	Group interest	Turnover (HK$ million)	Attributable GFA (square feet)
Shanghai						
Shanghai Hong Kong Plaza	**100%**			100%		
Retail		**179.9**	**468,434**		167.3	468,434
Office		**96.0**	**360,687**		84.3	360,687
Serviced Apartments (room revenue and F&B)		**124.1**	**354,239**		121.6	354,239
Car-parking Spaces		**7.2**	**N/A**		6.5	N/A
		407.2	**1,183,360**		379.7	1,183,360
Shanghai May Flower Plaza	**100%***			95%		
Retail		**27.8**	**320,314**		30.6	304,298
Hotel (room revenue and F&B)		**32.0**	**143,846**		4.1	136,654
Car-parking Spaces		**1.9**	**N/A**		1.1	N/A
		61.7	**464,160**		35.8	440,952
Shanghai Regents Park	**95%**			95%		
Retail		**11.0**	**77,959**		11.5	77,959
Car-parking Spaces		**2.4**	**N/A**		2.5	N/A
		13.4	**77,959**		14.0	77,959
Shanghai Northgate Plaza I	**99%**			99%		
Retail		**—**	**190,425**		—	190,425
Office		**10.2**	**128,931**		10.1	128,931
Car-parking Spaces		**0.6**	**N/A**		0.6	N/A
		10.8	**319,356**		10.7	319,356
Guangzhou						
Guangzhou May Flower Plaza	**100%**			100%		
Retail		**94.2**	**357,424**		91.6	357,424
Office		**10.9**	**79,431**		10.4	79,431
Car-parking Spaces		**3.8**	**N/A**		3.8	N/A
		108.9	**436,855**		105.8	436,855
Guangzhou West Point	**100%**			100%		
Retail		**17.2**	**171,968**		17.3	171,968
Guangzhou Eastern Place Phase V**						
Retail	**100%**			100%		
		—	**23,326**		—	—
Zhongshan						
Zhongshan Palm Spring	**100%**			100%		
Retail		**1.9**	**74,174**		0.5	59,312
Serviced Apartments (room revenue)		**4.9**	**98,556**		2.6	98,556
		6.8	**172,730**		3.1	157,868
Total:		**626.0**	**2,849,714**		566.4	2,788,318

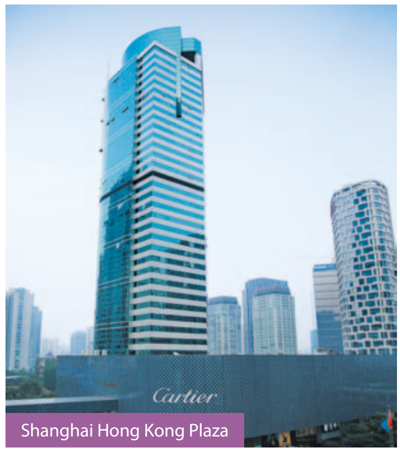
* *The Group acquired the 5% minority interest in January 2015 and now owns 100% interest in this property*

** *Completed during the year ended 31 July 2015*

Property Investment (continued)

Rental Income (continued)

Shanghai May Flower Plaza



Shanghai Hong Kong Plaza

Rental income performed steadily as a whole with almost full occupancy in all the major properties. The increase is primarily attributable to rental reversion and change in tenant mix across the portfolio, as well as improved performance of the serviced apartments operations. Asset enhancement aimed at improving foot traffic at the higher levels of the retail podium of the Shanghai Hong Kong Plaza has been completed. New tenants have commenced operations during the year under review which is expected to improve overall rental contribution. The significant increase in turnover of Shanghai May Flower Plaza is mainly driven by a better performance of the STARR Hotel Shanghai during the year since its soft opening in November 2013. An average occupancy rate of 59% was achieved during the year under review.

A portion of the Zhongshan Palm Spring Rainbow Mall, amounting to approximately 41% of total GFA, has been reclassified as rental properties as the floor space was leased out. Further reclassification and rental income recognition will take place in due course as the property becomes fully leased.

Review of Major Rental Properties

Shanghai Hong Kong Plaza

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

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

Property Investment (continued)

Review of Major Rental Properties (continued)

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

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

Shanghai May Flower Plaza

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

The Group acquired the 5% minority interest in this property in January 2015 and now owns 100% in the retail podium which has approximately 320,300 square feet of GFA including the basement commercial area. The asset is positioned as a community retail facility with Lotte Mart as the anchor tenant.

Shanghai Northgate Plaza

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

Shanghai Northgate Plaza II is a vacant site adjacent to Northgate Plaza I. The site area of Northgate Plaza II is approximately 44,300 square feet and its buildable GFA is approximately 259,900 square feet excluding car-parking spaces and ancillary facilities. In September 2015, the Group entered into an agreement to acquire, subject to, inter alia, eSun shareholders' approval, 6th to 11th floors of Hui Gong Building which is physically connected to Northgate Plaza I, together with the right to use 20 car-parking spaces in the basement. The Group plans to redevelop Shanghai Northgate Plaza I, Northgate Plaza II and the Hui Gong Building together under a comprehensive redevelopment plan. The redeveloped project will include an office tower, a shopping arcade and underground car-parking spaces. The Group is currently discussing the redevelopment proposal with professional consultants and local authorities.

Architect's impression of Shanghai Northgate Plaza after redevelopment

Property Investment (continued)

Review of Major Rental Properties (continued)

Guangzhou May Flower Plaza — Shopping Arcade

Zhongshan Palm Spring Mall

Guangzhou May Flower Plaza

Guangzhou May Flower Plaza is a prime property situated at Zhongshanwu Road, Yuexiu District directly above the Gongyuanqian Metro Station in Guangzhou, the interchange station of Guangzhou Subway Lines No. 1 and 2. This 13-storey complex has a total GFA of approximately 436,900 square feet excluding 136 car-parking spaces.

The building comprises of retail spaces, restaurants, office units and car-parking spaces. The property is almost fully leased to tenants comprising well-known corporations, consumer brands and restaurants.

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

Guangzhou West Point

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

Zhongshan Palm Spring Mall

Zhongshan Palm Spring Mall is the commercial element of the wholly owned residential project, Zhongshan Palm Spring. Zhongshan Palm Spring is located in Caihong Planning Area, West District of Zhongshan. It has a total GFA of approximately 181,100 square feet and excluding self-use area, the average occupancy rate during the year under review was approximately 65%.

Property Investment (continued)

Hotel and Serviced Apartments

Ascott Huaihai Road Shanghai

Ascott Huaihai Road in Hong Kong Plaza managed by the Ascott Group is one of a premier collection of the Ascott Limited's serviced residences in over 70 cities in Asia Pacific, Europe and the Gulf region. The residence with total GFA of approximately 357,000 square feet and approximately 354,200 square feet GFA attributable to the Group has 308 contemporary apartments of various sizes: studios (640-750 sq.ft.), one-bedroom apartments (915-1,180 sq.ft.), two-bedroom apartments (1,720 sq.ft.), three-bedroom apartments (2,370 sq.ft.) and two luxurious penthouses on the highest two floors (4,520 sq.ft.). An average occupancy rate of 85% (2014: 83%) was achieved during the year and the average room tariff was approximately HK$1,340.

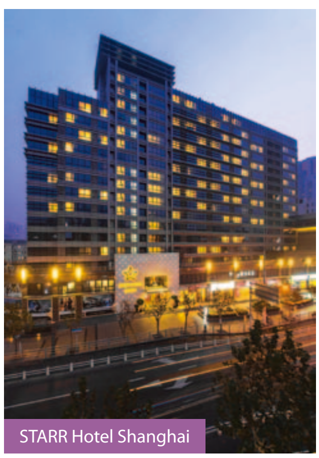
STARR Hotel Shanghai

STARR Hotel Shanghai soft opened in November 2013 and is a 17-storey hotel located in the Mayflower Lifestyle complex right in the heart of the Zhabei inner ring road district, within walking distance to Lines 1, 3 and 4 of the Shanghai Metro Station with easy access to major motorways. There are 239 fully furnished and equipped hotel units with stylish separate living room, bedroom, fully-equipped kitchenette and luxurious bathroom amenities for short or extended stays to meet the needs of the business travelers from around the world and the total GFA is approximately 143,800 square feet. The GFA attributable to the Group is approximately 143,800 square feet. An average occupancy rate of 59% was achieved during the year and the average room tariff was approximately HK$500.

STARR Resort Residence Zhongshan

STARR Resort Residence Zhongshan, soft opened in August 2013, comprises two 16-storey blocks located in the Palm Lifestyle complex in Zhongshan West District at Cui Sha Road. It is 30 minutes away from Zhongshan ferry pier and an ideal place for weekend breaks with a wide range of family oriented facilities such as an outdoor Swimming Pool, Gym, Yoga Room, Reading Room, Wine Club, Card Game/Mahjong Room, Tennis Court, etc. There are 90 fully furnished serviced apartment units with kitchenette, unit type one- and two-bed room suite and the total GFA is approximately 98,600 square feet. The resort also has an F & B outlet of 80 seats, suitable for private party and BBQ etc. An average occupancy rate of 49% was achieved during the year and the average room tariff was approximately HK$365.

Ascott Huaihai Road Shanghai


STARR Hotel Shanghai


STARR Resort Residence Zhongshan

Property Development

Recognised Sales

For the year ended 31 July 2015, the Group's property development operations recorded a turnover of HK$1,275.4 million (2014: HK$640.9 million) from sale of properties, representing a 99.0% increase in sales revenue over last year.

Total recognised sales was primarily driven by the sales performance of Guangzhou Eastern Place Phase V and Guangzhou King's Park of which approximately 107,958 and 59,229 square feet of residential GFA were sold, respectively, achieving sales revenue of HK$595.6 million and HK$287.9 million, respectively.

Sales of Guangzhou Dolce Vita performed well and achieved an average selling price of HK$2,544 per square foot. This is recognised as a component of "Share of profits of joint ventures" in the consolidated income statement.

For the year ended 31 July 2015, average selling price recognised as a whole (excluding Guangzhou Dolce Vita) increased to approximately HK$4,243 per square foot (2014: HK$3,431 per square foot). The increase is due to a higher proportion of units at Guangzhou Eastern Place Phase V 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 2015 from property sales is as follows:

Recognised basis	**Approximate GFA** (Square feet)	**Average Selling Price#** (HK$/square foot)	**Turnover*** (HK$ million)
Shanghai May Flower Plaza			
Residential Units	53,452	5,093	256.8
Office Apartment Units	1,764	3,436	5.7
Guangzhou Eastern Place Phase V			
Residential Units	107,958	5,850	595.6
Guangzhou King's Park			
Residential Units	59,229	5,154	287.9
Zhongshan Palm Spring			
Residential High-Rise Units	9,459	838	7.5
Residential House Units	84,389	1,407	112.0
Subtotal	**316,251**	**4,243**	**1,265.5**
Guangzhou West Point			
Car-parking Spaces			9.9
Total			**1,275.4**

Property Development (continued)

Recognised Sales (continued)

Recognised basis	Approximate GFA (Square feet)	Average Selling Price# (HK$/square foot)	Turnover* (HK$ million)
Recognised sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	187,339	2,191	386.5
Retail Units**(47.5% basis)	13,370	7,489	94.3
Subtotal	**200,709**	**2,544**	**480.8**
Car-parking Spaces**(47.5% basis)			78.6
Total			**559.4**

\# *Before business tax*

* *After business tax*

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China Holdings Pte. Ltd. ("**CapitaLand China**") in which each of the Group and CapitaLand China has an effective 47.5% interest. For the year ended 31 July 2015, the recognised sales (after business tax) attributable to the full project is HK$1,012.2 million (excluding car-parking spaces) and approximately 422,545 square feet (excluding car-parking spaces) of GFA were recognised. The recognised sales from car-parking spaces attributable to the full project is HK$165.5 million.*

Contracted Sales

As at 31 July 2015, the Group's property development operations, excluding Guangzhou Dolce Vita, has contracted but not yet recognised sales of HK$202.8 million from sale of properties (2014: HK$229.6 million) with an average selling price of HK$2,642 per square foot. The total contracted but not yet recognised sales of the Group as at 31 July 2015 including Guangzhou Dolce Vita amounted to HK$1,311.4 million.

Sales momentum for the remaining units at Shanghai May Flower Plaza, Guangzhou Eastern Place Phase V and Guangzhou King's Park was encouraging and achieved a blended average selling price of HK$4,891 per square foot, HK$5,790 per square foot and HK$4,964 per square foot, respectively. Sales of the remainder of completed residential units of Guangzhou Dolce Vita were strong and average selling price increased to HK$2,590 per square foot (2014: HK$2,248 per square foot).

Property Development (continued)

Contracted Sales (continued)

Breakdown of contracted but not yet recognised sales as at 31 July 2015 is as follows:

Contracted basis	Approximate GFA (Square feet)	Average Selling Price# (HK$/square foot)	Turnover# (HK$ million)
Shanghai May Flower Plaza			
Residential Units	4,264	5,136	21.9
Office Apartment Units	684	3,363	2.3
Guangzhou Eastern Place Phase V			
Residential Units	10,811	5,790	62.6
Guangzhou King's Park			
Residential Units	9,045	4,964	44.9
Zhongshan Palm Spring			
Residential High-rise Units	4,623	735	3.4
Residential House Units	47,325	1,431	67.7
Subtotal	**76,752**	**2,642**	**202.8**
Contracted sales from joint venture project			
Guangzhou Dolce Vita			
Residential Units**(47.5% basis)	427,226	2,590	1,106.6
Retail Units**(47.5% basis)	419	4,773	2.0
Subtotal	**427,645**	**2,592**	**1,108.6**
Car-parking Spaces**(47.5% basis)			4.0
Subtotal			**1,112.6**
Total (excluding car-parking spaces)	**504,397**	**2,600**	**1,311.4**

Before business tax

** *Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has an effective 47.5% interest. As at 31 July 2015, the contracted but not yet recognised sales attributable to the full project is HK$2,333.9 million (excluding car-parking spaces) and approximately 900,306 square feet of GFA (excluding car-parking spaces) were sold. The contracted but not yet recognised sales from car-parking spaces attributable to the full project is HK$8.5 million.*

Property Development (continued)

Review of Major Properties Completed for Sale and under Development

Shanghai May Flower Plaza

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

The residential portion of Shanghai May Flower Plaza is branded "The Mid-town" which comprises 628 residential units and approximately 627,500 square feet of GFA. During the year under review, 53,452 square feet was recognised at an average selling price of HK$5,093 per square foot, which contributed HK$256.8 million to the turnover. As at 31 July 2015, contracted but not yet recognised sales amounted to HK$21.9 million or 4,264 square feet at an average selling price of HK$5,136 per square foot. As at 31 July 2015, completed residential units held for sale in this development amounted to approximately 9,681 square feet with a carrying amount of approximately HK$17.3 million.

The for sale portion of the office apartments comprised of 96 units with a total GFA of approximately 57,500 square feet. During the year under review, sales of 1,764 square feet was recognised at an average selling price of HK$3,436 per square foot, which contributed HK$5.7 million to the turnover. As at 31 July 2015, contracted but not yet recognised sales amounted to HK$2.3 million or 684 square feet at an average selling price of HK$3,363 per square foot. As at 31 July 2015, completed office apartment units held for sale in this development amounted to approximately 12,564 square feet with a carrying amount of approximately HK$29.5 million.

Shanghai Wuli Bridge Project

In July 2014, the Group succeeded in the auction for the land use rights of a piece of land located by Huangpu River in Huangpu district in Shanghai with a site area of approximately 74,100 square feet. The proposed development has attributable GFA of approximately 97,460 square feet and is intended to be developed into a high-end luxury residential project.

Guangzhou Eastern Place Phase V

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

The residential portion of the Guangzhou Eastern Place Phase V comprised of 317 units. For the year ended 31 July 2015, 107,958 square feet was recognised at an average selling price of HK$5,850 per square foot, which contributed HK$595.6 million to the turnover. As at 31 July 2015, contracted but not yet recognised sales amounted to HK$62.6 million or 10,811 square feet at an average selling price of HK$5,790 per square foot. As at 31 July 2015, completed residential units held for sale in this development amounted to approximately 211,463 square feet with a carrying amount of approximately HK$571.9 million.

Property Development (continued)

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

Guangzhou Dolce Vita

The Guangzhou Dolce Vita is a joint venture project with CapitaLand China in which each of the Group and CapitaLand China has a 47.5% interest. This development in Jinshazhou, Hengsha, Baiyun District, Guangzhou will have a total project GFA of approximately 5.859 million square feet. The project will comprise of approximately 2,796 low-rise and high-rise residential units and shopping amenities totaling 3.814 million square feet excluding ancillary facilities and car-parking spaces. It is conveniently located near the business centre of Jinshazhou as well as several shopping and entertainment areas, and is easily accessible via Guangzhou Subway Line 6 and other transport modes. Praised as the model metropolis for Guangzhou and Foshan, Jinshazhou is located in northwest Guangzhou.

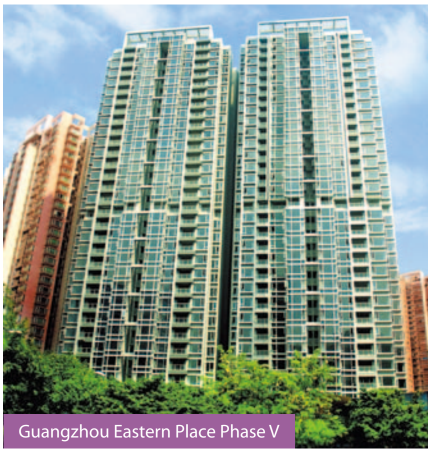
The project is divided into five phases of development. Phase I comprising 8 high-rise residential blocks has been sold out. During the year under review, 200,709 square feet attributable to the Group (excluding car-parking spaces) was recognised and generated an attributable sale proceeds of HK$480.8 million. As at 31 July 2015, attributable contracted but not yet recognised sales excluding car-parking spaces amounted to HK$ 1,108.6 million or 427,645 square feet at an average selling price of HK$2,592 per square foot. As at 31 July 2015, attributable GFA of completed residential and retail units held for sale amounted to approximately 137,660 square feet with a carrying amount of approximately HK$182.8 million. The remaining GFA under development was approximately 1,993,600 square feet.

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

Phase	Description	Approximate GFA * (square feet)	Expected completion
II	Commercial units	19,400	Q4 2016**
IV	Town houses and low-rise residential units	307,700	Q4 2015
V	High-rise residential units	1,666,500	Q1 2016

* *Excluding car-parking spaces and ancillary facilities*

** *The commercial units are currently used by the Group as sales centre for the project and expected to be refurbished for sale by end of 2016.*



Guangzhou Eastern Place Phase V

Guangzhou Dolce Vita

Property Development (continued)

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

Guangzhou King's Park

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

During the year under review, sales of 59,229 square feet was recognised at an average selling price of HK$5,154 per square foot, which contributed HK$287.9 million to the turnover. As at 31 July 2015, attributable GFA of completed units held for sale amounted to 24,700 square feet with a carrying amount of approximately HK$140.2 million.

Guangzhou Paramount Centre

This property locates at the junction of Da Sha Tou Road and Yan Jiang Dong Road in Yuexiu District. The attributable GFA is approximately 83,000 square feet excluding 46 car-parking spaces and ancillary facilities. This project is subject to the asset swap transaction that was jointly announced by the Company and eSun on 15 January 2015 and the transaction was approved by the shareholders of eSun on 5 March 2015 and it is expected to complete before the end of 2015.

Guangzhou Haizhu Plaza

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

Guangzhou Guan Lu Road Project

The site is located on Guan Lu Road in Yuexiu District. The expected residential and retail GFA is approximately 96,400 square feet excluding 62 car-parking spaces and ancillary facilities. The Group is proceeding to return the site to the Guangzhou government.

Zhongshan Palm Spring

The project is located in Caihong Planning Area, West District of Zhongshan. The overall development has a total planned GFA of approximately 8.016 million square feet. The project will comprise of high-rise residential towers, townhouses, serviced apartments and commercial blocks totaling 6.101 million square feet.

Phase Ia of the project, which was completed during the first half of the financial year ended 31 July 2013, comprises of high-rise residential towers and house units. During the year under review, 9,459 square feet of high-rise residential units and 84,389 square feet of house units were recognised at average selling prices of HK$838 and HK$1,407 per square foot, respectively, which contributed a total of HK$119.5 million to the sales turnover. As at 31 July 2015, contracted but not yet recognised sales for high-rise residential units and house units amounted to HK$3.4 million and HK$67.7 million, respectively at average selling prices of HK$735 and HK$1,431, respectively. As at 31 July 2015, completed units held for sale in this development amounted to 176,500 square feet (excluding 106,933 square feet of shopping arcade spaces which is expected to be reclassified as completed properties held for rental purposes as it is being leased out over time) with a carrying amount of approximately HK$188.4 million. The remaining GFA under development was approximately 5,044,600 square feet.

Property Development (continued)

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

Zhongshan Palm Spring (continued)

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

Phase	Description	Approximate GFA* (square feet)	Expected completion
Ib	High-rise residential units	983,200	Q4 2016
II	Townhouses	202,400	Q2 2017
III	High-rise residential units including commercial units	1,353,200	Q2 2020
IV	High-rise residential units including commercial units	2,505,800	Q2 2024

* *Excluding car-parking spaces and ancillary facilities*

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

Zhongshan Palm Spring

Property Development (continued)

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

Hengqin Creative Culture City Phase I

On 25 September 2013, the Company announced it had successfully won Phase I of the Creative Culture City project in Hengqin ("**Phase I CCC**") which is 80% owned by the Group and 20% owned by eSun. Phase I CCC has a total gross floor area of 2.8 million square feet. The minimum investment requirement for Phase I CCC is approximately RMB3.0 billion (equivalent to approximately HK$3.7 billion), of which approximately RMB523.3 million (equivalent to approximately HK$652.1 million) is land cost as per the land grant contract entered into between the Group and The Land and Resources Bureau of Zhuhai on 27 September 2013. The master layout plan for Phase I CCC has been approved in January 2015 and construction work is expected to commence before the end of 2015. Hyatt group was engaged as the manager for the cultural themed hotel in March 2015. The expected GFA breakdown by usage is set out below:

Usage	Approximate GFA (square feet)
Cultural themed hotel	596,606
Cultural workshop	430,549
Cultural commercial area	529,481
Performance halls	433,595
Office	559,933
Cultural studios	246,455
Ancillary facilities and others	5,717
Total:	**2,802,336**

Architect's impression of Phase I of the Creative Culture City Project in Hengqin

Capital Structure, Liquidity And Debt Maturity Profile

As at 31 July 2015, cash and bank balances held by the Group amounted to HK$2,864.1 million and undrawn facilities of the Group was HK$866.5 million.

As at 31 July 2015, the Group had total borrowings amounting to HK$5,902.4 million (2014: HK$4,757.4 million), representing an increase of HK$1,145.0 million from 2014. The consolidated net assets attributable to the owners of the Company amounted to HK$13,466.4 million (2014: HK$12,663.4 million). The gearing ratio, being net debt (total borrowings less cash and bank balances) to net assets attributable to the owners of the Company was approximately 23% (2014: 17%). The maturity profile of the Group's borrowings of HK$5,902.4 million is well spread with HK$2,860.3 million repayable within 1 year, HK$500.2 million repayable in the second year, HK$2,371.2 million repayable in the third to fifth years and HK$170.7 million repayable beyond the fifth year.

Approximately 46% and 49% of the Group's borrowings were on a fixed rate basis and floating rate basis, respectively, and the remaining 5% of the Group's borrowings were interest free.

Apart from the fixed rate senior notes, the Group's other borrowings of HK$3,681.5 million were 46% denominated in Renminbi ("**RMB**"), 41% in Hong Kong dollars ("**HKD**") and 13% in United States dollars ("**USD**").

The Group's fixed rate senior notes of HK$2,220.9 million were denominated in RMB. On 25 April 2013, issue date of the RMB denominated senior notes ("**2013 Notes**"), the Group entered into cross currency swap agreements with financial institutions for the purpose of hedging the foreign currency risk arising from such notes. Accordingly, the 2013 Notes have been effectively converted into USD denominated loans.

The Group's cash and bank balances of HK$2,864.1 million were 85% denominated in RMB, 14% in HKD and 1% in USD.

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

Certain assets of the Group have been pledged to secure borrowings of the Group, including investment properties with a total carrying amount of approximately HK$9,007.6 million, properties under development with a total carrying amount of approximately HK$89.7 million, serviced apartments and related properties with a total carrying amount of approximately HK$621.8 million, a leasehold building with carrying amount of approximately HK$37.4 million, completed properties for sale with a total carrying amount of approximately HK$375.3 million and bank balances of approximately HK$689.1 million.

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

Contingent Liabilities

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

Employees and Remuneration Policies

As at 31 July 2015, the Group employed a total of around 1,300 employees. The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including share option scheme, mandatory provident fund scheme, free hospitalisation insurance plan, subsidised medical care and sponsorship for external education and training programmes are offered to eligible employees.

Financial Summary

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

Results

	Year ended 31 July				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Turnover	**1,901,394**	1,207,302	1,894,938	1,394,034	647,183
Profit before tax	**1,579,246**	1,483,028	1,343,189	1,374,137	771,963
Tax	**(571,197)**	(366,109)	(530,622)	(494,358)	(193,663)
Profit for the year	**1,008,049**	1,116,919	812,567	879,779	578,300
Attributable to:					
Owners of the Company	**1,004,901**	1,099,727	757,045	812,758	530,112
Non-controlling interests	**3,148**	17,192	55,522	67,021	48,188
	1,008,049	1,116,919	812,567	879,779	578,300

Assets, Liabilities and non-controlling Interests

	As at 31 July				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Property, plant and equipment and prepaid land lease payments	**1,331,211**	1,505,123	1,497,117	846,764	937,491
Investment properties	**14,479,603**	13,479,025	11,377,034	10,289,369	9,295,785
Properties under development	**1,617,398**	662,386	513,517	925,588	1,122,284
Goodwill	**—**	426	1,032	3,400	4,561
Investments in joint ventures	**739,028**	590,758	436,340	319,861	350,289
Deposit for acquisition of land use right	**—**	89,765	—	—	—
Current assets	**5,113,389**	4,511,628	7,697,302	5,108,909	3,224,905
TOTAL ASSETS	**23,280,629**	20,839,111	21,522,342	17,493,891	14,935,315
Current liabilities	**(4,070,850)**	(1,674,289)	(3,412,775)	(2,945,643)	(1,541,626)
Long-term deposits received	**(103,369)**	(92,564)	(77,021)	(68,045)	(81,692)
Non-current interest-bearing bank loans, secured	**(533,780)**	(1,604,858)	(1,774,856)	(358,342)	(1,471,241)
Fixed rate senior notes	**(2,220,914)**	(2,232,738)	(2,223,610)	(1,427,253)	(1,427,850)
Advances from a former substantial shareholder	**(58,198)**	(58,688)	(58,621)	(57,200)	(56,474)
Loans from a fellow subsidiary	**(229,244)**	(152,760)	—	—	—
Derivative financial instruments	**(111,654)**	(25,162)	(43,712)	—	—
Deferred tax liabilities	**(2,407,392)**	(2,203,747)	(1,819,897)	(1,566,958)	(1,283,303)
TOTAL LIABILITIES	**(9,735,401)**	(8,044,806)	(9,410,492)	(6,423,441)	(5,862,186)
	13,545,228	12,794,305	12,111,850	11,070,450	9,073,129
Non-controlling interests	**(78,875)**	(130,871)	(693,016)	(632,339)	(558,671)
	13,466,353	12,663,434	11,418,834	10,438,111	8,514,458

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	100%	The property is held for a term of 50 years commencing on 16 September 1992	468,434	360,687	829,121	350
May Flower Plaza *(Note)*	Sujiaxiang, Zhabei District	100%	The property is held for a term of 40 years for commercial use commencing on 5 February 2007	320,314	—	320,314	—
Northgate Plaza I	99 Tian Mu Road West, Zhabei District	99%	The property is held for a term of 50 years commencing on 15 June 1993	190,425	128,931	319,356	101
Regents Park	88 Huichuan Road, Changning District	95%	The property is held for a term of 70 years commencing on 4 May 1996	77,959	—	77,959	—
Subtotal of major completed properties held for rental in Shanghai:				**1,057,132**	**489,618**	**1,546,750**	**451**
Guangzhou							
May Flower Plaza	68 Zhongshanwu Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 14 October 1997	357,424	79,431	436,855	136
West Point	Zhongshan Qi Road, Liwan District	100%	The property is held for a term of 40 years for commercial use and 50 years for other uses commencing on 11 January 2006	171,968	—	171,968	—
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	The property is held for a term of 40 years for commercial uses and 50 years for other uses commencing on 21 October 1997	23,326	—	23,326	204
Subtotal of major completed properties held for rental in Guangzhou:				**552,718**	**79,431**	**632,149**	**340**

Particulars of Major Properties

Completed Properties held for Rental (continued)

Property Name	Location	Group Interest	Tenure	Approximate Attributable Gross Floor Area (square feet) Commercial/ Retail	Office	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Zhongshan							
Palm Spring	Caihong Planning Area, West District	100%	The property is held for a term expiring on 30 March 2075 for commercial/residential uses.	74,174	—	74,174	—
Subtotal of major completed properties held for rental in Zhongshan:				**74,174**	**—**	**74,174**	**—**
Total of major completed properties held for rental:				**1,684,024**	**569,049**	**2,253,073**	**791**

Note: *In January 2015, the Group bought out the 5% minority interest in Shanghai May Flower Plaza, increasing the Group's interest in this project to 100%.*

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
Shanghai						
Ascott Huaihai Road Shanghai	282 Huaihaizhong Road, Huangpu District, Shanghai	100%	The property is held for a term of 50 years commencing on 16 September 1992	299	354,239	—
STARR Hotel Shanghai *(Note)*	Sujiaxiang, Zhabei District, Shanghai	100%	The property is held for a term of 50 years commencing on 5 February 2007	239	143,846	—
Subtotal of major hotel properties and serviced apartments in Shanghai:				**538**	**498,085**	**—**
STARR Resort Residence Zhongshan	Caihong Planning Area, West District, Zhongshan	100%	The property is held for a term expiring on 23 October 2073	90	98,556	—
Subtotal of major hotel properties and serviced apartments in Zhongshan:				**90**	**98,556**	**—**
Total of major hotel properties and serviced apartments:				**628**	**596,641**	

Note: *In January 2015, the Group bought out the 5% minority interest in Shanghai May Flower Plaza, increasing the Group's interest in this project to 100%.*

Properties Under Development

						Approximate Attributable Gross Floor Area (square feet)					
Property Name	Location	Group Interest	Stage of Construction	Expected completion date	Approximate site area (square feet) *(Note 1)*	Commercial/ Retail	Office	Serviced Apartments	Residential	Total (excluding car-parking spaces & ancillary facilities)	No. of car-parking spaces attributable to the Group
Guangzhou											
Dolce Vita	Jinshazhou, Hengsha, Baiyun District	47.5%	Construction work in progress	Phase 4: Q4 2015 Phase 5: Q1 2016	3,217,769 *(Note 2)*	–	–	–	937,762	937,762	847
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	Construction work in progress	Q4 2015	186,142 *(Note 2)*	80,525	541,430	–	–	621,955	–
Haizhu Plaza	Chang Di Main Road, Yuexiu District	100%	Resettlement in progress	2017-2018 *(Note 3)*	90,708	91,925	510,860 *(Note 4)*	–	–	602,785	299
Guan Lu Road Project	Guan Lu Road, Yuexiu District	100%	Development under planning	*(Note 5)*	26,178	2,799	–	–	93,593	96,392	62
Subtotal of major properties under development in Guangzhou:						**175,249**	**1,052,290**	**–**	**1,031,355**	**2,258,894**	**1,208**
Zhongshan											
Palm Spring	Caihong Planning Area, West District	100%	Construction work in progress	Phase 1b: Q4 2016 Phase 2: Q2 2017 Phase 3: Q2 2020 Phase 4: Q2 2024	2,547,298 *(Note 2)*	203,236	–	–	4,841,378	5,044,614	2,415
Subtotal of major properties under development in Zhongshan:						**203,236**	**–**	**–**	**4,841,378**	**5,044,614**	**2,415**
Shanghai											
Wuli Bridge project	Wuliqiao Road, 104 Jie Fang, Huangpu District	100%	Development under planning	Q3 2018	74,112	–	–	–	97,463	97,463	78
Northgate Plaza II	Tian Mu Road West, Zhabei District	99%	Development under planning	Q3 2020 *(Note 6)*	44,293	61,743	195,566	–	–	257,309	154
Subtotal of major properties under development in Shanghai:						**61,743**	**195,566**	**–**	**97,463**	**354,772**	**232**
Hengqin											
Creative Culture City Phase 1	East side of Yiwener Road, south side of Caihong Road, west side of Tianyu Road and north side of Hengqin Road, Hengqin New Area, Zhuhai City	80%	Construction work in progress	Q4 2017	1,401,184	770,461	645,110	821,724	–	2,237,295	1,670
Subtotal of major properties under development in Hengqin:						**770,461**	**645,110**	**821,724**	**–**	**2,237,295**	**1,670**
Total of major properties under development:						**1,210,689**	**1,892,966**	**821,724**	**5,970,196**	**9,895,575**	**5,525**

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. *The Group is proceeding to return the site to the Guangzhou government*
6. *In the process of discussing a comprehensive redevelopment proposal with the district government*

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	Office	Total (excluding car-parking spaces & ancillary facilities)	
Zhongshan								
Palm Spring	Caihong Planning Area, West District	100%	106,933	—	176,481	—	283,414	—
Subtotal of major completed properties held for sale in Zhongshan:			**106,933**	**—**	**176,481**	**—**	**283,414**	**—**
Shanghai								
May Flower Plaza *(Note)*	Sujiaxiang, Zhabei District	100%	—	12,564	9,681	—	22,245	458
Regents Park, Phase II	88 Huichuan Road, Changning District	95%	—	—	—	—	—	386
Subtotal of major completed properties held for sale in Shanghai:			**—**	**12,564**	**9,681**	**—**	**22,245**	**844**
Guangzhou								
Eastern Place Phase V	787 Dongfeng East Road, Yuexiu District	100%	—	—	211,416	—	211,416	148
Dolce Vita	Jinshazhou, Heng Sha, Baiyun District	47.5%	5,136	—	132,524	—	137,660	80
Paramount Centre	Nos 407 and 409 Yan Jiang Dong Road, Yuexiu District	100%	5,602	—	—	76,471	82,073	46
King's Park	Donghua Dong Road, Yuexiu District	100%	3,337	—	21,399	—	24,736	57
Eastern Place	787 Dongfeng East Road, Yuexiu District	100%	—	—	891	—	891	2
West Point	Zhongshan Qi Road, Liwan District	100%	—	—	—	—	—	128
Subtotal of major completed properties held for sale in Guangzhou:			**14,075**	**—**	**366,230**	**76,471**	**456,776**	**461**
Total of major completed properties held for sale:			**121,008**	**12,564**	**552,392**	**76,471**	**762,435**	**1,305**

Note: *In January 2015, the Group bought out the 5% minority interest in Shanghai May Flower Plaza, increasing the Group's interest in this project to 100%*

Corporate Social Responsibility Report

The Company and its subsidiaries ("**Group**") is committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

Environmental Protection

As a responsible developer, the Group has strictly endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure its projects meet the construction standards and ethics in respect of environmental protection.

Several measures have been implemented in order to mitigate emissions produced by the Group's offices, such as controlled use of chiller units during night-time, using more LED lamps, switching off some passenger lifts after office hours, etc.

The Group has actively promoted material-saving and the extensive use of environmentally friendly construction materials so as to protect the environment and improve air quality within the community.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior as well as employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised charitable and staff-friendly activities for employees, such as outings, cookery class and health talks to provide communication opportunities among staff, which are vital to promote staff relationship and physical fitness.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, they are entitled to medical insurance benefits as well as other health awareness programs.

Community Involvement

The Group is committed to participate in the community events and made donations to a number of charitable organisations to the improvement of community well-being and social services. The Group believes that by encouraging staff to participate in a wide range of charitable events, concern for the community will be raised and boosted, which would inspire more people to take part in serving the community.

Corporate Governance Report

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

(1) Corporate Governance Practices

The Company has complied with all the code provisions set out in the CG Code for the year ended 31 July 2015 ("**Year**") save for the deviations from code provisions A.4.1 and A.5.1 as follows:

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

None of the existing non-executive directors ("**NEDs**", including the independent non-executive directors ("**INEDs**")) of the Company is appointed for a specific term. However, all directors of the Company ("**Directors**") are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**") which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by the shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, in accordance with the provisions of the Articles of Association, any person appointed by the board of Directors ("**Board**") as a Director (including a NED) either to fill a casual vacancy or as an addition to the Board will 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 ("**AGM**") (in the case of an addition to the Board) and will then be eligible for re-election. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

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

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

(2) Board Of Directors

(2.1) Responsibilities and Delegation

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

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

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

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

(2.2) Composition of the Board

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

Executive Directors

Chew Fook Aun *(Chairman)*	
Lam Kin Ming *(Deputy Chairman)*	
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*	
Lam Hau Yin, Lester *(Chief Executive Officer)*	
Cheng Shin How	
U Po Chu	
Lee Tze Yan, Ernest	(appointed on 17 January 2015)
Lau Shu Yan, Julius	(resigned on 17 January 2015)

(2) Board Of Directors (continued)

(2.2) Composition of the Board (continued)

Non-executive Directors

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

Independent Non-executive Directors

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

Note: Mr. Loh ceased to act as the alternate director to Mr. Leow on 1 October 2014.

The brief biographical particulars of the current Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report on pages 52 to 60.

Dr. Lam Kin Ming is an elder brother of Mr. Lam Kin Hong, Matthew. Mr. Lam Hau Yin, Lester is a grandson of Madam U Po Chu and a nephew of Dr. Lam Kin Ming and Mr. Lam Kin Hong, Matthew. Save as aforesaid and as disclosed in the "Biographical Details of Directors" section of this Annual Report, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(2) Board Of Directors (continued)

(2.3) Attendance Record at Board meetings

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

Directors	Number of Meetings Attended/ Number of Meetings Held
Executive Directors	
Chew Fook Aun	5/5
Lam Kin Ming	0/5
Lam Kin Hong, Matthew	4/5
Lam Hau Yin, Lester	5/5
Cheng Shin How	5/5
U Po Chu	4/5
Lee Tze Yan, Ernest *(appointed on 17 January 2015)*	2/2
Lau Shu Yan, Julius *(resigned on 17 January 2015)*	3/3
Non-executive Directors	
Lucas Ignatius Loh Jen Yuh *(also alternate director to Leow Juan Thong, Jason until 30 September 2014* [(Note 1)]*)*	4/5
Chan Boon Seng [(Note 2)] *(also alternate director to Lucas Ignatius Loh Jen Yuh) (appointed on 1 October 2014)*	3/4
Leow Juan Thong, Jason [(Note 3)]	1/1
Independent Non-executive Directors	
Ku Moon Lun	5/5
Lam Bing Kwan	5/5
Law Kin Ho	5/5
Mak Wing Sum, Alvin	5/5
Shek Lai Him, Abraham	5/5

Notes:

1. *Mr. Loh ceased to act as the alternate director to Mr. Leow on 1 October 2014.*
2. *Mr. Chan has been appointed a NED and the alternate director to Mr. Loh on 1 October 2014.*
3. *Mr. Leow resigned as a NED on 1 October 2014.*

(2) Board Of Directors (continued)

(2.4) INEDs

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

Mr. Ku Moon Lun will retire by rotation at the forthcoming AGM and, being eligible, offers himself for re-election. Mr. Ku has served on the Board for 9 years (from June 2006). Being a long-serving director, Mr. Ku 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. Ku would impair his independent judgment. The Board is satisfied that Mr. Ku will continue to have the required character and experience to fulfill the role of an independent non-executive director of the Company and considers that the re-election of Mr. Ku as an INED at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

(3) Directors' Induction and Continuous Professional Development

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

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

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

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

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

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations: Read Materials	Corporate Governance/ Updates on Laws, Rules & Regulations: Attend Seminars/ Briefings	Accounting/Financial/ Management or Other Professional Skills: Read Materials	Accounting/Financial/ Management or Other Professional Skills: Attend Seminars/ Briefings
Executive Directors				
Chew Fook Aun	√	√	√	√
Lam Kin Ming	√	√	√	—
Lam Kin Hong, Matthew	√	√	√	√
Lam Hau Yin, Lester	√	√	√	—
Cheng Shin How	√	√	√	—
U Po Chu	√	√	√	—
Lee Tze Yan, Ernest *(appointed on 17 January 2015)*	√	√	√	√
Non-executive Directors				
Lucas Ignatius Loh Jen Yuh	√	√	√	√
Chan Boon Seng *(also alternate director to Lucas Ignatius Loh Jen Yuh) (appointed on 1 October 2014)*	√	√	√	√
Independent Non-executive Directors				
Ku Moon Lun	√	√	√	√
Lam Bing Kwan	√	√	√	√
Law Kin Ho	√	√	√	√
Mak Wing Sum, Alvin	√	√	√	√
Shek Lai Him, Abraham	√	√	√	√

(4) Board Committees

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

(4.1) Remuneration Committee

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

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

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

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

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

The Remuneration Committee held a meeting during the Year to consider the terms of appointment of an ED, the payment of discretionary bonuses to, and review of remuneration packages of, EDs, the grant of share options to certain Eligible Participants (as defined in the new share option scheme adopted on 18 December 2012), and discuss other remuneration-related matters.

(4) BOARD COMMITTEES (CONTINUED)

(4.1) Remuneration Committee (continued)

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

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

Committee Members	Number of Meeting Attended/ Number of Meeting Held
Executive Director	
Chew Fook Aun	1/1
Non-executive Director	
Lucas Ignatius Loh Jen Yuh *(alternate: Chan Boon Seng)*	1/1
Independent Non-executive Directors	
Ku Moon Lun	1/1
Lam Bing Kwan	1/1
Law Kin Ho	1/1

(4.2) Audit Committee

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

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

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

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

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

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

Subsequent to the Year-end date, an independent external risk advisory firm ("**Independent Advisor**") had been retained to conduct a review of the compliance by the Company with the code provisions of the CG Code. The relevant report from the Independent Advisor was presented to and reviewed by the Audit Committee and the Board.

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

(4) Board Committees (continued)

(4.2) Audit Committee (continued)

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

The Audit Committee held three meetings during the Year. It has reviewed the audited results of the Company for the year ended 31 July 2014, the unaudited interim results of the Company for the six months ended 31 January 2015 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year. Further, it has reviewed the Group's internal audit plan for the ensuing two years and the budget for the ensuing year and put forward relevant recommendations to the Board for approval.

On 14 October 2015, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditors. It also reviewed this Corporate Governance Report and certain internal control review reports on the Company prepared by the Independent Advisor.

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

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

Committee Members	Number of Meetings Attended/ Number of Meetings Held
Non-executive Director	
Lucas Ignatius Loh Jen Yuh	2/3
(alternate: Chan Boon Seng)	
Independent Non-executive Directors	
Lam Bing Kwan	3/3
Law Kin Ho	3/3

(5) Chairman and Chief Executive

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

During the Year and up to the date of this Report, Mr. Chew Fook Aun was the Chairman of the Board while Mr. Lam Hau Yin, Lester acted as the Chief Executive Officer of the Company. This segregation ensures a clear distinction between the Chairman's responsibilities to manage the Board and the Chief Executive Officer's responsibilities to manage the Company's business. The division of responsibilities between the Chairman and the Chief Executive Officer is defined.

(6) Non-Executive Directors

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

(7) Nomination of Directors

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. The EDs and the full Board followed such procedures in the appointment of Mr. Lee Tze Yan, Ernest, an ED on 17 January 2015.

(8) Board Diversity Policy

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

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

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

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

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

(9) Securities Transactions by Directors and Designated Employees

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

(10) Independent Auditors' Remuneration

For the Year, the fees in respect of the audit and non-audit services provided to the Group by the Independent Auditors, Ernst & Young, Certified Public Accountants, Hong Kong amounted to HK$3,112,000 and HK$1,067,000, respectively. The non-audit services mainly consist of tax advisory, review and other reporting services.

(11) Directors' Responsibility For Preparing Financial Statements

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

(12) Independent Auditors' Reporting Responsibility

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

(13) Internal Controls

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

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

(14) Company Secretary

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

(15) Shareholders' Rights

(15.1) Procedures for Shareholders to Convene an Extraordinary General Meeting ("**EGM(s)**")

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

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

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

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

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

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

(15.3) Procedures for Proposing a Person for Election as a Director

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

(15) Shareholders' Rights (continued)

(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:

11th Floor, 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. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

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

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

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

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

(iv) corporate information is made available on the Company's website and the amended and restated Memorandum and Articles of Association of the Company ("**M&A**") have been posted on the websites of both the Stock Exchange and the Company;

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

(16) Communication With Shareholders (continued)

(16.1) Shareholders' Communication Policy (continued)

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

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

(16.2) Attendance Record at General Meeting

During the Year, the Company held an AGM and the attendance record of individual Directors at this meeting is set out below:

Directors	Number of Meeting Attended/ Number of Meeting Held
Executive Directors	
Chew Fook Aun	1/1
Lam Kin Ming	0/1
Lam Kin Hong, Matthew	1/1
Lam Hau Yin, Lester	1/1
Cheng Shin How	1/1
U Po Chu	0/1
Lau Shu Yan, Julius *(resigned on 17 January 2015)*	1/1
Non-executive Directors	
Lucas Ignatius Loh Jen Yuh	0/1
Chan Boon Seng *(also alternate director to Lucas Ignatius Loh Jen Yuh)*	0/1
Independent Non-executive Directors	
Ku Moon Lun	1/1
Lam Bing Kwan	1/1
Law Kin Ho	1/1
Mak Wing Sum, Alvin	1/1
Shek Lai Him, Abraham	1/1

(16) Communication With Shareholders (continued)

(16.3) Details of the Last General Meeting

The last general meeting of the Company, being the AGM for 2014, was held at 9:00 a.m. on 9 December 2014 at Gloucester Room II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong ("**2014 AGM**"). At the 2014 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2014 and the reports of the directors and the independent auditors thereon; (ii) the declaration of a final dividend; (iii) the election of Mr. Chan Boon Seng as a NED, the re-election of Dr. Lam Kin Ming, Mr. Lam Hau Yin, Lester and Mr. Lau Shu Yan, Julius as EDs and the authorisation for the Board to fix the remuneration of the Directors; (iv) the re-appointment of Ernst & Young as the Independent Auditors for the Year and the authorization for the Board to fix their remuneration; (v) the granting to the Directors a general mandate to repurchase the shares of the company ("**Shares**") not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company; (vi) the granting to the Directors a general mandate to issue, allot and deal with additional Shares of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company; (vii) the extension to the general mandate under above (vi) by adding the aggregate nominal amount of the Shares to be purchased by the Company pursuant to the above (v); and (viii) the amendments to the M&A and the adoption of the amended and restated M&A. The notice of the 2014 AGM and the poll results announcement in respect of the 2014 AGM were published on the websites of both the Stock Exchange and the Company on 7 November 2014 and 9 December 2014, respectively.

(17) Investor Relations

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

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

Month	Event	Organizer	Location
August 2014	Investors luncheon	RHB-OSK Securities	Hong Kong
October 2014	Post full year results non-deal roadshow	BNP	Hong Kong
October 2014	Post full year results non-deal roadshow	DBS	New York/ Boston/ Washington DC/ Denver/ Los Angeles/ San Francisco

(17) Investor Relations (continued)

Month	Event	Organizer	Location
October 2014	Post full year results non-deal roadshow	Daiwa	Paris/Zurich/ London
November 2014	Post full year results non-deal roadshow	BNP	Singapore
November 2014	Post full year results non-deal roadshow	DBS	Sydney
December 2014	Post full year results non-deal roadshow	BNP	Shanghai
December 2014	Great China Emerging Market Trends Forum 2015 (2015年大中華暨新興產業趨勢論壇)	SinoPac Securities	Taipei
January 2015	BNP Paribas Asia Pacific Property & Financial Conference	BNP	Hong Kong
January 2015	The Fifth Daiwa Hong Kong Corporate Summit	Daiwa	Hong Kong
March 2015	Post results non-deal roadshow	DBS	Kuala Lumpur
March 2015	Post results non-deal roadshow	Daiwa	Hong Kong
March 2015	Post results non-deal roadshow	DBS	Singapore
April 2015	Post results non-deal roadshow	DBS	New York/ Toronto/ Los Angeles/ San Francisco
April 2015	Post results non-deal roadshow	BNP	Amsterdam/ Paris/London
May 2015	Barclays Select Series: Asia Financial and Property Conference	Barclays	Hong Kong
June 2015	Post results non-deal roadshow	BNP	Sydney
July 2015	DBS Vickers Pulse of Asia Conference	DBS	Singapore

(17) INVESTOR RELATIONS (CONTINUED)

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

Firm	Analyst	Publication Date
DBS	Andy YEE, Danielle WANG, Carol WU & Ken HE	17 October 2014
HSBC	Keith CHAN	17 October 2014

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

(18) AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

During the Year, with a view to bringing the M&A in line with certain amendments made to the Listing Rules and Cayman Islands law and to make certain housekeeping amendments as well as update certain provisions, the M&A was amended. The amended and restated M&A was adopted by the Shareholders at the 2014 AGM. Details of the changes have been set out in the circular of the Company dated 10 November 2014.

A consolidated version of the amended and restated M&A is available on the websites of both the Stock Exchange and the Company.

Biographical Details of Directors

Executive Directors

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

Mr. Chew Fook Aun, Chairman, aged 53, has been the Chairman of the Board since 1 November 2012. He was appointed an Executive Director of the Company on 5 June 2012 and is currently a member of both the Executive Committee and the Remuneration Committee of the Company. Mr. Chew is also a deputy chairman and an executive director of LSG, the deputy chairman and an executive director of LSD as well as an executive director of eSun.

Prior to joining the Lai Sun Group, Mr. Chew was an executive director and the group chief financial officer of Esprit Holdings Limited ("**Esprit**") from 1 February 2009 to 1 May 2012, and an executive director and the chief financial officer of The Link Management Limited (now known as Link Asset Management Limited), acting as manager of The Link Real Estate Investment Trust (now known as 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 Link REIT are listed and traded on the Main Board of the Stock Exchange.

Mr. Chew has over 30 years of experience in accounting, auditing and finance in the United Kingdom ("**UK**") and Hong Kong. He graduated from the London School of Economics and Political Science of the University of London in the UK with a Bachelor of Science (Economics) Degree. Mr. Chew is a fellow member of both the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and The Institute of Chartered Accountants in England and Wales. He was also a council member of the HKICPA and its vice president in 2010. Mr. Chew is currently a council member of the Financial Reporting Council, a member of the Operations Review Committee of the Independent Commission Against Corruption ("**ICAC**") and a member of the Barristers Disciplinary Tribunal Panel (from 1 September 2015), all being organisations established in Hong Kong. He was a member of the Advisory Committee of the Securities and Futures Commission, the Corruption Prevention Advisory Committee of the ICAC and the Standing Committee on Company Law Reform of the Companies Registry.

The Company and Mr. Chew have entered into an employment contract with no fixed term but such contract is determinable by either the Company or Mr. Chew serving the other party not less than 3 months' written notice or payment in lieu thereof. In accordance with the provisions of the Articles of Association of the Company ("**Articles of Association**"), he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming Annual General Meeting of the Company ("**AGM**") and will also be eligible for re-election at future AGMs. Mr. Chew presently receives a remuneration of HK$3,423,600 per annum and such other remuneration and discretionary bonus as may be determined by the board of directors of the Company from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Executive Directors (continued)

Save as disclosed above, Mr. Chew has not held any directorship in any other 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, except for a share option to subscribe for 80,479,564 shares in the Company and 6,216,060 shares in eSun pursuant to the respective share option schemes of the Company and eSun, Mr. Chew does not have any other 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**").

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

Dr. Lam Kin Ming, Deputy Chairman, aged 78, was appointed an Executive Director of the Company in September 1997. Dr. Lam is the chairman and an executive director of LSG, a non-executive director of LSD and the chairman, the chief executive officer and an executive director of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange.

Dr. Lam received an Honorary Doctoral Degree from the International American University in the United States of America in 2009 and was admitted as Honorary Doctorate of Management of the Lincoln University in the United States of America in February 2014. He has extensive experience in property development and investment and garment businesses and has been involved in the management of the garment business since 1958.

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

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 47, was appointed an Executive Director of the Company in December 2001. Mr. Lam is an executive director of LSG and Crocodile Garments Limited (a company listed on the Main Board of the Stock Exchange).

Mr. Lam graduated from University College London of the University of London in the United Kingdom with a Bachelor of Science Degree and underwent training as a solicitor with Reed Smith Richards Butler, an international law firm. He is a founding partner of a Hong Kong law firm CWL Partners and a member of The Law Society of Hong Kong and The Law Society of England and Wales.

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

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

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

Executive Directors (continued)

Mr. Lam Hau Yin, Lester, Chief Executive Officer, aged 34, was appointed an Executive Director of the Company in April 2005 and is currently a member of the Executive Committee of the Company. He is also an executive director of LSG, LSD and eSun as well as an alternate director to Madam U Po Chu in her capacity as an executive director of LSG.

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

Mr. Lam is a son of Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the SFO), a nephew of Dr. Lam Kin Ming (Deputy Chairman of the Company) and Mr. Lam Kin Hong, Matthew (Executive Deputy Chairman of the Company) and a grandson of Madam U Po Chu (Executive Director of the Company).

Mr. Cheng Shin How, aged 49, was appointed an Executive Director of the Company in June 2007 and is currently a member of the Executive Committee of the Company.

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

Mr. Lee Tze Yan, Ernest, aged 51, was appointed an Executive Director of the Company in January 2015 and is currently a member of the Executive Committee of the Company.

Mr. Lee joined the Lai Sun Group as Group Director – Project Development in June 2012. He has over 20 years of experience in the architectural and property development industries, holding senior positions. Prior to joining the Lai Sun Group, he was a senior project management executive of the Henderson Land Group for 18 years, supervising the execution and completion of numerous large-scale quality developments in both Hong Kong and the People's Republic of China ("**PRC**").

Mr. Lee graduated from the Faculty of Architecture, the University of Hong Kong, with a Bachelor of Architecture degree and a Bachelor of Arts in Architectural Studies degree. He also holds a post-graduate degree in Master of Business Administration from the Southern Illinois University at Carbondale in the United States of America. Mr. Lee has been a member of both the Hong Kong Institute of Architects (HKIA) and the Royal Institute of British Architects (RIBA), as well as an Authorized Person (List of Architects) and a Registered Architect in Hong Kong for over 20 years. He attained the qualifications of PRC Class 1 Registered Architect Qualification and BEAM Pro.

EXECUTIVE DIRECTORS (CONTINUED)

The Company and Mr. Lee have entered into a service contract with no fixed term but such contract is determinable by either the Company or Mr. Lee serving the other party not less than 3 months' written notice or payment in lieu thereof. In accordance with the provisions of the Articles of Association, he will retire from office as director at the forthcoming AGM and is eligible for election thereat. If elected, he will be subject to retirement by rotation once every three years since then and will also be eligible for re-election at future AGMs. Mr. Lee presently receives an annual remuneration of HK$1,200,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, his performance, duties and responsibilities as well as the prevailing market conditions.

Save as disclosed above, Mr. Lee has not held any directorship in any other 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, except for a share option to subscribe for 32,000,000 shares in the Company pursuant to a share option scheme of the Company, Mr. Lee does not have any other interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Madam U Po Chu, aged 90, was appointed an Executive Director of the Company in February 2003. She is also an executive director of LSG and a non-executive director of LSD and eSun.

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

Madam U is the mother of Dr. Lam Kin Ngok, Peter (a substantial shareholder of the Company within the meaning of Part XV of the SFO), and the grandmother of Mr. Lam Hau Yin, Lester (Chief Executive Officer of the Company).

The Company does not have any service contract with Madam U. However, in accordance with the provisions of the Articles of Association, she will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Madam U presently receives an annual remuneration of HK$4,361,770 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, her performance, duties and responsibilities as well as the prevailing market conditions.

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

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

Non-executive Directors

Mr. Lucas Ignatius Loh Jen Yuh, aged 49, was appointed a Non-executive Director of the Company in July 2010. He is presently a member of both the Audit Committee and the Remuneration Committee of the Company.

Mr. Loh is currently a Director and Chief Executive Officer of CapitaLand China Holdings Pte Ltd ("**CapitaLand China**"). CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd. which is a substantial shareholder of the Company. CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**", together with its subsidiaries, "**CapitaLand Group**"), one of Asia's largest listed real estate companies, headquartered and listed in Singapore. Mr. Loh has more than 10 years of experience in PRC's real estate market. He joined the CapitaLand Group in September 2001 and has been based in PRC since August 2004. Prior to his current appointment as Chief Executive Officer of CapitaLand China, Mr. Loh was a Deputy Chief Executive Officer, the Chief Investment Officer as well as Regional General Manager (South China) of CapitaLand China. He also held several appointments within the CapitaLand Group, including Managing Director for China of The Ascott Limited in the PRC.

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

Mr. Chan Boon Seng, aged 61, was appointed a Non-executive Director of the Company in October 2014. Mr. Chan is also the alternate director to Mr. Lucas Ignatius Loh Jen Yuh, a Non-executive Director of the Company.

Mr. Chan is currently a director, the Deputy Chief Executive Officer, the Chief Development Officer and the Chief Executive Officer, Raffles City Chongqing of CapitaLand China Holdings Pte Ltd ("**CapitaLand China**"), the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd. which is a substantial shareholder of the Company. CapitaLand China is a wholly-owned subsidiary of CapitaLand Limited ("**CapitaLand**", together with its subsidiaries, "**CapitaLand Group**"), one of Asia's largest listed real estate companies, headquartered and listed in Singapore. CapitaLand China is a long-term real estate developer of high quality homes, commercial properties and mixed-use developments in China.

Prior to joining CapitaLand Group, Mr. Chan was with L&M International Pte Ltd, Dragages at Travaux Publics (a member of Bouygues Group), Societe Generale D'Enterprises Construction, and Public Works Department of Singapore. Mr. Chan is currently a director of Beautiwin Limited, a joint venture company in which each of the Company and CapitaLand China has an indirect 50% interest.

Mr. Chan graduated with a French Engineering Degree in Civil Engineering from Ecole Nationale Des Travaux Publics De L'Etat, and he further obtained a Master of Science in Construction Project Management from The University of Hong Kong.

Independent Non-executive Directors

Mr. Ku Moon Lun, aged 64, was appointed an Independent Non-executive Director of the Company in June 2006 and is currently a member of the Remuneration Committee of the Company.

Mr. Ku has more than 35 years of experience in the real estate industry. He is currently an independent non-executive director of Ascott Residence Trust Management Limited in Singapore and Kerry Properties Limited (the issue shares of which are listed and traded on the Main Board of the Stock Exchange). He is also a non-executive director of Surbana Jurong Pte Ltd. in Singapore. Mr. Ku was appointed a member of the Hospital Governing Committee of Queen Elizabeth Hospital, Hong Kong Hospital Authority on 1 April 2015. He is a fellow member of the Hong Kong Institute of Surveyors.

Mr. Ku was an executive director of Davis Langdon & Seah International ("**DLSI**"), a property consultant firm, until the end of 2005 where he was responsible for formulating the policies and steering the direction of the DLSI group of companies. He was also the chairman of the board of directors of Davis Langdon & Seah Hong Kong Limited from 1995 to 2004. Mr. Ku was previously the chairman of Premas Hong Kong Limited, a facilities management company, from 2000 to 2002 and icFox International, an information technology company, from 2000 to 2003. He was a member of the Hospital Governing Committee of Tuen Mun Hospital, Hong Kong Hospital Authority (until 31 March 2015).

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

Mr. Ku has served on the Board for 9 years (from June 2006). Being a long-serving director, Mr. Ku 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. Ku would impair his independent judgment. The Board is satisfied that Mr. Ku will continue to have the required character and experience to fulfill the role of an Independent Non-executive Director of the Company and considers that the re-election of Mr. Ku as an Independent Non-executive Director at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

Save as disclosed above, Mr. Ku has not held any directorship in any other 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. Ku does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Independent Non-executive Directors (continued)

Mr. Lam Bing Kwan, aged 65, was appointed an Independent Non-executive Director of the Company in July 2001 and is currently the chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

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

Mr. Law Kin Ho, aged 48, was appointed an Independent Non-executive Director of the Company in March 2009 and is currently the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

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

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

Save as disclosed above, Mr. Law has not held any directorship in any other 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. Law does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Independent Non-executive Directors (continued)

Mr. Mak Wing Sum, Alvin, aged 63, was appointed an Independent Non-executive Director of the Company in November 2012. Mr. Mak is a Chartered Accountant and is a member of the Canadian Institute of Chartered Accountants as well as a member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of I.T Limited, Luk Fook Holdings (International) Limited, Hong Kong Television Network Limited and Goldpac Group Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. Mr. Mak is also an independent non-executive director of Crystal International Limited. He was admitted as a member of Hong Kong Housing Society in May 2015.

After working in Citibank for over 26 years, Mr. Mak retired on 1 May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he had held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong's corporate finance business, regional asset management business and was the Chief Financial Officer of North Asia. Before joining Citibank in 1985, Mr. Mak was an audit group manager at Coopers & Lybrand (now known as PricewaterhouseCoopers). He worked for Coopers & Lybrand for eight years, five of which was in Toronto, Canada. He graduated from the University of Toronto with a Bachelor of Commerce degree in 1976.

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

Save as disclosed above, Mr. Mak has not held any directorship in any other 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. Mak does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

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

Independent Non-executive Directors (continued)

Mr. Shek Lai Him, Abraham, aged 70, was appointed an Independent Non-executive Director of the Company in December 2012. He was appointed as Justice of the Peace in 1995 and awarded the Gold Bauhinia Star in July 2013. He has been a member of the Legislative Council for the Hong Kong Special Administrative Region of the People's Republic of China ("**PRC**"), representing the real estate and construction functional constituency since 2000.

Mr. Shek acts as an independent non-executive director of a number of companies listed on the Main Board of the Stock Exchange, including Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, ITC Corporation Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, Hop Hing Group Holdings Limited, SJM Holdings Limited, Dorsett Hospitality International Limited, China Resources Cement Holdings Limited, Cosmopolitan International Holdings Limited, Jinheng Automotive Safety Technology Holdings Limited (from 25 June 2015), Eagle Asset Management (CP) Limited acting as the manager of Champion Real Estate Investment Trust and Regal Portfolio Management Limited acting as the manager of Regal Real Estate Investment Trust. Moreover, he is the chairman and an independent non-executive director of Chuang's China Investments Limited as well as the vice chairman and an independent non-executive director of ITC Properties Group Limited. Mr. Shek was an independent non-executive director of Titan Petrochemicals Group Limited and Hsin Chong Construction Group Ltd.

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

Note:

Mr. Chew Fook Aun, Mr. Lee Tze Yan, Ernest, Madam U Po Chu, Mr. Ku Moon Lun, Mr. Law Kin Ho and Mr. Mak Wing Sum, Alvin will retire as Directors in accordance with the Articles of Association at the forthcoming AGM and being eligible, offer themselves for election/re-election thereat. Save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2015 ("**Year**").

Principal Activities

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

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

Business Review

A review of the business of the Group during the Year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement as well as the Management Discussion and Analysis on pages 4 to 9 and pages 12 to 27 of this Annual Report, respectively. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 July 2015 are provided in note 42 to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Financial Highlights on pages 10 and 11 of this Annual Report.

Results and Dividends

Details of the profit of the Group for the Year and the Group's financial position as at 31 July 2015 are set out in the consolidated financial statements and their accompanying notes on pages 79 to 170.

No interim dividend was paid or declared in respect of the Year (2014: Nil).

The board of Directors ("**Board**") has recommended the payment of a final dividend of HK$0.0033 per ordinary share in respect of the Year (2014: HK$0.0031 per ordinary share) for the shareholders' approval at the forthcoming annual general meeting of the Company ("**AGM**").

The Board also proposes to offer a scrip dividend alternative to allow shareholders of the Company ("**Shareholders**") to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.

Permitted Indemnity and Directors and Officers Liability Insurance

Pursuant to Article 179(a) of the Articles of Association of the Company ("**Articles of Association**"), every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office all in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Law of the Cayman Islands. The Company has arranged Directors' and officers' liability insurance policy of the Company during the Year.

DIRECTORS

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

Executive Directors ("EDs")
Chew Fook Aun *(Chairman)*
Lam Kin Ming *(Deputy Chairman)*
Lam Kin Hong, Matthew *(Executive Deputy Chairman)*
Lam Hau Yin, Lester *(Chief Executive Officer)*
Cheng Shin How
Lee Tze Yan, Ernest (appointed on 17 January 2015)
U Po Chu
Lau Shu Yan, Julius (resigned on 17 January 2015)

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

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

Note: Mr. Loh ceased to act as the alternate director to Mr. Leow on 1 October 2014.

In accordance with Article 99 of the Articles of Association, Mr. Lee Tze Yan, Ernest (appointed by the Board as an ED with effect from 17 January 2015) will retire at the forthcoming AGM and, being eligible, offers himself for election.

In accordance with Article 116 of the Articles of Association, Mr. Chew Fook Aun, Madam U Po Chu, Mr. Ku Moon Lun, Mr. Law Kin Ho and Mr. Mak Wing Sum, Alvin (together with Mr. Lee Tze Yan, Ernest, "**Retiring Directors**") will retire from office by rotation at the forthcoming AGM. Being eligible, they offer themselves for election/re-election.

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

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

Biographical Details of Directors

Brief biographical particulars of the current Directors are set out on pages 52 to 60 of this Annual Report. Directors' other particulars are contained elsewhere in this Report and this Annual Report.

Directors' Service Contracts

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

Directors' Interests in Significant Transactions, Arrangements and Contracts

Save as disclosed in note 38(a) to the financial statements, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

Directors' Interests in Competing Businesses

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

Mr. Chew Fook Aun, Dr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Mr. Lau Shu Yan, Julius (up to 16 January 2015), Mr. Cheng Shin How, Mr. Lee Tze Yan, Ernest (from 17 January 2015), Mr. Leow Juan Thong, Jason (up to 30 September 2014), Mr. Lucas Ignatius Loh Jen Yuh and Mr. Chan Boon Seng (from 1 October 2014) (together, "**Interested Directors**") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of property investment and development in the Mainland of China.

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

Arrangement for Directors to Acquire Shares or Debentures

Other than the share option schemes adopted by the Company as disclosed in the sections headed "Share Option Schemes" and "Directors' Interests" of this Report and in note 30 to the financial statements as well as the share option scheme adopted by eSun Holdings Limited ("**eSun**"), at no time during the Year was the Company or any of its holding companies and its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Option Schemes

On 18 December 2012, the Shareholders approved the adoption of a new share option scheme ("**2012 Share Option Scheme**") and the termination of the share option scheme adopted by the Company on 21 August 2003 ("**2003 Share Option Scheme**") to the effect that no more share options will be granted under the 2003 Share Option Scheme but the subsisting options granted prior to the termination will continue to be valid and exercisable in accordance with the terms of the 2003 Share Option Scheme.

As at 31 July 2015, share options comprising a total of 539,205,994 underlying shares were outstanding, of which a share option comprising 80,479,564 underlying shares was granted under the 2003 Share Option Scheme and share options comprising 458,726,430 underlying shares were granted under the 2012 Share Option Scheme.

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

Name or category of participants	Date of grant *(Note 1)*	Number of underlying shares comprised in share options: As at 1 August 2014	Transfer to other category during the Year	Transfer from other category during the Year	Granted during the Year	Lapsed during the Year	As at 31 July 2015	Exercise period	Exercise price per share (HK$) *(Note 2)*
Directors									
Chew Fook Aun	12/06/2012	80,479,564	—	—	—	—	80,479,564	12/06/2012 – 11/06/2020	0.133
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 *(Note 3)*	18/01/2013	48,287,738	(48,287,738)	—	—	—	—	18/01/2013 – 17/01/2023	0.228
Cheng Shin How	18/01/2013	32,191,825	—	—	—	—	32,191,825	18/01/2013 – 17/01/2023	0.228
Lee Tze Yan, Ernest *(Note 4)*	18/01/2013	—	—	32,000,000	—	—	32,000,000	18/01/2013 – 17/01/2023	0.228
Subtotal		**321,918,256**	**(48,287,738)**	**32,000,000**	**—**	**—**	**305,630,518**		
Other Eligible Participants (in aggregate)									
Batch 1	18/01/2013	200,287,738 *(Note 5)*	(32,000,000)	48,287,738	—	(6,000,000)	210,575,476	18/01/2013 – 17/01/2023	0.228
Batch 2	26/07/2013	16,000,000	—	—	—	(2,000,000)	14,000,000	26/07/2013 – 25/07/2023	0.190
Batch 3	16/01/2015	—	—	—	9,000,000	—	9,000,000	16/01/2015 – 15/01/2025	0.160
Subtotal		**216,287,738**	**(32,000,000)**	**48,287,738**	**9,000,000**	**(8,000,000)**	**233,575,476**		
Total		**538,205,994**	**(80,287,738)**	**80,287,738**	**9,000,000**	**(8,000,000)**	**539,205,994**		

Notes:

1. *The share options 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 similar changes in the Company's share capital.*

3. *Mr. Lau resigned as an ED on 17 January 2015.*

4. *Mr. Lee was appointed an ED on 17 January 2015.*

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

Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed in accordance with the terms of the 2003 Share Option Scheme and the 2012 Share Option Scheme during the Year.

As at the date of this Report ("**Report Date**"), (i) a maximum number of 80,479,564 shares of the Company ("**Shares**") are available for issue in relation to the underlying Shares comprised in the subsisting option granted under the 2003 Share Option Scheme and remained outstanding, representing 0.5% of the Shares in issue as at that date; and (ii) further options to subscribe for a maximum of 1,150,864,865 Shares could be granted under the 2012 Share Option Scheme, together with the 458,726,430 underlying Shares comprised in the share options granted under the 2012 Share Option Scheme and remained outstanding as at the Report Date, a total number of 1,609,591,295 Shares are available for issue under the 2012 Share Option Scheme, representing approximately 9.98% of the Shares in issue as at the Report Date.

Further details of the 2003 Share Option Scheme and the 2012 Share Option Scheme are set out in note 30 to the financial statements.

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 July 2015 and their respective close associates (as defined in the Listing Rules) were interested or were deemed to be interested in the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as known to the Directors:

(1) The Company

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

Name of Director	Capacity and nature of interests	Number of Shares	Number of underlying Shares *(Note 1)*	Total	Approximate percentage of total issued Shares *(Note 2)*
Chew Fook Aun	Beneficial owner	Nil	80,479,564	80,479,564	0.5%
Lam Hau Yin, Lester	Beneficial owner	Nil	160,959,129	160,959,129	1%
Cheng Shin How	Beneficial owner	Nil	32,191,825	32,191,825	0.2%
Lee Tze Yan, Ernest	Beneficial owner	Nil	32,000,000	32,000,000	0.2%

Notes:

1. *The interests in underlying Shares represented interests in share options granted to the Directors under the share option schemes of the Company. Particulars of which are set out in the section headed "Share Option Schemes" of this Report.*

2. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2015 (i.e. 16,129,674,469 Shares).*

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

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

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

(2) Associated Corporation

eSun – the ultimate holding company of the Company

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

Name of Director	Capacity and nature of interests	Number of eSun Shares	Number of underlying eSun Shares	Total	Approximate percentage of total issued eSun Shares *(Note 1)*
Chew Fook Aun	Beneficial owner	Nil	6,216,060 *(Note 2)*	6,216,060	0.50%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	12,432,121 *(Note 3)*	15,226,564	1.22%

Notes:

1. *The percentage has been compiled based on the total number of issued eSun Shares as at 31 July 2015 (i.e. 1,243,212,165 eSun Shares).*

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

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

Save as disclosed above, as at 31 July 2015, none of the Directors and chief executive of the Company and their respective close associates was interested or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which were required to be notified to the Company and the Stock Exchange, recorded in the Register of Directors and Chief Executive, notified under the Securities Code, or otherwise known to the Directors.

Substantial Shareholders' Interests

As at 31 July 2015, so far as is known or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or individuals who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded, other than a Director or the chief executive of the Company, in the register required to be kept under section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

(A) Long Positions in the Shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Approximate percentage of total issued Shares *(Note 1)*
eSun Holdings Limited ("**eSun**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 2)*	51.30%
Lai Sun Development Company Limited ("**LSD**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 2)*	51.30%
Lai Sun Garment (International) Limited ("**LSG**")	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 2)*	51.30%
Lam Kin Ngok, Peter	Owner of controlled corporations	Corporate	8,274,270,422 *(Note 3)*	51.30%
Merit Worth Limited ("**MWL**")	Beneficial owner and owner of controlled corporation	Corporate	8,274,270,422 *(Note 4)*	51.30%
CapitaLand China Holdings Pte Ltd ("**CapitaLand China**")	Owner of controlled corporation	Corporate	3,220,000,000 *(Note 5)*	19.96%
CapitaLand LF (Cayman) Holdings Co., Ltd ("**CapitaLand Cayman**")	Beneficial owner	Corporate	3,220,000,000	19.96%
CapitaLand Limited	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 5)*	19.96%
CapitaLand Residential Limited ("**CapitaLand Residential**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 5)*	19.96%
Temasek Holdings (Private) Limited ("**Temasek**")	Owner of controlled corporations	Corporate	3,220,000,000 *(Note 5)*	19.96%
Silver Glory Securities Limited ("**SGS**")	Beneficial owner	Corporate	3,889,038,698 *(Note 4)*	24.11%

Substantial Shareholders' Interests (continued)

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

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2015 (i.e. 16,129,674,469 Shares).*

2. *These interests in the Company represented all the Shares beneficially owned by MWL (4,385,231,724 Shares or approximately 27.19% of the total issued Shares) and SGS (3,889,038,698 Shares or approximately 24.11% of the total issued Shares), both being wholly-owned subsidiaries of eSun. eSun is owned as to approximately 41.92% by LSD which in turn is owned as to approximately 51.88% by LSG. As such, both LSD and LSG were deemed to be interested in the same 8,274,270,422 Shares held by eSun.*

3. *Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 8,274,270,422 Shares held by eSun by virtue of his personal and deemed interests in approximately 42.29% (excluding share option) of the issued share capital of LSG.*

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

5. *These interests in the Company represented the Shares beneficially owned by CapitaLand Cayman which is wholly owned by CapitaLand China which in turn is wholly owned by CapitaLand Residential while CapitaLand Residential is wholly owned by CapitaLand Limited. Temasek was deemed to be interested in the same 3,220,000,000 Shares held by CapitaLand Cayman by virtue of its approximate 40.77% interest in the issued share capital of CapitaLand Limited.*

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

Name	Capacity	Number of underlying Shares	Approximate percentage of total issued Shares *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner	16,095,912 *(Note 2)*	0.10%

Notes:

1. *The percentage has been compiled based on the total number of issued Shares as at 31 July 2015 (i.e. 16,129,674,469 Shares).*

2. *The interests in underlying Shares represented interests in a share option granted to Dr. Lam Kin Ngok, Peter under the share option scheme of the Company. Particulars of which are set out in the section headed "Share Option Schemes" of this Report.*

Save as disclosed above, the Directors are not aware of any other corporation or individual who, as at 31 July 2015, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Controlling Shareholder's Interests in Significant Contracts

Save as disclosed in note 25 to the financial statements and the section headed "Continuing Connected Transactions" of this Report, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined under the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Connected Transaction

The Company had the following connected transaction (as defined under the Listing Rules) during the Year, brief particulars of which are as follows:

Disposal of Property in Phase I of Zhongshan Palm Spring

On 25 May 2015, 中山市寶麗房地產發展有限公司 (Zhongshan Bao Li Properties Development Company Limited), an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement ("**Agreement**") with Mr. Lau Shu Yan, Julius, a former director of the Company ("**Purchaser**") for the disposal of a townhouse unit (including a basement carpark) located at Phase I, Palm Spring, 23 Cui Sha Road, West District, Zhongshan, the People's Republic of China (the Group's property held for sale) to the Purchaser for a consideration of RMB2,954,800 (equivalent to approximately HK$3.75 million). Completion took place on 28 August 2015.

The Purchaser was a director of the Company in the last 12 months and is therefore a connected person of the Company. Hence, the transaction contemplated under the Agreement constituted a connected transaction of the Company under the Listing Rules. Further details of the transaction are disclosed in the Company's announcement dated 28 May 2015.

Continuing Connected Transactions

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

1. Ascott Management Agreement

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

1. Ascott Management Agreement (continued)

Pursuant to the Ascott Management Agreement,

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

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

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

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

For the Year, such fees paid or payable to Ascott amounted to RMB7,798,000 (equivalent to approximately HK$9,754,000).

2. Memorandum of Agreement Regarding Letting and/or Licensing of Premises

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 the Company became a subsidiary of eSun Holdings Limited ("**eSun**", together with its subsidiaries "**eSun Group**") due to the early adoption of Hong Kong Financial Reporting Standards ("**HKFRS**") 10 "Consolidated Financial Statements" of LSG and eSun during the year ended 31 July 2012, with the financial statements approved by the respective boards of LSG and eSun on 30 October 2012 (the "**Approval Date**").

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

Continuing Connected Transactions (continued)

2. Memorandum of Agreement Regarding Letting and/or Licensing of Premises (continued)

On 24 May 2013, the Company, LSG, LSD, eSun and Media Asia Group Holdings Limited ("**MAGHL**", together with its subsidiaries "**MAGHL Group**") entered into a memorandum of agreement ("**Original MOA**") to record the basis for governing the pre-existing continuing connected transactions and future continuing connected transactions with regard to the letting and/or licensing of premises within members of the Lai Sun Group, which includes the Group, LSG Group, LSD Group, eSun Group and MAGHL Group from time to time ("**Transactions**") after the date of the Original MOA and up to 31 July 2014. The Original MOA provides that (i) each relevant transaction shall be governed by a written agreement on normal commercial terms and (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.

On 14 February 2014, in view of the expiry of the Original MOA on 31 July 2014, each party to the Original MOA considered appropriate to renew the Original MOA by entering into an agreement ("**Renewal MOA**") to renew the term of the Original MOA for a period of three years commencing on 1 August 2014 and expiring on 31 July 2017 based on the same terms and conditions of the Original MOA.

The Company had adopted a maximum aggregate annual value ("**Cap Amount**") of (i) HK$3,900,000, HK$4,200,000 and HK$4,600,000 for the respective financial years ending 31 July 2015, 2016 and 2017 in respect of Transactions with the LSG Group and the LSD Group, and (ii) HK$9,700,000, HK$10,400,000 and HK$11,300,000 for the respective financial years ending 31 July 2015, 2016 and 2017 in respect of Transactions with the eSun Group (including MAGHL Group but excluding the Group).

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

For the Year, rental and management fee income received or receivable from, and rental and management fee paid or payable to LSD Group amounted to HK$73,000 and HK$2,238,000, respectively.

For the Year, rental and management fee income received or receivable from the eSun Group (including MAGHL Group but excluding the Group) amounted to HK$7,166,000.

The continuing connected transactions listed under paragraphs 1 and 2 above have been reviewed by the INEDs who have confirmed that the transactions have been entered into:

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

(b) on normal commercial terms or better; and

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

Continuing Connected Transactions (continued)

Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), the Company's independent auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 *"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued a letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group to the Board in accordance with the relevant clauses of Rule 14A.56 of the Listing Rules and confirming that nothing has come to their attention that causes them to believe the continuing connected transactions under paragraphs 1 and 2 above:

(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 cap.

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

Property, Plant and Equipment and Investment Properties

Details of the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in notes 13 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out in the "Particulars of Major Properties" section of this Annual Report.

Properties Under Development

Details of the movements in the properties under development of the Group during the Year are set out in note 14 to the financial statements. Further details of the Group's properties under development are set out in the "Particulars of Major Properties" section of this Annual Report.

Fixed Rate Senior Notes

On 25 April 2013, the Group issued the 6.875% senior notes due 2018 ("**2013 Notes**") with an aggregate principal amount of CNY1,800,000,000. Details of the 2013 Notes are set out in note 27 to the financial statements.

Share Capital

Details of the movements in the Company's share capital during the Year are set out in note 29 to the financial statements.

Distributable Reserves

As at 31 July 2015, the Company's reserves available for distribution amounted to HK$273,736,000 which comprised retained earnings and exchange fluctuation reserves.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$4,068,087,000 may be applied for paying distributions or dividends to members provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 July 2015 are set out in note 45 to the financial statements.

Donations for Charitable and Other Purposes

During the Year, the Group made donations for charitable or other purposes totaling HK$1,880,000.

Pre-Emptive Rights

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

Summary of Financial Information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out in the Financial Summary of this Annual Report on page 28.

Major Customers And Suppliers

During the Year, turnover or sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover. During the Year, the Group's purchases from its five largest suppliers accounted for approximately 40% of the Group's total purchases, while the largest supplier accounted for approximately 18% of the Group's total purchases for the Year.

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

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

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

As at 31 July 2015, the aggregate outstanding loan balances of these facilities amounted to approximately HK$2,468,268,000 with the last instalment repayment falling due in March 2016.

Purchase, Sale or Redemption of Listed Securities

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Public Float

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

Corporate Social Responsibility Report

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship, motivating staff and creating a sustainable return to the Group. Discussion on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Social Responsibility Report and Corporate Governance Report on page 33 and pages 34 to 51 of this Annual Report, respectively.

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 34 to 51 of this Annual Report.

Independence of Independent Non-Executive Directors

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

Review by Audit Committee

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

Independent Auditors

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

On behalf of the Board

Chew Fook Aun
Chairman
Hong Kong
15 October 2015

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) Cayman Islands

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

(c) Consultation with Professional Advisors

Intending holders and investors of the Company's shares are recommended to consult their professional advisors 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 2014/2015
Annual results announcement	15 October 2015
Latest time and date for lodging transfer documents with the Hong Kong branch share registrar ("**Registrar**") to ascertain entitlement to attending and voting at the 2015 Annual General Meeting ("**AGM**")	4:30 p.m. on 8 December 2015
2015 AGM	11 December 2015
Dividend ex-entitlement for shares	17 December 2015
Closure of Hong Kong branch register of members	21 and 22 December 2015
Record date for entitlement to the proposed final dividend	22 December 2015
Latest time and date for lodging form of election for scrip dividend with the Registrar	4:30 p.m. on 18 January 2016
Payment of final dividend	29 January 2016

	For Financial Year 2015/2016
Interim results announcement	on or before 31 March 2016
Annual results announcement	on or before 31 October 2016

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

We have audited the consolidated financial statements of Lai Fung Holdings Limited (the "**Company**") and its subsidiaries set out on pages 79 to 170, which comprise the consolidated statement of financial position as at 31 July 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 July 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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

15 October 2015

Consolidated Income Statement

Year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
TURNOVER	5	**1,901,394**	1,207,302
Cost of sales		**(864,887)**	(461,633)
Gross profit		**1,036,507**	745,669
Other income and gains	5	**142,686**	213,255
Selling and marketing expenses		**(54,273)**	(46,009)
Administrative expenses		**(289,724)**	(294,235)
Other operating expenses, net		**(73,862)**	(41,812)
Fair value losses on cross currency swaps	23	**(86,492)**	(64,439)
Fair value gains on investment properties	15	**948,654**	1,138,045
PROFIT FROM OPERATING ACTIVITIES	7	**1,623,496**	1,650,474
Finance costs	6	**(199,067)**	(322,343)
Share of profits of joint ventures		**154,817**	154,897
PROFIT BEFORE TAX		**1,579,246**	1,483,028
Tax	10	**(571,197)**	(366,109)
PROFIT FOR THE YEAR		**1,008,049**	1,116,919
ATTRIBUTABLE TO:			
Owners of the Company		**1,004,901**	1,099,727
Non-controlling interests		**3,148**	17,192
		1,008,049	1,116,919
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:	12		
Basic		**HK$0.062**	HK$0.068
Diluted		**HK$0.062**	HK$0.068

Consolidated Statement of Comprehensive Income

Year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		**1,008,049**	1,116,919
OTHER COMPREHENSIVE INCOME/(EXPENSES) TO BE RECLASSIFIED TO THE INCOME STATEMENT IN SUBSEQUENT PERIODS, NET OF TAX			
Reversal of impairment of investment properties under construction		**6,353**	9,782
Release of exchange fluctuation reserve upon disposal of a subsidiary	32	**—**	(1,439)
Exchange differences arising on translation to presentation currency		**(147,834)**	(75)
Share of other comprehensive expenses of joint ventures		**(7,677)**	(159)
Net gain on cash flow hedges	23	**—**	53,105
		(149,158)	61,214
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**858,891**	1,178,133
ATTRIBUTABLE TO:			
Owners of the Company		**859,079**	1,162,147
Non-controlling interests		**(188)**	15,986
		858,891	1,178,133

Consolidated Statement of Financial Position

31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,326,096**	1,499,769
Prepaid land lease payments	16	**5,115**	5,354
Investment properties	15	**14,479,603**	13,479,025
Properties under development	14	**1,617,398**	662,386
Investments in joint ventures	18	**739,028**	590,758
Deposit for acquisition of land use right		**—**	89,765
Goodwill	17	**—**	426
Total non-current assets		**18,167,240**	16,327,483
CURRENT ASSETS			
Properties under development	14	**278,459**	572,906
Completed properties for sale		**1,341,754**	1,157,773
Debtors, deposits and prepayments	19	**327,379**	174,641
Prepaid tax		**36,254**	43,250
Pledged and restricted time deposits and bank balances	20	**1,292,830**	490,690
Cash and cash equivalents	20	**1,571,281**	2,072,368
		4,847,957	4,511,628
Asset classified as held for sale	21	**265,432**	—
Total current assets		**5,113,389**	4,511,628
CURRENT LIABILITIES			
Creditors and accruals	22	**650,843**	580,273
Deposits received and deferred income		**220,549**	218,974
Interest-bearing bank loans, secured	24	**2,487,367**	708,382
Loans from a joint venture	18	**372,897**	—
Tax payable		**339,194**	166,660
Total current liabilities		**4,070,850**	1,674,289
NET CURRENT ASSETS		**1,042,539**	2,837,339
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,209,779**	19,164,822
NON-CURRENT LIABILITIES			
Long-term deposits received		**103,369**	92,564
Interest-bearing bank loans, secured	24	**533,780**	1,604,858
Advances from a former substantial shareholder	25	**58,198**	58,688
Loans from a fellow subsidiary	26	**229,244**	152,760
Fixed rate senior notes	27	**2,220,914**	2,232,738
Derivative financial instruments	23	**111,654**	25,162
Deferred tax liabilities	28	**2,407,392**	2,203,747
Total non-current liabilities		**5,664,551**	6,370,517
		13,545,228	12,794,305

Consolidated Statement of Financial Position

31 July 2015

	Notes	**2015** **HK$'000**	2014 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**1,612,968**	1,610,190
Reserves	31	**11,853,385**	11,053,244
		13,466,353	12,663,434
Non-controlling interests		**78,875**	130,871
		13,545,228	12,794,305

Chew Fook Aun
Director

Lam Hau Yin, Lester
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2015

		Attributable to owners of the Company											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 August 2013		1,609,591	4,065,862	56,925	30,188	(59,761)	1,995,222	25,974	133,360	3,561,473	11,418,834	693,016	12,111,850
Profit for the year		—	—	—	—	—	—	—	—	1,099,727	1,099,727	17,192	1,116,919
Other comprehensive income/(expenses) for the year, net of tax:													
Reversal of impairment of investment properties under construction		—	—	9,684	—	—	—	—	—	—	9,684	98	9,782
Exchange differences arising on translation to presentation currency		—	—	—	—	—	1,229	—	—	—	1,229	(1,304)	(75)
Release of reserve upon disposal of a subsidiary		—	—	—	—	—	(1,439)	—	—	—	(1,439)	—	(1,439)
Share of other comprehensive expenses of joint ventures		—	—	—	—	—	(159)	—	—	—	(159)	—	(159)
Net gain on cash flow hedges	23	—	—	—	—	53,105	—	—	—	—	53,105	—	53,105
Total comprehensive income/(expenses) for the year, net of tax		—	—	9,684	—	53,105	(369)	—	—	1,099,727	1,162,147	15,986	1,178,133
Acquisition of additional interests in subsidiaries from non-controlling shareholders	33	—	—	—	—	—	—	129,522	—	—	129,522	(548,464)	(418,942)
Dividend paid to a non-controlling shareholder		—	—	—	—	—	—	—	—	—	—	(29,667)	(29,667)
Release of reserve upon lapse of share options		—	—	—	(511)	—	—	—	—	511	—	—	—
Shares issued in lieu of cash dividend	29	599	620	—	—	—	—	—	—	—	1,219	—	1,219
Transfer to statutory reserve		—	—	—	—	—	—	—	36,685	(36,685)	—	—	—
Share of statutory reserve of joint ventures		—	—	—	—	—	—	—	3,358	(3,358)	—	—	—
Final 2013 dividend paid		—	—	—	—	—	—	—	—	(48,288)	(48,288)	—	(48,288)
As at 31 July 2014 and 1 August 2014		1,610,190	4,066,482	66,609	29,677	(6,656)	1,994,853	155,496	173,403	4,573,380	12,663,434	130,871	12,794,305
Profit for the year		—	—	—	—	—	—	—	—	1,004,901	1,004,901	3,148	1,008,049
Other comprehensive income/(expenses) for the year, net of tax:													
Reversal of impairment of investment properties under construction		—	—	6,289	—	—	—	—	—	—	6,289	64	6,353
Exchange differences arising on translation to presentation currency		—	—	(3,939)	—	—	(140,495)	—	—	—	(144,434)	(3,400)	(147,834)
Share of other comprehensive expenses of joint ventures		—	—	—	—	—	(7,677)	—	—	—	(7,677)	—	(7,677)
Total comprehensive income/(expenses) for the year, net of tax		—	—	2,350	—	—	(148,172)	—	—	1,004,901	859,079	(188)	858,891
Acquisition of additional interests in subsidiaries from non-controlling shareholders	33	—	—	—	—	—	—	(10,998)	—	—	(10,998)	(51,808)	(62,806)
Equity-settled share option arrangements		—	—	—	371	—	—	—	—	—	371	—	371
Release of reserve upon lapse of share options		—	—	—	(454)	—	—	—	—	454	—	—	—
Transfer to statutory reserve		—	—	—	—	—	—	—	37,414	(37,414)	—	—	—
Share of statutory reserve of joint ventures		—	—	—	—	—	—	—	18,770	(18,770)	—	—	—
Shares issued in lieu of cash dividend	29	2,778	1,605	—	—	—	—	—	—	—	4,383	—	4,383
Final 2014 dividend paid		—	—	—	—	—	—	—	—	(49,916)	(49,916)	—	(49,916)
As at 31 July 2015		**1,612,968**	**4,068,087***	**68,959***	**29,594***	**(6,656)***	**1,846,681***	**144,498***	**229,587***	**5,472,635***	**13,466,353**	**78,875**	**13,545,228**

* *These reserve accounts comprise the consolidated reserves of HK$11,853,385,000 (2014: HK$11,053,244,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

Year ended 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,579,246**	1,483,028
Adjustments for:			
Fair value gains on investment properties	15	**(948,654)**	(1,138,045)
Finance costs	6	**199,067**	322,343
Share of profits of joint ventures		**(154,817)**	(154,897)
Interest income	5	**(20,621)**	(28,721)
Depreciation	7	**74,252**	73,607
Amortisation of prepaid land lease payments	7	**195**	197
Foreign exchange differences, net	7	**(31,863)**	(27,224)
Impairment of asset classified as held for sale	7	**33,177**	—
Loss on disposal of items of property, plant and equipment	7	**145**	461
Equity-settled share option expense		**123**	—
Gain on disposal of a subsidiary	7	**—**	(6,672)
Fair value losses on cross currency swaps	7	**86,492**	64,439
Write-down of completed properties for sale to net realisable value	7	**7,436**	—
Impairment of goodwill	17	**426**	606
		824,604	589,122
Decrease in completed properties for sale		**714,516**	309,659
Increase in properties under development		**(1,250,582)**	(383,547)
Increase in debtors, deposits and prepayments		**(165,118)**	(50,441)
Increase in creditors and accruals, and short term deposits received and deferred income		**33,727**	37,721
Increase in long term deposits received		**10,805**	15,543
Increase in deposit for acquisition of land use right	33	**—**	(89,765)
Cash generated from operations		**167,952**	428,292
Tax indemnity received	10	**—**	24,302
Mainland China taxes paid, net		**(169,156)**	(331,106)
Net cash flow from/(used in) operating activities		**(1,204)**	121,488
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**20,621**	28,721
Purchases of items of property, plant and equipment		**(33,118)**	(86,095)
Additions to investment properties		**(413,613)**	(881,529)
Repayment of loans from/(advances of loans to) a joint venture		**(1,134)**	320
Decrease/(increase) in pledged and restricted time deposits and bank balances		**(802,140)**	1,566,698
Disposal of a subsidiary	32	**—**	8,845
Net cash flow from/(used in) investing activities		**(1,229,384)**	636,960

	Notes	**2015 HK$'000**	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans, net of direct costs		**1,285,455**	147,798
Repayment of bank loans		**(584,686)**	(243,878)
Redemption of fixed rate senior notes (the "**2007 Notes**")	27	**—**	(1,441,027)
Loans from a fellow subsidiary	26	**77,745**	152,760
Loans from a joint venture	18	**372,897**	—
Interest and bank financing charges paid		**(301,393)**	(416,597)
Dividend paid	11	**(45,533)**	(47,069)
Acquisition of non-controlling interests	33	**(62,806)**	(418,942)
Dividends paid to a non-controlling shareholder of a subsidiary		**—**	(29,667)
Net cash flow from/(used in) financing activities		**741,679**	(2,296,622)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(488,909)**	(1,538,174)
Cash and cash equivalents at beginning of year		**2,072,368**	3,608,327
Effect of foreign exchange rate changes, net		**(12,178)**	2,215
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,571,281**	2,072,368
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged and non-restricted cash and bank balances	20	**1,253,657**	989,953
Non-pledged and non-restricted time deposits	20	**317,624**	1,082,415
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**1,571,281**	2,072,368

1. Corporate And Group Information

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

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

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

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

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for completed investment properties, certain investment properties under construction and derivative financial instruments, which have been measured at fair value. Non-current asset classified as held for sale is stated at the lower of its carrying amount and fair value less costs to sell as further explained in note 2.4. 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 2015. A subsidiary is an entity (including a structural entity), directly or indirectly, controlled by the Company. 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. 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 earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised standards and new interpretation has had no significant financial effect on the financial statements.

In addition, the Company has early adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 Issued But Not Yet Effective HKFRSs

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

HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

2.4 Summary of Significant Accounting Policies

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

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

Business combinations and goodwill

Business combinations from 1 August 2009

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Business combinations from 1 August 2009 (continued)

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 operation disposed of and the portion of the cash-generating unit retained.

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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

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

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

Fair value measurement

The Group measures its completed investment properties, certain investment properties under construction 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets other than goodwill

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment including owner-operated serviced apartments, other than investment properties, properties under development and construction in progress are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Investment properties

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

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

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

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

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/construction in progress shall be made when, and only when, there is a change in use, evidenced by commencement of development with a view to sale/owner-occupation.

Properties under development

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

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

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

Completed properties for sale

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. The Group's financial assets include cash and bank balances, amounts due from joint ventures and trade and other receivables.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Investments and other financial assets (continued)

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interests earned on these financial assets, which are recognised in accordance with policies set out for "Revenue recognition" below.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is either 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.

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 income and gains in the income statement. The loss arising from impairment is recognised in the income statement as other operating expenses.

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial 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 income, 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 income in accordance with the policies set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

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

Available-for-sale financial investments

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

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

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include creditors and accruals, loans from a joint venture, deposits received, interest-bearing bank loans, advances from a former substantial shareholder, loans from a fellow subsidiary, fixed rate senior notes and derivative financial instruments.

Subsequent measurement

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

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

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.

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

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 contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.4 Summary of Significant Accounting Policies (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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 operating 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.

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

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

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

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

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments 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 and form an integral part of the Group's cash management.

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

Provisions

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

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

2.4 Summary of Significant Accounting Policies (continued)

Income tax

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

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

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

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

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

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

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

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

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

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.

Income tax (continued)

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.

Revenue recognition

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Employee benefits

Share-based payments

The Company operates a share option scheme for the purposes as detailed in note 30 to the financial statements. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

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

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

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

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

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

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

Other employee benefits

Pension schemes

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

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

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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.4% has been applied to the expenditure on the individual assets.

Dividend

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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

The functional currencies of certain subsidiaries and joint ventures operating overseas/in Mainland China are currencies other than Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars 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 subsidiaries and joint ventures operating overseas/in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries and joint ventures operating overseas/in Mainland China which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

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

Judgements

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

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

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or 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.

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

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

(iii) Income tax

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

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

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

Estimation uncertainty

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

(i) Estimation of fair value of investment properties

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

The carrying amount of investment properties at 31 July 2015 was HK$14,479,603,000 (2014: HK$13,479,025,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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

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

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

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

(iv) 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: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(v) Fair value of derivative financial instruments

Where fair value of derivative financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement including considerations of inputs such as expected exposure at default, credit spread and loss given default ratio. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments. The fair value of the Group's derivative financial instruments are disclosed in note 23 to the financial statements.

4. Operating Segment Information

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

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

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

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

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

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

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

4. Operating Segment Information (continued)

	Property development		Property investment		Consolidated	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Segment revenue/results:						
Segment revenue						
Sales to external customers	**1,275,352**	640,928	**626,042**	566,374	**1,901,394**	1,207,302
Other revenue	**1,459**	2,139	**112,295**	123,747	**113,754**	125,886
Total	**1,276,811**	643,067	**738,337**	690,121	**2,015,148**	1,333,188
Segment results	**489,261**	252,169	**1,287,051**	1,422,084	**1,776,312**	1,674,253
Interest income from bank deposits					**20,621**	28,721
Unallocated gains					**8,311**	58,648
Fair value losses on cross currency swaps					**(86,492)**	(64,439)
Impairment of asset classified as held for sale					**(33,177)**	—
Unallocated expenses, net					**(62,079)**	(46,709)
Profit from operating activities					**1,623,496**	1,650,474
Finance costs					**(199,067)**	(322,343)
Share of profits of joint ventures	**154,817**	154,897	**—**	—	**154,817**	154,897
Profit before tax					**1,579,246**	1,483,028
Tax					**(571,197)**	(366,109)
Profit for the year					**1,008,049**	1,116,919
Segment assets/liabilities:						
Segment assets	**3,462,149**	2,464,699	**15,809,833**	14,966,049	**19,271,982**	17,430,748
Investments in joint ventures	**739,028**	590,758	**—**	—	**739,028**	590,758
Asset classified as held for sale					**265,432**	—
Unallocated assets					**3,004,187**	2,817,605
Total assets					**23,280,629**	20,839,111
Segment liabilities	**479,129**	445,957	**350,757**	309,129	**829,886**	755,086
Unallocated liabilities					**8,905,515**	7,289,720
Total liabilities					**9,735,401**	8,044,806

During the year, no single customer accounted for over 10% of the Group's total turnover (2014: Nil).

4. Operating Segment Information (continued)

	Property development 2015 HK$'000	Property development 2014 HK$'000	Property investment 2015 HK$'000	Property investment 2014 HK$'000	Consolidated 2015 HK$'000	Consolidated 2014 HK$'000
Other segment information:						
Depreciation	**3,001**	2,409	**66,201**	65,236	**69,202**	67,645
Corporate and other unallocated depreciation					**5,050**	5,962
					74,252	73,607
Capital expenditure	**1,822**	4,443	**469,612**	919,100	**471,434**	923,543
Corporate and other unallocated capital expenditure					**1,598**	4,825
					473,032	928,368
Fair value gains on investment properties	**—**	—	**948,654**	1,138,045	**948,654**	1,138,045
Reversal of impairment of investment properties under construction*	**—**	—	**8,471**	13,042	**8,471**	13,042
Write-down of completed properties for sale to net realisable value	**7,436**	—	**—**	—	**7,436**	—
Loss on disposal of items of property, plant and equipment	**—**	288	**145**	173	**145**	461

* Reversal of impairment of investment properties under construction of HK$8,471,000 (2014: HK$13,042,000) was recognised in other comprehensive income during the year.

5. Turnover, Other Income and Gains

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

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

	2015 HK$'000	2014 HK$'000
Turnover:		
Sale of properties	**1,275,352**	640,928
Rental income from investment properties and serviced apartments	**626,042**	566,374
	1,901,394	1,207,302
Other income and gains:		
Property management fee income	**95,721**	103,976
Interest income from bank deposits	**20,621**	28,721
Consultancy, design and related fee income	**269**	44,587
Others	**26,075**	35,971
	142,686	213,255

6. Finance Costs

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

	Notes	2015 HK$'000	2014 HK$'000
Interest on:			
Bank loans		**141,926**	134,965
2007 Notes (as defined and disclosed in note 27)		**—**	87,588
2013 Notes (as defined and disclosed in note 27)		**141,486**	142,006
Loans from a joint venture		**9,397**	—
Amortisation of :			
Bank loans		**14,736**	14,768
2007 Notes	27	**—**	5,975
2013 Notes	27	**7,060**	6,573
Bank financing charges and direct costs		**26,133**	25,842
		340,738	417,717
Less: Capitalised in properties under development	14	**(61,065)**	(40,543)
Capitalised in investment properties under construction	15	**(76,661)**	(38,467)
Capitalised in construction in progress	13	**(3,945)**	(16,364)
		(141,671)	(95,374)
Total finance costs		**199,067**	322,343

Where funds have been borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.4% (2014: 7.4%) has been applied to the expenditure on the individual assets for the year ended 31 July 2015.

7. Profit From Operating Activities

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of completed properties sold		**705,031**	311,178
Outgoings in respect of rental income		**159,856**	150,455
Total cost of sales		**864,887**	461,633
Depreciation #	13	**74,252**	73,607
Amortisation of prepaid land lease payments		**11,156**	4,662
Capitalised in properties under development	14	**(10,961)**	(4,465)
	16	**195**	197

7. PROFIT FROM OPERATING ACTIVITIES (CONTINUED)

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

	Notes	2015 HK$'000	2014 HK$'000
Minimum lease payments under operating leases in respect of land and buildings		**8,243**	9,274
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(5,523)**	(5,472)
		2,720	3,802
Employee benefit expense (including directors' remuneration — note 8):			
Salaries, wages and benefits		**252,424**	240,199
Pension scheme contributions *		**912**	831
Equity-settled share option expense	30	**371**	—
		253,707	241,030
Capitalised in properties under development/ investment properties under construction/ construction in progress		**(79,586)**	(67,461)
		174,121	173,569
Auditors' remuneration to auditors of the Company		**3,112**	3,115
Foreign exchange differences, net **		**(31,863)**	(27,224)
Loss on disposal of items of property, plant and equipment #		**145**	461
Gain on disposal of a subsidiary**	32	**—**	6,672
Impairment of asset classified as held for sale**	21	**33,177**	—
Write-down of completed properties for sale to net realisable value**		**7,436**	—

7. Profit From Operating Activities (continued)

The depreciation charge of HK$62,612,000 (2014: HK$61,779,000) for serviced apartments and related leasehold improvements and the loss on disposal of items of property, plant and equipment of HK$145,000 (2014: HK$461,000) are included in "Other operating expenses, net" on the face of the consolidated income statement.

* As at 31 July 2015, the Group had no forfeited contributions available to reduce its contributions to the MPF Scheme in future years (2014: Nil).

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

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to Listing Rules and section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**1,250**	1,250
Other emoluments:		
Salaries, allowances and benefits in kind	**20,423**	20,124
Pension scheme contributions	**131**	119
	20,554	20,243
	21,804	21,493
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(12,166)**	(11,405)
	9,638	10,088

For the years ended 31 July 2015 and 2014, no directors were granted share options.

8. Directors' Remuneration (continued)

(a) Independent non-executive directors

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

	2015 HK$'000	2014 HK$'000
Lam Bing Kwan	**250**	250
Ku Moon Lun	**250**	250
Law Kin Ho	**250**	250
Mak Wing Sum, Alvin	**250**	250
Shek Lai Him, Abraham	**250**	250
	1,250	1,250

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances, and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015					
Executive directors:					
Lam Kin Ming	—	1,140	—	—	1,140
Lam Kin Hong, Matthew	—	1,140	—	57	1,197
Lam Hau Yin, Lester	—	1,543	—	18	1,561
U Po Chu	—	4,362	—	—	4,362
Chew Fook Aun	—	4,045	—	18	4,063
Lau Shu Yan, Julius (resigned on 17 January 2015)	—	959	—	9	968
Cheng Shin How	—	6,586	—	18	6,604
Lee Tze Yan, Ernest (appointed on 17 January 2015)	—	648	—	11	659
	—	20,423	—	131	20,554
Non-executive directors:					
Lucas Ignatius Loh Jen Yuh	—	—	—	—	—
Leow Juan Thong, Jason (resigned on 1 October 2014)	—	—	—	—	—
Chan Boon Seng (appointed on 1 October 2014)	—	—	—	—	—
	—	—	—	—	—
Total	—	20,423	—	131	20,554

8. Directors' Remuneration (continued)

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

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

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

9. Five Highest Paid Employees

The five highest paid employees during the year included three directors (2014: three), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2014: two) non-director highest paid employees are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**5,931**	5,175
Capitalised in properties under development/ investment properties under construction/ construction in progress	**(3,499)**	(4,061)
	2,432	1,114

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

	Number of employees	
	2015	2014
HK$2,500,001 — HK$3,000,000	**1**	2
HK$3,000,001 — HK$3,500,000	**1**	—
	2	2

10. Tax

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2014: Nil). Taxes on profits assessable elsewhere had been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

	Note	**2015 HK$'000**	2014 HK$'000
Current — Mainland China			
Corporate income tax			
Charge for the year		**158,673**	64,104
Underprovision in prior years		**—**	29,195
		158,673	93,299
LAT			
Charge for the year		**165,161**	11,151
Overprovision in prior years		**—**	(116,778)
		165,161	(105,627)
Deferred	28	**247,363**	402,739
Tax indemnity		**—**	(24,302)
Total tax charge for the year		**571,197**	366,109

10. TAX (CONTINUED)

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

	2015 HK$'000	2014 HK$'000
Profit before tax	**1,579,246**	1,483,028
Tax at the statutory tax rate	**394,812**	370,757
Adjustments for tax rates of other jurisdictions	**18,292**	23,685
Provision for LAT	**165,161**	11,151
Tax effect of provision for LAT	**(41,290)**	(2,788)
Profits attributable to joint ventures	**(38,704)**	(38,724)
Income not subject to tax	**(1,281)**	(2,454)
Expenses and losses not deductible for tax	**41,535**	50,281
Tax losses not recognised	**13,819**	9,163
Tax indemnity	**—**	(24,302)
Written back of LAT provision in prior years	**—**	(116,778)
Tax effect of write-back of LAT provision in prior years	**—**	29,195
Withholding tax at 5% on the distributable earnings of the subsidiaries established in Mainland China	**18,853**	16,098
Other temporary difference	**—**	40,825
Tax charge at the Group's effective tax rate	**571,197**	366,109

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 by the tax authority.

Tax indemnity

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

10. Tax (continued)

Tax indemnity (continued)

The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing Mainland China income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Group as set out in the Company's prospectus dated 18 November 1997. During the year, no tax indemnity was received by the Group under the aforesaid indemnities (2014: HK$24,302,000).

11. Dividend

	2015 HK$'000	2014 HK$'000
Proposed final — HK$0.0033 (2014: HK$0.0031) per ordinary share	**53,228**	49,916

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

On 9 December 2014, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.0031 payable in cash with a scrip dividend alternative (the "**2014 Scrip Dividend Scheme**") for the year ended 31 July 2014 (the "**2014 Final Dividend**"). During the year ended 31 July 2015, 27,775,212 new shares were issued by the Company at a deemed price of HK$0.1578 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2014 Scrip Dividend Scheme to settle HK$4,383,000 of the 2014 Final Dividend. The remainder of the 2014 Final Dividend of HK$45,533,000 was satisfied by cash.

Further details of the 2014 Scrip Dividend Scheme are set out in the Company's circular dated 30 December 2014.

On 22 November 2013, the Company's shareholders approved at the annual general meeting a final dividend of HK$0.003 payable in cash with a scrip dividend alternative (the "**2013 Scrip Dividend Scheme**") for the year ended 31 July 2013 (the "**2013 Final Dividend**"). During the year ended 31 July 2014, 5,986,301 new shares were issued by the Company at a deemed price of HK$0.2036 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2013 Scrip Dividend Scheme to settle HK$1,219,000 of the 2013 Final Dividend. The remainder of the 2013 Final Dividend of HK$47,069,000 was satisfied by cash.

12. Earnings Per Share Attributable to Owners of the Company

The calculation of basic earnings per share amounts was based on the profit for the year attributable to owners of the Company of HK$1,004,901,000 (2014: HK$1,099,727,000), and the weighted average number of ordinary shares of 16,115,824,911 (2014: 16,099,127,518) in issue during the year.

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

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

	2015 HK$'000	2014 HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**1,004,901**	1,099,727

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**16,115,824,911**	16,099,127,518
Effect of dilution — weighted average number of ordinary shares:		
Share options	**17,648,191**	20,981,054
	16,133,473,102	16,120,108,572

13. Property, Plant and Equipment

	Notes	Leasehold buildings HK$'000	Serviced apartments HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:									
As at 1 August 2013		111,312	1,200,428	295,176	40,883	18,349	8,332	238,441	1,912,921
Finance costs capitalised	6	—	—	—	—	—	—	16,364	16,364
Additions		—	30,716	10,099	5,911	2,129	4,144	20,955	73,954
Disposals		—	—	—	(601)	(1,108)	(170)	—	(1,879)
Disposal of a subsidiary	32	—	—	(16,436)	(5,615)	—	(444)	—	(22,495)
Exchange realignment		74	820	405	68	12	31	270	1,680
As at 31 July 2014 and 1 August 2014		111,386	1,231,964	289,244	40,646	19,382	11,893	276,030	1,980,545
Finance costs capitalised	6	—	—	—	—	—	—	3,945	3,945
Additions		—	1,497	691	2,906	1,470	1,521	20,815	28,900
Disposals		—	—	—	(495)	(472)	(150)	—	(1,117)
Transfer to asset classified as held for sale	21	—	—	—	—	—	—	(298,485)	(298,485)
Transfer from investment properties under construction	15	—	—	—	—	—	—	175,875	175,875
Exchange realignment		(547)	(6,320)	(2,363)	(240)	(95)	(75)	(2,305)	(11,945)
As at 31 July 2015		**110,839**	**1,227,141**	**287,572**	**42,817**	**20,285**	**13,189**	**175,875**	**1,877,718**
Accumulated depreciation:									
As at 1 August 2013		28,688	248,982	94,688	27,714	14,941	6,334	—	421,347
Depreciation provided during the year	7	2,745	26,297	38,252	3,859	1,125	1,329	—	73,607
Disposals		—	—	—	(536)	(748)	(134)	—	(1,418)
Disposal of a subsidiary	32	—	—	(10,050)	(2,466)	—	(285)	—	(12,801)
Exchange realignment		16	18	(10)	11	5	1	—	41
As at 31 July 2014 and 1 August 2014		31,449	275,297	122,880	28,582	15,323	7,245	—	480,776
Depreciation provided during the year	7	2,728	26,585	37,424	4,258	1,486	1,771	—	74,252
Disposals		—	—	—	(413)	(424)	(135)	—	(972)
Exchange realignment		(202)	(847)	(1,114)	(158)	(68)	(45)	—	(2,434)
As at 31 July 2015		**33,975**	**301,035**	**159,190**	**32,269**	**16,317**	**8,836**	**—**	**551,622**
Net book value:									
As at 31 July 2015		**76,864**	**926,106**	**128,382**	**10,548**	**3,968**	**4,353**	**175,875**	**1,326,096**
As at 31 July 2014		79,937	956,667	166,364	12,064	4,059	4,648	276,030	1,499,769

13. Property, Plant and Equipment (continued)

As at 31 July 2015, a leasehold building and certain serviced apartments (including related leasehold improvements) with carrying amounts of HK$37,372,000 (2014: HK$38,461,000) and HK$621,777,000 (2014: HK$677,369,000), respectively, were pledged to banks to secure certain bank borrowings of the Group as further set out in note 24(a) to the financial statements.

14. Properties Under Development

	Notes	2015 HK$'000	2014 HK$'000
Carrying amount as at 1 August		**1,235,292**	1,232,378
Finance costs capitalised	6	**61,065**	40,543
Additions (including capitalisation of prepaid land lease payments of HK$10,961,000 (2014: HK$4,465,000) and transfer of a deposit (note 33a))		**1,351,476**	388,012
Amortisation of prepaid land lease payments		**(10,961)**	(4,465)
Transfer from investment properties under construction	15	**200,224**	—
Transfer to completed properties for sale		**(930,460)**	(422,345)
Exchange realignment		**(10,779)**	1,169
Carrying amount as at 31 July		**1,895,857**	1,235,292
Amount classified as current assets		**(278,459)**	(572,906)
Non-current portion		**1,617,398**	662,386

As at 31 July 2015, certain properties under development with an aggregate carrying amount of HK$89,678,000 (2014: HK$141,019,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 24(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:

	Note	2015 HK$'000	2014 HK$'000
Carrying amount as at 1 August		**267,190**	349,272
Addition		**719,003**	22,546
Transfer from investment properties under construction		**156,639**	—
Amortised during the year	7	**(10,961)**	(4,465)
Transfer to completed properties for sale		**(54,584)**	(100,079)
Exchange realignment		**(2,190)**	(84)
Carrying amount as at 31 July		**1,075,097**	267,190

15. Investment Properties

	2015 HK$'000	2014 HK$'000
Completed investment properties	**10,792,100**	9,812,300
Investment properties under construction, at fair value	**2,237,000**	1,592,000
Investment properties under construction, at cost *	**1,450,503**	2,074,725
Total	**14,479,603**	13,479,025

* 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.

	Notes	2015 HK$'000	2014 HK$'000
Carrying amount as at 1 August		**13,479,025**	11,377,034
Finance costs capitalised	6	**76,661**	38,467
Additions		**444,132**	854,414
Transfer from completed properties for sale		**14,863**	50,692
Transfer to properties under development	14	**(200,224)**	—
Transfer to property, plant and equipment	13	**(175,875)**	—
Net gain from fair value adjustments		**948,654**	1,138,045
Reversal of impairment		**8,471**	13,042
Exchange realignment		**(116,104)**	7,331
Carrying amount as at 31 July		**14,479,603**	13,479,025

The completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

A reversal of impairment of HK$8,471,000 (2014: HK$13,042,000) was recognised in other comprehensive income for the year ended 31 July 2015, which represented the write-up of a parcel of land in Shanghai, Mainland China, to its recoverable amount which was its value in use estimated using a discount rate of 5.25% (2014: 6.15%).

As at 31 July 2015, certain investment properties with an aggregate carrying amount of HK$9,007,575,000 (2014: HK$9,278,650,000) were pledged to banks to secure certain bank borrowings of the Group as further set out in note 24(c) to the financial statements.

15. Investment Properties (continued)

Valuation processes of the Group

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

The valuation techniques used in prior years have 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 and direct comparison method. The income capitalisation 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 valuations have reference to valuers' view of recent lettings, within the subject properties and other comparable properties. The direct comparison method is based on market comparable transactions available in the market and adjustments of various factors would be made between the subject properties and 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.

15. 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$/sq.m)	31 – 393	note 1
		Capitalisation rate	4.25% - 7.50%	note 2
Commercial properties	Direct comparison method	Average market unit rate (HK$/sq.m)	24,900 - 152,000	note 6
Investment properties under construction				
Commercial properties	Residual method	Gross development value (HK$/sq.m)	22,400 - 43,600	note 3
		Developer's profit margin	4% – 25%	note 4
		Budgeted costs to completion (HK$)	354,201,000 - 2,049,287,000	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
6. The higher the market unit rate, the higher 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.

16. Prepaid Land Lease Payments

	Note	**2015 HK$'000**	2014 HK$'000
Carrying amount as at 1 August		**5,345**	5,543
Amortised during the year	7	**(195)**	(197)
Exchange realignment		**(35)**	8
Carrying amount as at 31 July		**5,115**	5,354

17. GOODWILL

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

	2015 HK$'000	2014 HK$'000
Cost:		
As at 1 August and 31 July	**4,561**	4,561
Accumulated impairment:		
As at 1 August	**(4,135)**	(3,529)
Impairment during the year	**(426)**	(606)
As at 31 July	**(4,561)**	(4,135)
Carrying amount	**—**	426

18. INVESTMENTS IN JOINT VENTURES

	2015 HK$'000	2014 HK$'000
Share of net assets, other than goodwill	**503,049**	355,909
Due from joint ventures	**235,979**	234,849
	739,028	590,758
Loans from a joint venture	**372,897**	—

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

The loans from a joint venture were unsecured, bore interest at fixed interest rates of 3.92% - 4.20% per annum and were repayable within one year.

Details of the joint ventures are set out in note 46 to the financial statements.

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

18. Investments in Joint Ventures (continued)

The summarised financial information below represents amounts shown in the consolidated financial statements of Beautiwin Limited and Guangzhou Beautiwin Real Estate Development Company Limited ("**Guangzhou Beautiwin**"), the holder of Dolce Vita project in Guangzhou, (collectively referred to as the "**Beautiwin Group**") prepared in accordance with HKFRSs:

	2015 HK$'000	2014 HK$'000
Assets and liabilities		
Current assets (including cash and cash equivalents of HK$790,102,000 (2014: HK$725,262,000))	**3,223,256**	1,573,682
Non-current assets	**973,529**	1,270,304
Total assets	**4,196,785**	2,843,986
Current and total liabilities	**(3,109,704)**	(2,067,891)
Current financial liabilities (excluding creditors and accruals)	**(469,708)**	(469,465)
Profit and total comprehensive income for the year		
Revenue (including interest income of HK$11,569,000 (2014: HK$4,911,000))	**1,210,491**	1,069,446
Cost of sales	**(468,124)**	(447,101)
Expenses (including depreciation expenses of HK$1,075,000 (2014: HK$964,000))	**(47,183)**	(29,223)
Tax	**(368,249)**	(267,183)
Profit for the year	**326,935**	325,939
Other comprehensive expense for the year, net of tax	**(15,948)**	(580)
Total comprehensive income for the year, net of tax	**310,987**	325,359
Less: Non-controlling interests	**(16,707)**	(15,883)
	294,280	309,476

18. Investments in Joint Ventures (continued)

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

	2015 HK$'000	2014 HK$'000
Net assets of the Beautiwin Group	**1,087,081**	776,095
Less: Non-controlling interests	**(80,983)**	(64,276)
	1,006,098	711,819
The Group's 50% interests in the Beautiwin Group	**503,049**	355,909
Amount due from the Beautiwin Group	**235,979**	234,849
Carrying amount of the Group's interests in the Beautiwin Group as recorded in the consolidated financial statements	**739,028**	590,758

19. Debtors, Deposits and Prepayments

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

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

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

	2015 HK$'000	2014 HK$'000
Trade receivables, net		
Within one month	**219,888**	61,319
One to three months	**1,952**	2,303
Over three months	**2,264**	1,726
	224,104	65,348
Other receivables, deposits and prepayments	**103,275**	109,293
Total	**327,379**	174,641

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

	Notes	2015 HK$'000	2014 HK$'000
Cash and bank balances		**2,420,898**	1,364,204
Less: Pledged and restricted bank balances			
Pledged for banking facilities *		**(6,039)**	(6,067)
Pledged for bank loans	24(e)	**(563,476)**	(226,332)
Restricted **		**(597,726)**	(141,852)
Non-pledged and non-restricted cash and bank balances		**1,253,657**	989,953
Time deposits		**443,213**	1,198,854
Less: Pledged and restricted time deposits			
Pledged for bank loans	24(e)	**(125,589)**	—
Restricted **		**—**	(116,439)
Non-pledged and non-restricted time deposits		**317,624**	1,082,415
Cash and cash equivalents		**1,571,281**	2,072,368

* 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 2015, the balance was HK$522,997,000 (2014: HK$89,760,000).

In accordance with the relevant laws and regulations imposed by the government authorities concerned, estimated resettlement costs of certain sites for development are required to be deposited into designated bank accounts. Such deposits are restricted to be used for the resettlement and such restriction will be uplifted upon completion of the resettlement. As at 31 July 2015, the balance amounted to HK$35,175,000 (2014: HK$35,339,000).

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 2015, the balance amounted to HK$39,554,000 (2014: HK$133,192,000), including time deposits of nil (2014: HK$116,439,000).

The conversion of Renminbi ("**RMB**") denominated cash and bank balances into foreign currencies and the remittance of such foreign currencies denominated balances out of Mainland China are subject to the relevant rules and regulations of foreign exchange control promulgated by the government authorities concerned. As at 31 July 2015, such RMB denominated time deposits and cash and bank balances of the Group amounted to HK$2,192,650,000 (2014: HK$1,117,246,000).

21. Asset Classified as Held for Sale

On 23 November 1993, Grand Wealth Limited ("**Grand Wealth**"), an indirect wholly-owned subsidiary of the Company, and Guangzhou Light Industry Real Estate Development Company ("**Guangzhou Light Industry**") entered into a joint venture agreement (as supplemented, the "**JVA**") to form a co-operative joint venture company, Guangzhou Grand Wealth Properties Limited ("**Guangzhou Grand Wealth**") in relation to a property development project in Guangzhou, the PRC known as Guangzhou Eastern Place.

In accordance with the original terms of the JVA, upon completion of Guangzhou Eastern Place Phase V, certain residential and office units of Guangzhou Eastern Place Phase V will be allocated and transferred to Guangzhou Light Industry.

On 15 January 2015, Grand Wealth and Guangzhou Light Industry entered into a new supplemental agreement (the "**Supplemental Agreement**") to, among other things, amend the above arrangement whereby Grand Wealth and Guangzhou Light Industry conditionally agreed that in lieu of allocating certain office units of Guangzhou Eastern Place Phase V (the "**Original Property**") to Guangzhou Light Industry as contemplated under the JVA, Grand Wealth would procure the transfer of Guangzhou Paramount Centre, a serviced apartment under development of the Group in Guangzhou, the PRC (the "**Substituted Property**") to Guangzhou Light Industry.

The completion of the conditional swap of the Original Property and the Substituted Property between Grand Wealth and Guangzhou Light Industry on the terms and conditions of the Supplemental Agreement (the "**Transaction**") is subject to, among others, the following conditions having been fulfilled:

(1) the transfer of the Substituted Property to Guangzhou Light Industry having completed before the registration of completion of the construction work of office units of Guangzhou Eastern Place Phase V, failing that Guangzhou Light Industry is entitled to require the Original Property to be allocated and transferred to it; and

(2) the shareholders of eSun, the ultimate holding company of the Company, having approved the Transaction.

Further details of the transaction are set out in a joint announcement of the Company and eSun dated 15 January 2015, and in a circular of eSun dated 16 February 2015.

The Supplemental Agreement and the Transaction were approved by eSun's shareholders at a special general meeting held on 5 March 2015.

During the year ended 31 July 2015, the Substituted Property was reclassified as an asset classified as held for sale and its non-recurring fair value measurement is as follows:

Non-recurring fair value measurements:

	2015 HK$'000	2014 HK$'000
Asset classified as held for sale	**265,432**	—

In accordance with HKFRS 5, the asset classified as held for sale with a carrying amount of HK$298,485,000 was written down to its fair value of HK$313,022,000 less costs to sell of HK$47,590,000, resulting in an impairment loss of HK$33,177,000 (note 7) which was included in "Other operating expenses, net" on the face of the consolidated income statement for the year.

21. Asset Classified as Held for Sale (continued)

Valuation process 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.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's asset classified as held for sale stated at fair value less costs to sell was revalued by Knight Frank Petty Limited, an independent professionally qualified valuer.

Valuation technique

Fair value measurement using significant unobservable inputs (Level 3)

For asset classified as held for sale, valuations are based on direct comparison method. This method is based on market comparable transactions available in the market and adjustments of various factors would be made between the subject property and comparable properties.

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

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial properties	Direct comparison method	Average market unit rate (HK$/sq.m)	38,600 – 58,600	note 1

note 1: The higher the market unit rate, the higher the fair value

22. Creditors and Accruals

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

	2015 HK$'000	2014 HK$'000
Trade payables		
Within one month	**39,315**	102,207
One to three months	**9,951**	3,872
Over three months	**—**	79
	49,266	106,158
Accruals and other payables	**601,577**	474,115
Total	**650,843**	580,273

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

23. Derivative Financial Instruments

	2015 HK$'000	2014 HK$'000
Financial liabilities - Cross currency swap agreements (the "**CCS**")	**111,654**	25,162

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

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

	2015 HK$'000	2014 HK$'000
Carrying amount as at 1 August	**25,162**	43,712
Fair value gains credited to the hedge reserve during the year (note a)	**—**	(82,989)
Fair value losses charged to the consolidated income statement during the year (note b)	**86,492**	64,439
Carrying amount as at 31 July	**111,654**	25,162

23. Derivative Financial Instruments (continued)

Cross Currency Swaps - cash flow hedge

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

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

The CCS are 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, 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 was included in the hedge reserve as follows:

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

(b) As at 31 July 2014, 31 January 2015 and 31 July 2015, the cash flow hedges of the 2013 Notes were assessed to be ineffective and did not qualify for hedge accounting. Net fair value losses of HK$86,492,000, including fair value losses of HK$112,721,000 for the period between 1 August 2014 and 31 January 2015 and fair value gains of HK$26,229,000 for the period between 1 February 2015 and 31 July 2015, arising from changes in the fair values of the CCS during the year ended 31 July 2015 (period between 1 February 2014 and 31 July 2014: fair value losses of HK$64,439,000) are charged to the income statement.

24. Interest-Bearing Bank Loans, Secured

	2015 Effective interest rate (%)	2015 HK$'000	2014 Effective interest rate (%)	2014 HK$'000
Secured bank loans:				
Current	**2.75 - 7.09**	**2,487,367**	2.75 - 8.30	708,382
Non-current	**5.51 - 8.00**	**533,780**	2.75 - 8.30	1,604,858
		3,021,147		2,313,240
Maturity profile:				
Within one year		**2,487,367**		708,382
In the second year		**212,799**		1,457,874
In the third to fifth years, inclusive		**150,302**		87,962
Beyond five years		**170,679**		59,022
		3,021,147		2,313,240

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. As at 31 July 2014, a term loan of the Group in the amount of HK$376,979,000 included a repayment on demand clause under the relevant loan agreement. For the purpose of the above analysis, such loan was included within current secured bank loans and analysed into bank loans repayable within one year.

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

The purposes of the Offshore Facility are mainly for financing investments in property related projects and/or repayment of borrowings of the Group. The entire Onshore Facility was drawn and fully applied for refinancing of bank loans of certain subsidiaries of the Company during the year ended 31 July 2013. As at 31 July 2015, HK$1,510,000,000 (2014: HK$750,000,000) and HK$968,085,000 (2014: HK$1,014,326,000) were outstanding under the Offshore Facility and the Onshore Facility, respectively.

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

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

(a) mortgages over a leasehold building and certain serviced apartments (including related leasehold improvements) of the Group with carrying amounts of HK$37,372,000 (2014: HK$38,461,000) and HK$621,777,000 (2014: HK$677,369,000) (note 13), respectively;

(b) mortgages over certain properties under development of the Group with an aggregate carrying amount of HK$89,678,000 (2014: HK$141,019,000) (note 14);

(c) mortgages over certain investment properties of the Group with an aggregate carrying amount of HK$9,007,575,000 (2014: HK$9,278,650,000) (note 15);

(d) mortgages over certain completed properties for sale for the Group with an aggregate carrying amount of HK$375,772,000 (2014: Nil).

(e) charges over time deposits and bank balances of the Group with an aggregate carrying amount of HK$689,065,000 (2014: HK$226,332,000) (note 20);

(f) charges over the entire equity interests in certain subsidiaries of the Company shared on a pari passu basis with the holders of fixed rate senior notes (note 27);

(g) corporate guarantees provided by the Company; and

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

25. Advances From a Former Substantial Shareholder

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

26. Loans From a Fellow Subsidiary

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

27. Fixed Rate Senior Notes

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

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

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

The 2007 Notes had been fully redeemed on the maturity date in last year.

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

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

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

No 2013 Notes were repurchased during the year (2014: Nil).

As detailed in note 24 to the financial statements, the Company entered into an agreement in respect of the Offshore Facility on 28 March 2013. In connection with the Company's entry into the Offshore Facility, the Company, the Offshore Facility agent and the 2007 Notes trustee, amongst others, entered into an intercreditor agreement dated 28 March 2013 (the "**Intercreditor Agreement**") which entitles (i) the holders of the 2007 Notes, (ii) the lenders under the Offshore Facility and (iii) holders of other permitted pari passu secured indebtedness, to the benefit of a lien on a package of securities shared on a pari passu basis. As such, the Offshore Facility is guaranteed on a joint and several basis by the same entities acting as subsidiary guarantors under the 2007 Notes. In addition, the shares in certain subsidiaries of the Company and a debt service reserve account (collectively, the "**Collateral**") have been charged to secure amounts outstanding under the Offshore Facility (and on a pari passu basis with the 2007 Notes).

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

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

27. Fixed Rate Senior Notes (continued)

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

	2015 HK$'000	2014 HK$'000
2007 Notes		
Carrying amount as at 1 August	—	1,435,052
Redemption of the 2007 Notes	—	(1,441,027)
Amortisation of the 2007 Notes (note 6)	—	5,975
Carrying amount as at 31 July	—	—

	2015 HK$'000	2014 HK$'000
2013 Notes		
Carrying amount as at 1 August	**2,232,738**	2,223,610
Amortisation of the 2013 Notes (note 6)	**7,060**	6,573
Exchange realignment	**(18,884)**	2,555
Carrying amount as at 31 July	**2,220,914**	2,232,738
Portion classified as non-current	**(2,220,914)**	(2,232,738)
Current portion	—	—

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

In connection with the 2013 Notes, the Company entered into the CCS (as defined in note 23) with financial institutions, which have effectively converted the 2013 Notes into fixed rate US$ denominated loans. Taking into account the CCS, the effective interest rate of the 2013 Notes is 6.53% per annum. For the year ended 31 July 2015, an unrealised exchange gain on the 2013 Notes of HK$18,884,000 (2014: HK$27,329,000) was recognised in the consolidated income statement. Details of the CCS are set out in note 23 to the financial statements.

28. Deferred Tax

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

	Depreciation allowance in excess of related depreciation and development costs HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Other temporary differences HK$'000	Total HK$'000
As at 1 August 2013	391,214	138,392	1,229,296	65,000	(4,005)	—	1,819,897
Deferred tax charged/(credited) to the income statement during the year (note 10)	40,614	(18,009)	284,511	4,035	2,981	88,607	402,739
Deferred tax charged to the asset revaluation reserve during the year	—	3,260	—	—	—	—	3,260
Deferred tax utilised during the year	—	—	—	(22,303)	—	—	(22,303)
Exchange realignment	260	222	90	—	(18)	(400)	154
As at 31 July 2014 and 1 August 2014	432,088	123,865	1,513,897	46,732	(1,042)	88,207	2,203,747
Deferred tax charged/(credited) to the income statement during the year (note 10)	40,340	(9,120)	237,164	18,853	(10,199)	(29,675)	247,363
Deferred tax charged to the asset revaluation reserve during the year	—	2,118	—	—	—	—	2,118
Deferred tax utilised during the year	—	—	—	(27,091)	—	—	(27,091)
Exchange realignment	(3,862)	(925)	(13,380)	—	47	(625)	(18,745)
As at 31 July 2015	**468,566**	**115,938**	**1,737,681**	**38,494**	**(11,194)**	**57,907**	**2,407,392**

As at 31 July 2015, the Group had tax losses arising in Mainland China of HK$131,858,000 (2014: HK$76,584,000) that would expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it may not be probable that taxable profits will be available against which the tax losses could be utilised.

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

29. Share Capital

Shares

	2015 HK$'000	2014 HK$'000
Authorised:		
20,000,000,000 (2014: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
16,129,674,469 (2014: 16,101,899,257) ordinary shares of HK$0.10 each	**1,612,968**	1,610,190

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

	Number of authorised shares	Number of issued shares	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
As at 1 August 2013	20,000,000,000	16,095,912,956	1,609,591	4,065,862	5,675,453
Shares issued in lieu of cash dividend (note 11)	—	5,986,301	599	620	1,219
As at 31 July 2014 and 1 August 2014	20,000,000,000	16,101,899,257	1,610,190	4,066,482	5,676,672
Shares issued in lieu of cash dividend (note 11)	—	27,775,212	2,778	1,605	4,383
As at 31 July 2015	**20,000,000,000**	**16,129,674,469**	**1,612,968**	**4,068,087**	**5,681,055**

Share options

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

30. Share Option Schemes

2003 Share Option Scheme

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

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

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

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

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

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

30. Share Option Schemes (continued)

2012 Share Option Scheme

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

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

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

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

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

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

30. SHARE OPTION SCHEMES (CONTINUED)

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

		Number of underlying shares comprised in share options						
Name or category of participants	Date of grant of share options*	As at 1 August 2014	Granted during the year	Transfer from/(to) other category	Lapsed during the year	As at 31 July 2015	Exercise period of share options	Exercise price of share options ** (per share)
Director								
Chew Fook Aun	12/6/2012	80,479,564	—	—	—	80,479,564	12/6/2012-11/6/2020	HK$0.133
Lam Hau Yin, Lester	18/1/2013	160,959,129	—	—	—	160,959,129	18/1/2013-17/1/2023	HK$0.228
Lau Shu Yan, Julius	18/1/2013	48,287,738	—	(48,287,738)	—	—	18/1/2013-17/1/2023	HK$0.228
Cheng Shin How	18/1/2013	32,191,825	—	—	—	32,191,825	18/1/2013-17/1/2023	HK$0.228
Lee Tze Yan, Ernest	18/1/2013	—	—	32,000,000	—	32,000,000	18/1/2013-17/1/2023	HK$0.228
		321,918,256	—	(16,287,738)	—	305,630,518		
Other eligible participants (in aggregate)								
Batch 1	18/1/2013	200,287,738 ***	—	16,287,738	(6,000,000)	210,575,476	18/1/2013-17/1/2023	HK$0.228
Batch 2	26/7/2013	16,000,000	—	—	(2,000,000)	14,000,000	26/7/2013-25/7/2023	HK$0.190
Batch 3	16/1/2015	—	9,000,000	—	—	9,000,000	16/1/2015-15/1/2025	HK$0.160
		216,287,738	9,000,000	16,287,738	(8,000,000)	233,575,476		
		538,205,994	9,000,000	—	(8,000,000)	539,205,994		

* The share options vested on the date of grant.

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

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

Other than the lapse of share options comprising 8,000,000 underlying shares and the grant of share options comprising 9,000,000 underlying shares, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the 2003 Share Option Scheme and 2012 Share Option Scheme during the year. The closing prices of the Company's shares immediately before the dates of grant of share options, i.e. as at 18 January 2013, 26 July 2013 and 16 January 2015 were HK$0.227, HK$0.192 and HK$0.160 per share, respectively. The fair value of the share options granted during the year ended 31 July 2015 was HK$371,000 (HK$0.0412 each on average) (2014: Nil), of which the Group recognised a share option expense of HK$371,000 (note 7) and HK$123,000 (before and after capitalisation to properties under development/investment properties under construction, respectively) (2014: Nil) for the year ended 31 July 2015.

30. Share Option Schemes (continued)

The fair value of equity-settled share options granted during the year ended 31 July 2015 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	16 January 2015
Dividend yield (%)	1.856
Expected volatility (%)	48.787
Historical volatility (%)	48.787
Risk-free interest rate (%)	1.357
Expected life of options (years)	10
Closing share price (HK$ per share)	0.160

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

As at 31 July 2015, a total of 539,205,994 underlying shares comprised in share options were outstanding, of which 80,479,564 underlying shares relate to a share option granted under the 2003 Share Option Scheme and 458,726,430 underlying shares relate to share options granted under the 2012 Share Option Scheme, represented approximately 0.5% and 2.8% of the Company's shares in issue, respectively, as at that date.

31. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 83 of the financial statements.

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

32. Disposal of a Subsidiary

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

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

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

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

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

The deposit for acquisition of land use right of HK$89,765,000 as at 31 July 2014 was transferred to properties under development during the year.

(b) Acquisition of non-controlling interests

2015

On 27 January 2015, Kingscord Investment Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with 西藏城市發展投資股份有限公司 ("**西藏城市發展**"), to acquire 西藏城市發展's interest in 5% of the registered capital of Shanghai Huxin Real Estate Development Company Limited ("**Shanghai Huxin**"), which indirectly holds Shanghai May Flower Plaza. The transaction was completed on 27 January 2015. Shanghai Huxin was an indirect 95%-owned subsidiary of the Company right before the completion of the transaction and became an indirect wholly-owned subsidiary of the Company upon completion of the transaction.

2014

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

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

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

33. Notes to the Consolidated Statement of Cash Flows (continued)

(b) Acquisition of non-controlling interests (continued)

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

	2015 HK$'000	2014 HK$'000
Considerations paid for acquisition of non-controlling interests	**62,806**	418,942
Decrease in non-controlling interests	**(51,808)**	(548,464)
Decrease/(increase) in equity attributable to owners of the Company	**10,998**	(129,522)

34. Contingent Liabilities

The Group has provided guarantees to certain banks in respect of mortgage loan facilities granted by such banks to certain end-buyers of property units developed by the Group. Pursuant to the terms of the guarantees, upon default in mortgage payments by these end-buyers, the Group will be responsible to repay the outstanding mortgage loan principals together with accrued interest owed by the end-buyers in default. The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans. As at 31 July 2015, in respect of these guarantees, the contingent liabilities of the Group amounted to approximately HK$120,159,000 (2014:HK$97,206,000).

35. Operating Lease Arrangements

(a) As lessor

Certain properties of the Group were leased under operating lease arrangements with lease terms up to twenty years (2014: twenty years). The terms of the leases generally require the tenants to pay security deposits.

As at 31 July 2015, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**455,132**	400,000
In the second to fifth years, inclusive	**802,919**	695,704
After five years	**164,475**	216,323
	1,422,526	1,312,027

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.

35. Operating Lease Arrangements (continued)

(b) As lessee

The Group leased certain office properties under operating lease arrangements with lease terms up to two years (2014: two years).

As at 31 July 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**1,159**	1,599
In the second to fifth years, inclusive	**210**	546
	1,369	2,145

36. Commitments

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments as at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Construction and compensation costs	**338,169**	546,828

37. Pledge Of Assets

Details of the Group's bank loans and fixed rate senior notes, which were secured by certain assets of the Group, are included in notes 24 and 27 to the financial statements, respectively.

38. Related Party Transactions

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

(a) Transactions with related parties

	Notes	2015 HK$'000	2014 HK$'000
Lai Sun Garment (International) Limited ("**LSG**") and its subsidiaries (the "**LSG Group**"):			
Rental and management fee expenses paid or payable	(i)	**2,238**	2,557
Rental and management fee income received or receivable	(ii)	**73**	152
Charges paid or payable relating to the serving of food and beverages to the occupants of the serviced apartments	(iii)	**—**	172
Tax indemnity received	(iv)	**—**	24,302
Sharing of corporate salaries on a cost basis allocated from		**18,764**	17,907
Sharing of administrative expenses on a cost basis allocated from		**3,686**	5,619
Sharing of corporate salaries on a cost basis allocated to		**1,570**	1,883
Sharing of administrative expenses on a cost basis allocated to		**342**	563

38. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

	Notes	2015 HK$'000	2014 HK$'000
eSun and its subsidiaries (the "**eSun Group**") excluding the Group:			
Advertising and promotion fees paid or payable	(v)	—	1,461
Management fee paid or payable	(vi)	—	303
Rental and management fee income received or receivable	(vii)	**7,166**	4,458
Consideration for disposal of partial interest in a subsidiary received	(viii)	—	72,423
Consideration for disposal of a company received	(ix)	—	13,600
Advance of loans received	(x)	**77,745**	81,492
Sharing of corporate salaries on a cost basis allocated from		**1,742**	1,934
Sharing of administrative expenses on a cost basis allocated from		**637**	229
Sharing of corporate salaries on a cost basis allocated to		**988**	1,041
Sharing of administrative expenses on a cost basis allocated to		**116**	277
A subsidiary of CapitaLand Limited:			
Management and other service fees paid or payable	(xi)	**9,754**	9,574
A director of the Company:			
Sales proceeds of a serviced apartment unit received	(xii)	—	1,966

38. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

	Notes	2015 HK$'000	2014 HK$'000
A joint venture of the Group:			
Advance of loans received	(xiii)	**372,897**	—
Interest expenses paid or payable	(xiii)	**9,397**	—

Notes:

(i) The related companies are LSD and a subsidiary of LSD, which are the subsidiaries of LSG. eSun, an associate of LSD, is the ultimate holding company of the Company. The Company is therefore also an associate of LSD. The terms of the rental and management fee were determined based on the agreements entered into between the Group and the related companies.

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

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

(iv) The related company is LSD and further details of this transaction are set out in note 10 to the financial statements.

(v) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. The terms of the advertising and promotion fees were determined based on the agreements entered into between the Group and the related company.

(vi) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. The related company provides management services in relation to a cinema complex of the Group, which was disposed to eSun on 29 November 2013 as mentioned in note (ix). The terms of the management fee were determined based on the agreement entered into between the Group and the related company.

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

(viii) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. Pursuant to a subscription agreement entered into on 25 September 2013, the Group disposed to the related company 20% of the equity interest in Rosy Commerce Holdings Limited ("**RCHL**", an indirect wholly-owned subsidiary of the Company) together with 20% of the shareholder's loan advanced to RCHL, at a total consideration of HK$72,423,000. The transaction was completed on 19 December 2013 and further details of which are set out in a circular of the Company dated 26 November 2013.

(ix) The related company is eSun and further details of this transaction are set out in note 32 to the financial statements.

38. Related Party Transactions (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

(x) The related company is a subsidiary of eSun where the Company does not hold, directly or indirectly, any equity interest in the related company. The terms of the loans are set out in note 26 to the financial statements.

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

(xii) The related party is a director of the Company, Mr. Julius Lau (resigned on 17 January 2015). Mr. Julius Lau purchased a serviced apartment unit from the Group based on the agreement entered into between the Group and Mr. Julius Lau.

(xiii) The related party is a joint venture of the Group, Guangzhou Beautiwin. The terms of the loans are determined based on the agreements entered into between the Group and Guangzhou Beautiwin and set out in note 18 to the financial statements.

Certain of the above related party transactions also constitute connected transactions or continuing connected transactions as defined in chapter 14A of the Listing Rules and their details are disclosed in the Report of the Directors.

(b) Outstanding balances with related parties

Details of the loans from a joint venture, advances from a former substantial shareholder of the Company and loans from a fellow subsidiary are included in notes 18, 25 and 26 to the financial statements, respectively.

(c) Compensation of key management personnel of the Group

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**24,511**	21,374
Pension scheme contributions	**131**	119
Total	**24,642**	21,493

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

39. Financial Instruments by Category

Financial assets

The Group's financial assets as at 31 July 2015 and 2014 were categorised as loans and receivables.

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
2015			
Creditors and accruals	**—**	**543,207**	**543,207**
Deposits received	**—**	**122,214**	**122,214**
Interest-bearing bank loans, secured	**—**	**3,021,147**	**3,021,147**
Loans from a joint venture	**—**	**372,897**	**372,897**
Advances from a former substantial shareholder	**—**	**58,198**	**58,198**
Loans from a fellow subsidiary	**—**	**229,244**	**229,244**
Fixed rate senior notes	**—**	**2,220,914**	**2,220,914**
Derivative financial instruments	**111,654**	**—**	**111,654**
	111,654	**6,567,821**	**6,679,475**
2014			
Creditors and accruals	—	493,717	493,717
Deposits received	—	116,208	116,208
Interest-bearing bank loans, secured	—	2,313,240	2,313,240
Advances from a former substantial shareholder	—	58,688	58,688
Loans from a fellow subsidiary	—	152,760	152,760
Fixed rate senior notes	—	2,232,738	2,232,738
Derivative financial instruments	25,162	—	25,162
	25,162	5,367,351	5,392,513

40. Fair Values and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximately to fair values, are as follows:

	Carrying amounts		Fair values	
	31 July 2015 HK$'000	31 July 2014 HK$'000	**31 July 2015 HK$'000**	31 July 2014 HK$'000
Financial liabilities				
Derivative financial instruments	**111,654**	25,162	**111,654**	25,162
Fixed rate senior notes	**2,220,914**	2,232,738	**2,157,600**	2,199,063
	2,332,568	2,257,900	**2,269,254**	2,224,225

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) The fair values of fixed rate senior notes are based on quoted market prices; and

(ii) Derivative financial instruments, being the cross currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot rates and interest rate curves. The carrying amounts of the derivative financial instruments are the same as their fair values.

Other than the above financial liabilities, the carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 July 2015 and 31 July 2014.

40. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation techniques	Significant unobservable inputs	Value of unobservable inputs	Notes
Derivative financial instruments - CCS	Discounted cash flow with swaption approach	Expected exposure at default — counterparty	RMB0.01 to RMB6.5 million	1
		Expected exposure at default — the Company	RMB56.1 million to RMB71.4 million	2
		Credit spread — counterparty	14.26 basis point to 129.43 basis point	3
		Credit spread — the Company	571.08 basis point to 827.64 basis point	4
		Loss given default ratio — counterparty non-performance risk	80%	5
		Loss given default ratio — own credit risk	60%	6

Notes:

1. The higher the expected exposure at default — counterparty, the lower the fair value of CCS
2. The higher the expected exposure at default — the Company, the higher the fair value of CCS
3. The higher the credit spread — counterparty, the lower the fair value of CCS
4. The higher the credit spread — the Company, the higher the fair value of CCS
5. The higher the loss given default ratio — counterparty, the lower the fair value of CCS
6. The higher the loss given default ratio — the Company, the higher the fair value of CCS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value

As at 31 July 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	—	**111,654**	**111,654**

40. Fair Values and Fair Value Hierarchy of Financial Instruments (continued)

Liabilities measured at fair value (continued)

As at 31 July 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instruments	—	—	25,162	25,162

The Group did not have any financial assets measured at fair value as at 31 July 2015 and 31 July 2014.

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 for both financial assets and financial liabilities. During the year ended 31 July 2014, 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, 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 23 to the financial statements.

Liabilities for which fair values are disclosed

The Group's financial liabilities for which fair values are disclosed include fixed rate senior notes, fair value of which are based on quoted market prices and are categorised in Level 1.

41. Financial Risk Management Objectives and Policies

The principal financial assets held by the Group comprise pledged and restricted time deposits and bank balances and cash and cash equivalents. Management will, based on the Group's projected cash flow requirements, determine the types and the levels of these financial assets with a view to maintaining an appropriate level of fundings for the Group's operations and to enhancing the returns generated from these financial assets. The Group's principal financial liabilities are bank loans and fixed rate senior notes.

The Group will procure various types and levels of such financial liabilities in order to maintain sufficient fundings for the Group's daily operations and to cope with expenditures incurred for various properties under development for sale or investment purposes. In addition, the Group has various other financial assets and liabilities such as debtors and creditors which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk. Management of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts relatively conservative strategies on its risk management. During the year ended 31 July 2013, the Group entered into cross currency swap agreements to manage the foreign currency risk arising from the Group's fixed rate senior notes. The Group does not hold or issue derivative financial instruments for trading purposes.

41. Financial Risk Management Objectives and Policies (continued)

The policies are summarised as follows:

(a) Foreign currency risk

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

The Group entered into CCS in respect of the 2013 Notes to minimise the foreign currency exposures as detailed in note 23 to the financial statements. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider other appropriate hedging measures in future as may be necessary.

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

	Change in exchange rate	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2015			
If US$/HK$ weakens against RMB	**5%**	**24,723**	**16,046**
If US$/HK$ strengthens against RMB	**5%**	**(23,490)**	**(15,632)**
2014			
If US$/HK$ weakens against RMB	5%	53,457	44,363
If US$/HK$ strengthens against RMB	5%	(52,159)	(43,928)

* excluding amounts attributable to non-controlling interests

41. Financial Risk Management Objectives and Policies (continued)

(b) Interest rate risk

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

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

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

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

	Change in interest rate	Impact on post-tax profit HK$'000	Impact on equity* HK$'000
2015			
	+0.25%	**(5,300)**	**(5,300)**
	- 0.25%	**5,300**	**5,300**
2014			
	+0.25%	(3,782)	(3,782)
	- 0.25%	3,581	3,581

* excluding amounts attributable to non-controlling interests

(c) Liquidity risk

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

41. Financial Risk Management Objectives and Policies (continued)

(c) Liquidity risk (continued)

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

	Less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
2015				
Creditors and accruals	**543,207**	**—**	**—**	**543,207**
Deposits received	**18,845**	**103,369**	**—**	**122,214**
Interest-bearing bank loans, secured	**2,617,685**	**550,216**	**202,925**	**3,370,826**
Loans from a joint venture	**372,897**	**—**	**—**	**372,897**
Advances from a former substantial shareholder	**—**	**58,198**	**—**	**58,198**
Loans from a fellow subsidiary	**—**	**229,244**	**—**	**229,244**
Fixed rate senior notes	**154,206**	**2,510,709**	**—**	**2,664,915**
Inflows of derivative financial instruments	**(154,206)**	**(2,510,709)**	**—**	**(2,664,915)**
Outflows of derivative financial instruments	**139,547**	**2,516,874**	**—**	**2,656,421**
	3,692,181	**3,457,901**	**202,925**	**7,353,007**
2014				
Creditors and accruals	493,717	—	—	493,717
Deposits received	23,644	92,564	—	116,208
Interest-bearing bank loans, secured	848,829	1,702,474	259,807	2,811,110
Advances from a former substantial shareholder	—	58,688	—	58,688
Loans from a fellow subsidiary	—	152,760	—	152,760
Fixed rate senior notes	155,504	2,687,351	—	2,842,855
Inflows of derivative financial instruments	(155,504)	(2,687,351)	—	(2,842,855)
Outflows of derivative financial instruments	139,547	2,656,421	—	2,795,968
	1,505,737	4,662,907	259,807	6,428,451

As detailed in note 24 to the financial statements, as at 31 July 2014, a term loan in the amount of HK$376,979,000 is included in the current portion of the interest-bearing bank loans. The relevant loan agreement of this term loan include a repayment on demand clause which gives the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the said amount is classified as "less than 12 months". Notwithstanding the repayment on demand clause, the directors believe that the 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 and nil repayable is less than 1 year and in 1 to 5 years, respectively. During the year ended 31 July 2015, the loan agreement of the term loan has been renewed and does not include a repayment on demand clause.

The Group is also exposed to liquidity risk through the granting of financial guarantees, further details of which are disclosed in note 34 to the financial statements. The earliest period in which the guarantee could be called is less than 12 months.

41. Financial Risk Management Objectives and Policies (continued)

(d) Credit risk

The Group maintains various credit policies for different business operations as described in note 19. In addition, trade debtor balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

(e) Capital management

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

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

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

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

41. Financial Risk Management Objectives and Policies (continued)

(e) Capital management (continued)

	2015 HK$'000	2014 HK$'000
Interest-bearing bank loans, secured	**3,021,147**	2,313,240
Advances from a former substantial shareholder	**58,198**	58,688
Fixed rate senior notes	**2,220,914**	2,232,738
Loans from a fellow subsidiary	**229,244**	152,760
Loans from a joint venture	**372,897**	—
Less:		
Pledged and restricted time deposits and bank balances	**(1,292,830)**	(490,690)
Cash and cash equivalents	**(1,571,281)**	(2,072,368)
Net debt	**3,038,289**	2,194,368
Net assets attributable to owners of the Company	**13,466,353**	12,663,434
Gearing ratio	**23%**	17%

42. Event After the Reporting Period

On 30 September 2015, Shanghai Zhabei Plaza Real Estate Development Company Limited ("**Shanghai Zhabei Plaza**", as purchaser), being an indirect non-wholly-owned subsidiary of the Company, Federation of Trade Union of Zhabei District of Shanghai ("**Zhabei Trade Union**", as vendor) and the Company (as guarantor) entered into an agreement, pursuant to which Shanghai Zhabei Plaza conditionally agreed to acquire and Zhabei Trade Union conditionally agreed to sell certain property (the "**Property**") at a cash consideration of approximately RMB355.1 million (equivalent to approximately HK$433.5 million). The Property, comprises portion of a commercial building with total gross floor area of approximately 10,345 sqm (equivalent to approximately 111,354 sq.ft.) and the right to use 20 basement car-parking spaces, is physically connected to an investment property currently held by the Group and situated at Zhabei, Shanghai.

The completion of this transaction is subject to, inter alias, the approval from the shareholders of eSun in the upcoming special general meeting.

Further details of this transaction are set out in a joint announcement of the Company and eSun dated 30 September 2015.

43. Comparative Figures

As further explained in note 2.2 to the financial statements, due to the early adoption of the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosure of certain items and balances in the financial statements have been revised to comply with the new requirements. Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures. In the opinion of the directors of the Company, this presentation would better reflect the financial position of the Group.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 **HK$'000**	2014 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**9,310,133**	7,774,218
CURRENT ASSETS		
Deposits and prepayments	**19,726**	25,741
Pledged and restricted bank balance	**284,542**	18,302
Cash and cash equivalents	**246,841**	1,158,607
Total current assets	**551,109**	1,202,650
CURRENT LIABILITIES		
Creditors and accruals	**44,533**	45,925
Due to subsidiaries	**390**	390
Interest-bearing bank loan, secured	**1,506,023**	246,685
Total current liabilities	**1,550,946**	293,000
NET CURRENT ASSETS/(LIABILITIES)	**(999,837)**	909,650
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,310,296**	8,683,868
NON-CURRENT LIABILITIES		
Fixed rate senior notes	**2,220,914**	2,232,738
Interest-bearing bank loan, secured	**—**	493,371
Derivative financial instruments	**111,654**	25,162
Deferred tax liabilities	**—**	13,957
Total non-current liabilities	**2,332,568**	2,765,228
	5,977,728	5,918,640
EQUITY		
Issued capital	**1,612,967**	1,610,190
Reserves (note)	**4,364,761**	4,308,450
	5,977,728	5,918,640

44. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Hedge reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 August 2013		4,065,862	30,188	(9,558)	(59,761)	115,832	4,142,563
Profit for the year		—	—	—	—	160,450	160,450
Release of reserve upon lapse of share options		—	(511)	—	—	511	—
Net gain on cash flow hedges		—	—	—	53,105	—	53,105
Shares issued in lieu of cash dividend	29	620	—	—	—	—	620
Final 2013 dividend paid		—	—	—	—	(48,288)	(48,288)
As at 31 July 2014 and 1 August 2014		4,066,482	29,677	(9,558)	(6,656)	228,505	4,308,450
Profit for the year		—	—	—	—	104,251	104,251
Equity settled share option arrangements		—	371	—	—	—	371
Release of reserve upon lapse of share options		—	(454)	—	—	454	—
Shares issued in lieu of cash dividend	29	1,605	—	—	—	—	1,605
Final 2014 dividend paid		—	—	—	—	(49,916)	(49,916)
As at 31 July 2015		**4,068,087**	**29,594**	**(9,558)**	**(6,656)**	**283,294**	**4,364,761**

45. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Canvex Limited	Hong Kong	HK$2	—	100	Property investment
Eastern Power Limited	Hong Kong	HK$100,000	—	100	Investment holding
Eternal Medal Limited	Hong Kong	HK$1	—	100	Investment holding

45. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

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

45. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangzhou Guang Bird Property Development Limited ("**Guangzhou Guang Bird**") µ *	PRC/ Mainland China	US$79,600,000##	—	100	Property development and investment
Guangzhou Honghui Real Estate Development Company Limited µ *	PRC/ Mainland China	RMB79,733,004##	—	100	Property development and investment
Guangzhou Jadepress Real Estate Company Limited @ *	PRC/ Mainland China	US$19,150,000##	—	100	Property development and investment
Guangzhou Jieli Real Estate Company Limited @ *	PRC/ Mainland China	HK$168,000,000##	—	100	Property investment
Hankey Development Limited	Hong Kong	HK$10,000	—	100	Investment holding
Jadepress Limited	Hong Kong	HK$1	—	100	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Lai Fung Company Limited	Hong Kong	HK$20	100	—	Investment holding
Manful Concept Limited	Hong Kong	HK$2	—	100	Investment holding
Nicebird Company Limited	Hong Kong	HK$2	—	100	Investment holding
Shanghai Hankey Real Estate Development Company Limited #	PRC/ Mainland China	US$10,800,000##	—	99	Property investment

45. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai HKP Property Management Limited # *	PRC/ Mainland China	US$150,000##	—	100	Property management
Shanghai Hu Xin Real Estate Development Company Limited #	PRC/ Mainland China	US$40,000,000##	—	100	Property development and investment
Shanghai Li Xing Real Estate Development Company Limited # *	PRC/ Mainland China	US$36,000,000##	—	100	Property investment
Shanghai Wa Yee Real Estate Development Company Limited # *	PRC/ Mainland China	US$10,000,000##	70	25	Property development and investment
Shanghai Zhabei Plaza Real Estate Development Company Limited #	PRC/ Mainland China	US$12,000,000##	—	99	Property development and investment
Sunlite Investment Limited	Hong Kong	HK$2	—	100	Investment holding
Wide Angle Development Limited	Hong Kong	HK$2	—	100	Investment holding
Winfield Concept Limited	Hong Kong	HK$10,000	—	80	Investment holding
Zhongshan Bao Li Properties Development Company Limited @*	PRC/ Mainland China	HK$460,000,000##	—	100	Property development and investment

45. Particulars of Principal Subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
廣州高樂物業管理有限公司ø*	PRC/ Mainland China	RMB1,100,000##	—	100	Property management
上海麗港物業管理有限公司ø*	PRC/ Mainland China	RMB500,000##	—	100	Property management
上海麗星房地產發展有限公司@*	PRC/ Mainland China	RMB630,000,000##	—	100	Property development
中山高樂物業管理有限公司ø*	PRC/ Mainland China	RMB500,000##	—	100	Property management
珠海橫琴麗新文創天地有限公司@*	PRC/ Mainland China	RMB900,000,000##	—	80	Property development

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

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

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

\## The registered capital of these subsidiaries were fully paid up, except for Guangzhou Guang Bird which capital of approximately US$23,283,000 (equivalent to approximately HK$181,610,000) was unpaid as at 31 July 2015

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

ø Registered as domestic enterprises under the laws of the PRC

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

As at 31 July 2015, the entire equity interests in certain subsidiaries were pledged to secure fixed rate senior notes and certain bank borrowings of the Company on a pari passu basis (note 27 and note 24(f)).

As at 31 July 2015, certain subsidiaries had jointly and severally guaranteed the obligations of the Company in connection with the fixed rate senior notes and certain bank borrowings (note 27 and note 24(g)).

46. Particulars of Joint Ventures

Particulars of the Group's joint ventures as at 31 July 2015 are as follows:

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

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

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

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

47. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 15 October 2015.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting ("**AGM**") of the members ("**Members**") of Lai Fung Holdings Limited ("**Company**") will be held at Harbour View Rooms I & II, 3rd Floor, The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Friday, 11 December 2015 at 9:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements for the year ended 31 July 2015 ("**Year**") and the reports of the directors and the independent auditors of the Company thereon;

2. To declare a final dividend with a scrip dividend option;

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

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

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

   (A) "**THAT**:

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

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

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

   (i) the conclusion of the next annual general meeting of the Company;

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

   (iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles of Association of the Company to be held."

(B) "**THAT**:

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

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

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

(i) a Rights Issue or Open Offer (each as hereinafter defined); or

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

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

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

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

(d) for the purposes of this Resolution,

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

(i) the conclusion of the next annual general meeting of the Company;

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

(iii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles of Association of the Company to be held; and

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

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. 5(A) and 5(B) in the notice convening this meeting, the general mandate granted to the directors of the Company ("**Directors**") and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the share capital of the Company which has been bought back by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution."

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

Hong Kong, 12 November 2015

Registered Office:	*Principal Place of Business in Hong Kong:*
P.O. Box 309	11th Floor
Ugland House	Lai Sun Commercial Centre
Grand Cayman	680 Cheung Sha Wan Road
KY1-1104	Kowloon
Cayman Islands	Hong Kong

Notes:

(1) A Member entitled to attend and vote at the AGM convened by the above notice ("**Notice**") or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more shares of HK$0.10 each in the share capital of the Company ("**Shares**"), more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association of the Company ("**Articles of Association**"). A proxy need not be a Member.

(2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited ("**Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or any of its adjourned meeting should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.

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

(3) To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Tuesday, 8 December 2015 for registration.

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

(5) The proposed final dividend of HK$0.0033 per Share as recommended by the Board is subject to the approval of the Members at the AGM. The record date for the proposed final dividend is at the close of business on Tuesday, 22 December 2015. For determining the entitlement of the proposed final dividend, the Register of Members will be closed on Monday, 21 December 2015 and Tuesday, 22 December 2015, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Registrar for registration no later than 4:30 p.m. on Friday, 18 December 2015.

(6) Concerning agenda item 3 of this Notice,

(i) in accordance with Article 99 of the Articles of Association, Mr. Lee Tze Yan, Ernest (appointed by the Board as an executive Director on 17 January 2015) will retire at the AGM and, being eligible, offer himself for election;

(ii) in accordance with Article 116 of the Articles of Association, Mr. Chew Fook Aun, Madam U Po Chu, Mr. Ku Moon Lun, Mr. Law Kin Ho and Mr. Mak Wing Sum, Alvin will retire from office as Directors by rotation at the AGM and, being eligible, offer themselves for re-election; and

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

(7) Concerning agenda item 4 of this Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of Members at the AGM, Ernst & Young be re-appointed independent auditors of the Company for the year ending 31 July 2016 ("**Year 2016**"). Members should note that in practice, independent auditors' remuneration for the Year 2016 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditors are being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditors' remuneration as operating expenses for the Year 2016, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for the Year 2016 is required, and is hereby sought, at the AGM.

(8) A circular containing details regarding Ordinary Resolutions Nos. 5(A) to 5(C) will be sent to Members together with the Annual Report of the Company for the Year.

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

(10) If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 7:00 a.m. and 5:00 p.m. on the date of the AGM, the AGM will be postponed and the Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice posted on the respective websites of the Company and the Stock Exchange.

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

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

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